OUT OF AFRICA: SOMALI IMMIGRANTS BRING ENTREPRENEURIAL SPIRIT TO THE GREAT PLAINS

Riza Dogan, University of Texas at El Paso

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Susan M. Jensen, Ph.D.
Associate Professor, Department of Management
College of Business & Technology
University of Nebraska Kearney

Riza Dogan
Graduate student
College of Business & Technology
University of Nebraska Kearney
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ABSTRACT
The Great Plains have long been a magnet for immigrants, with a huge influx of settlers, mostly of European descent, moving into the area following the 1862 Homestead Act. A century later, some towns in Central Nebraska such as Lexington and Grand Island were transformed by thousands of Hispanic immigrants moving to the region to take advantage of job opportunities. In the past decade, a new wave of Somali immigrants has moved into the region, also in search of greater opportunity, bringing with them a spirit of entrepreneurship. This increased diversity has created challenges and opportunities. Providing expanded support, such as that offered by the African Development Center in Minnesota, could be one way the central Nebraska region might more fully realize the potential benefit of these immigrants.

LEXINGTON: ONE EXAMPLE OF DIVERSITY IN THE CENTRAL PLAINS
When the Nebraska Territory was established in 1854, population of the new territory grew slowly at first. According to the City of Lexington website (http://www.ci.lexington.ne.us), fewer than 3,000 new settlers joined the thousands of American Indians who lived in the region at that time. Plum Creek, as Lexington was first known, started as a frontier trading post along the Oregon Trail near the Platte River and was incorporated in 1874. Along with the establishment of the Union Pacific Railroad in the region by 1869, many new settlers arrived in the area, including both railroad workers and homesteaders. These immigrants came from many different countries, but as shown in Figure 1, were predominantly of European origin.
Over the next century, a strong agricultural economy was built from the rich farmland of the Platte Valley. Lexington became a leading producer of sorghum, corn, wheat, and beef cattle, and a major manufacturer of farm equipment also operated in Lexington. However, as described by Gouveia and Stull (1997), the region was hit hard by the farm and debt crisis of the 1980s. Farm bankruptcies and the closing of the Sperry New Holland combine factory were key factors contributing to a significant out-migration. The population of Lexington fell by 11% during that decade, businesses in the region closed, and prospects appeared bleak. By 1990, however, those trends began to reverse, when IBP, the world's largest meat processing firm at the time, opened a beef-packing plant in Lexington. According to an article in the *Lexington Clipper-Herald*, IBP actively recruited new labor, primarily from Mexico and Central America and more than 2,000 people worked at the plant by February 1992. Data from the 2000 U.S. Census indicate the Nebraska Latino population grew faster than any other population group during 1990-1995.

The arrival of this new wave of Latino immigrants initially created tremendous strain on the Lexington school system, housing market, and social services (Gouveia and Stull 1997).
Positive impact was also evident, however, as downtown Lexington was revitalized with the opening of new businesses that helped to increase the tax base for Lexington and offer expanded options for consumers.

According to the 2010 data from the Immigration Policy Center, Nebraska is home to more than 112,000 immigrants as of 2010 and around 40% of them are naturalized U.S. citizens eligible to vote. These immigrants account for tens of millions of dollars in tax revenue and consumer purchasing power. For example, the 2010 purchasing power of Latinos in Nebraska totaled $3.3 billion, an increase of more than 870% since 1990.

Foreign born immigrants (Latino, Asian, European and African) constitute a growing share of the population and economy in the Nebraska. The percentage of foreign-born in Nebraska`s population was 1.8% in 1990. It more than doubled to 4.4% in 2000 and increased again to 5.9% in 2010, with immigrants comprising 7.4% of Nebraska`s total 2010 workforce, according to the U.S. Census Bureau (2003; 2010). This relatively small, but growing, base of immigrants constitute a critical component of Nebraska`s labor force and tax base.

In recent years, African immigrants started to comprise a more significant portion of the immigration flow. More African immigrants have come to the U.S. since 1990 than had migrated between the two continents in the previous 180 years (Shandy and Fennelly 2006). Severe economic difficulties, political instability, and violence forced many Africans, particularly those from Ethiopia, Sudan, and Somalia, to immigrate to Europe and the United States. Although these immigrants often are attracted to major cities like New York, Chicago,
and Los Angeles, a growing number migrate to small and mid-size cities like Grand Island and Lexington. By 2007, a new wave of immigrants from Somalia came to the Central Plains region, many of them seeking refuge from their war-torn home and taking advantage of employment opportunities at the meat-packing plants in Grand Island and Lexington. Omar Abib, a Somali refugee profiled in the AP article “Africans Bring New Face to Changing Nebraska Towns”, describes Lexington as a “good town with good money” with potential for “cheap living in a quiet town” surrounded by fellow Somalis (Lincoln Journal Star 2007). These Somali immigrants move to the region in search of jobs, education, safety, and hope for a better life for their families. This desire for a better life is similar to that demonstrated by the earlier wave of Hispanic immigrants to Central Nebraska. In addition, similarities are noted in how some Hispanic and African immigrants create new businesses that enrich the Central Plains region.

**IMMIGRANTS AND ENTREPRENEURSHIP**

Entrepreneurs have been described as those who identify opportunity and integrate the necessary resources, including money, people, strategy, and risk-bearing ability, to create a viable business (Barringer and Ireland 2012). Entrepreneurs are known to be alert to opportunities, but immigrant entrepreneurs may in fact, be even more alert than those who are native born. Historically, the self-employment rate has been higher for immigrants than for native born Americans (Light and Sanchez 1987), and recent surveys show that immigrants continue to be more likely than native workers to choose self-employment and launch their own business (Current Population Survey 2011). A 2007 survey of Massachusetts Biotechnology Association members showed that about 25% of the firms were started by at least one immigrant entrepreneur (Monti et al. 2007) and Saxenian (2002) argues that immigrant entrepreneurs
played a significant role in the growth of the Silicon Valley technology sector. Further, a June 2011 report by the Partnership for a New American Economy found that immigrant entrepreneurs established 18% of all Fortune 500 companies.

According to the U.S. Census Bureau’s Hispanic-Owned Business Report, there has been tremendous growth in the number of Hispanic-owned businesses in Nebraska. This study cites more than 3,000 Hispanic-owned businesses in the state in 2007, an increase of more than 56% from 2002 (U.S. Census Bureau 2007). Entrepreneurial activity generates not only an economic impact, but can also include crucial non-economic effects such as the creation of vibrant ethnic communities, social integration, and the development of entrepreneurial spirit and role models for immigrants (Elie and Lin 2010). No data is yet available regarding the growth of Somali-owned businesses in Nebraska, but a walk through the downtown area of Lexington offers evidence of new ventures (F. Council, pers. comm. 2012) and potential for growth.

**CHALLENGES AND NEEDS OF SOMALI ENTREPRENEURS**

All entrepreneurs face challenges in establishing and managing a new venture, but immigrant entrepreneurs also have to deal with language barriers and complex immigration policies. Saxenian (2002) stated that policy makers need to recognize the changing relationships between immigration, trade and economic development in an increasingly global economy. Most recently, the 2012 report “Immigrant Entrepreneurs: Creating Jobs and Strengthening the Economy” a joint effort between the Immigration Policy Center and U.S. Chamber of Commerce, argues for eliminating the bureaucratic procedures that restrict entrepreneurs trying to emigrate to the U.S. and suggests a new visa category should be created specifically targeted for immigrant entrepreneurs who want to establish a U.S. enterprise and create jobs.
Family tradition, migration motives, cultural norms, and religion affect immigrants' entrepreneurial behavior. Demographic data and academic research focused on African immigrants and entrepreneurs in the U.S. remains quite limited, but initial studies highlight particular challenges faced by Somali entrepreneurs. For example, Casey et al. (2008) found that immigrant African women in New York City struggled with language skills and negotiating legal issues, particularly those related to immigration status. These immigrant African women also faced racism and reported high levels of stress from attempting to integrate American and African cultures.

Religion also appears to present challenges for Somali immigrants, evidenced by the walk-out of Somali workers at the Grand Island meatpacking plant in 2008 who demanded prayer times consistent with their Muslim faith (Semple 2008). No significant labor disputes have yet been evident at the Lexington meatpacking plant but Doty's 2010 article in the *Lexington Clipper-Herald* states "nearly 2,200 Somali natives now in Lexington are in dire need of language services to integrate and be a productive and safe part of the community". Recent interviews with Somali workers at the Lexington plant indicate misunderstandings still occur, often resulting from those cultural and language differences (F. Council, pers. comm. 2012).

The Muslim religion does recognize business activity and entrepreneurship as part of ibadah or "good deed", and various sections of the Koran encourage economic and commercial activity (Lewis 2001). Entrepreneurship in Islam is a means of thanking God, and a way for Muslims to help their community (Kayed and Hassan 2010). Interviews with Somali immigrants in Lexington confirm this strong desire for self-employment, and the belief that business ownership is "divine" (F. Council, pers. comm. 2012)
Obtaining the funds needed to launch and operate a new venture, however, can be particularly challenging to African immigrants in the Central Plains. Islamic law prohibits usury, so when obtaining the monies needed for the business venture, Muslim immigrants must rely on their own savings or funds from family and friends, rather than obtaining a conventional loan that requires the payment of interest (Altinay and Basu 2002). The Muslim Somali immigrant community, such as that in Lexington, typically supports one another and provides the resources and networks that can foster entrepreneurial activity. Yet the insular approach common to Somali immigrants also has potential to limit the growth and sustainability of their business ventures.

Nine Somali-owned businesses currently operate in Lexington, including grocery stores, restaurants, and other small retail businesses. Yet, the customers of those businesses are almost exclusively Somali, and there is little interaction between these new Somali-owned ventures and other businesses operating in Lexington. Conversations with Somali entrepreneurs typically included discussion of the difficulty of attracting non-Somalis to these businesses. As one Somali woman noted, "these businesses become hang-out places for Somali men, which seems to make Anglos and Hispanics uncomfortable about entering the store" (M. Nur, pers. comm. 2012). This is consistent with Tesfom's (2006) study of African immigrant entrepreneurs in the Seattle area, which found that the strong social networks of immigrants can create a sense of isolation from non-African residents. Personnel at the Lexington Chamber of Commerce also confirmed there had historically been no significant interaction between Somali-owned businesses and the rest of the Lexington business community (S. Bennet, pers comm. 2012). However, this is anticipated to change, as a well-respected Somali female elder joined the Chamber Board in 2012 and will serve as a diversity liaison.
Beyond the challenge of expanding their customer base, these Somali business owners also indicate they don't know where to find the help needed to comply with regulations, and often learn how to operate via the "trial by fire" approach, further hampered by language barriers (F. Council, pers. comm. 2012). Lack of awareness of services available to support entrepreneurs is not a problem unique to the Somali community. For example, Zinger and colleagues (1996) found that entrepreneurs in general demonstrated low levels of awareness of services and a skeptical attitude toward government programs for entrepreneurs. However, language barriers appear to further exacerbate the problem of awareness and use of services provided to entrepreneurs. The study of African immigrant women entrepreneurs in New York City found the number of Africans being served by entrepreneurship support agencies to be “problematically small” and highlighted the need for services provided in African languages (Casey et al. 2008).

According to the 2012 Immigration Policy Center report, immigrant businesses are often completely disconnected from business management and financial assistance programs available to entrepreneurs. Multiple reasons are cited for this disconnect, including immigrant business owners’ mistrust of government, lack of language and cultural knowledge, and failure of community-based organizations to engage with neighborhood immigrant entrepreneurs. To better leverage the entrepreneurial potential of the Somali immigrants, the Central Plains region might consider the model that has generated significant success in Minnesota.

**TARGETED ASSISTANCE FOR SOMALI IMMIGRANT ENTREPRENEURS**

While research evidence on African entrepreneurs is limited, the non-profit African Development Center (ADC) of Minnesota appears to provide an effective model to support the
Somali's entrepreneurial spirit. There were no significant Somali businesses to speak of in Minnesota in 1994, however, by 2008 it was estimated there were over 550 Somali-run and managed businesses in the state of Minnesota (Samater 2008). The mission of ADC is to "work within the African communities in Minnesota to start and sustain successful businesses, build wealth, and promote community investment" (http://www.adcminnesota.org/). The executive director, Hussein Samatar, was a refugee from Somali who has years of commercial banking experience and an MBA from St. Thomas University. Funded by a combination of public and private donors, the ADC offers programs focused on business development, home ownership, and financial literacy, all provided with respect to cultural norms and available in eight languages. The ADC helps immigrant entrepreneurs throughout Minnesota expand their social networks, recognize the benefit of more formal planning, and navigate regulations, licensing, tax issues, and local codes. Challenges faced by Somali entrepreneurs are addressed at ADC, including lack of planning, market isolation and saturation, wasted wealth, and poor financial management. The ADC also highlights the small minority of Somali entrepreneurs who do write a business plan, consult with attorneys, have bookkeeping services and effectively manage and grow their businesses. These entrepreneurs serve as role models for others and have helped create a more informed, yet still culturally respectful, network of Somali businesses.

The ADC also provides microloans for entrepreneurs and has led the way nationally in developing asset-based financing (described as “Murabaha” in Arabic) as an acceptable form of credit under Islamic law. Instead of extending interest-based credit, ADC purchases necessary assets (typically equipment or inventory) and re-sells them to the ADC client at an agreed profit (http://www.adcminnesota.org/). Further, the ADC readily admits their efforts, and those of
other non-profits, must focus more on helping Somali entrepreneurs enter mainstream markets, and find more ways to heighten awareness of the resources available. Working with the Rochester Chamber of Commerce, the ADC conducted a survey of Somali businesses in 2011. Of the 30 businesses surveyed, 63% stated they were not aware of the training, tools, and services provided by the Rochester Area Chamber of Commerce. In addition, only 14% of respondents indicated they had a significant level of interaction with non-Somali businesses, industries and consumers in the region (Rochester Area African Business Survey 2011).

The ADC is a leading example of ways to more fully cultivate the potential of Somali entrepreneurs. Replicating this model in the Central Plains would demand significant collaboration between existing service providers, private donors, and business community leaders, but Nebraska towns like Lexington could learn from the ADC model and identify viable ways to foster the Somali immigrants' entrepreneurial potential.

CONCLUSION

Immigrant entrepreneurs confront numerous challenges in the creation and operation of their business ventures, including language and cultural barriers, finding capital, accessing the right networks, and learning about tax codes and other regulations at city or state levels. In addition, accessing the broader (non-immigrant) consumer market is a key aspect necessary for sustained success. Simplifying regulations, reducing or consolidating fees, and providing technical assistance would be welcomed by all immigrant entrepreneurs and business owners (Pearce 2005). The Central Plains could look to the innovative model set forth by the African Development Center in Minnesota and identify ways to adapt that approach to fit the needs and
resources available in the region. The city of Lexington offers one example of the challenges and opportunities created by an increasingly diverse population. Appreciating and addressing the unique needs of Somali immigrant entrepreneurs can better enable them to achieve their goals, expand the Lexington business community, and allow all Nebraskans to more fully reap the rewards of the state's growing diversity and entrepreneurial spirit.
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