

Mindsets that Build Bridges across Cultures and Champion Latino Small Businesses

By Dr. Diana Morelli-Klima

CAPITALIZING ON THE ECONOMIC POTENTIAL OF LATINO ENTREPRENEURS

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mindsets that build bridges

ACROSS CULTURES AND CHAMPION LATINO SMALL BUSINESSES

By Dr. Diana Morelli-Klima

INTRODUCTION

While many services exist to support small businesses in the state of Washington, only a small portion target those with less than \$250K in annual revenue. Even fewer services are available to accommodate the special considerations in assisting Latino entrepreneurs who often hesitate to seek help from a business advisor, fearing that they will be looked down upon or overwhelmed by the information. They may be embarrassed over not being able to speak English well or not having a high educational background or not understanding the American way of doing business.

This hesitancy in seeking help can result in business failure. A program aimed at this group's special needs can help overcome this hesitancy, along with other barriers to success. Recognizing the growing need for such services, the Economic Development Association of Skagit County (EDASC), in Washington, created the Latino Business Retention and Expansion Program (LBRE).

Hispanic-run small businesses across Washington range from a single individual offering a table of handmade wares at a county fair to well-managed, product-focused enterprises with many employees. Distinct from mainstream businesses, Hispanic business owners typically experience the following when attempting to establish or grow a business:

- Limited (or no) access to capital for launching a new business or expanding an existing business;



Cross-cultural leaders working together. From left to right: Dr. José García-Pabón, Washington State University Extension Professor; Cristobal Guillen, President/CEO, Washington State Hispanic Chambers of Commerce; Washington Governor Jay Inslee; Dr. Diana Morelli-Klima, Director, LBRE Program.

- Inadequate (or a complete lack of) business information in their preferred language regarding rules, regulations, and government policies relating to entrepreneurship and small businesses;
- Lack of venues for communication and/or lack of confidence to search for and request assistance;
- Insufficient role-model mentors and guides for strategic planning;
- Inexperience in organizational planning, sales, and marketing; and
- Non-existent management and leadership training at the level Hispanic owners need to apply to their businesses.

According to a 2011 paper by U.S. Census Bureau Demographers Jennifer Ortman and Hyon B.

Dr. Diana Morelli-Klima is director of the Latino Business Retention and Expansion Program of the Economic Development Association of Skagit County, Washington. (diana@skagit.org)

(All photos by Kenneth Klima.)

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Latino communities are now viewed as business and employment generators. The Economic Development Association of Skagit County (WA) established the Latino Business Retention and Expansion Program (LBRE) in 2004 to provide one-on-one business counseling and broad-based support for Latino entrepreneurs and business owners for start-ups and business expansion. In helping these entrepreneurs overcome the many barriers they face, including limited collateral, lack of credit history, language barriers, and a lack of understanding of government and business processes, LBRE has developed innovative approaches to serving this rapidly growing community. This article discusses the unique challenges Latino entrepreneurs face, describes strategies to overcome these challenges, and provides a personal perspective on mindsets that can build bridges across cultures. LBRE is now serving as a model for a statewide initiative.

LBRE's goal is to increase opportunities for Latino entrepreneurs and business owners so they can create and expand their businesses.

Shin, "the number of Spanish speakers is projected to rise nationally through 2020 to between 39 million and 43 million." Washington is ranked 13th in the U.S. in the size of its Hispanic consumer market, with Hispanic buying power projected to reach \$1,402 trillion by 2014. From 1990-2008, Hispanic buying power in Washington is said to have grown 494.5 percent.

Between 2002 and 2007, the number of Hispanic-owned businesses in Washington grew 73.6 percent, with 12.2 percent having revenues over \$1 million. In 2011, the U.S. Census stated that there were 17,810 certified Latino owned firms, out of 531,023 total firms in the state. (U. S. Census Bureau Quick facts) Skagit County is 17 percent Latino, while Mount Vernon, the city where LBRE is located, is 33 percent Latino – a substantial population.

Created and sustained by EDASC, LBRE began in 2004 and is now the only program of its kind to have found long-term success in the state of Washington. For the first year, the program was run on a part-time basis (full-time beginning in 2005) and was funded by Skagit Valley College, the U.S. Department of Commerce, Bank of America, and Small Business Development Centers. LBRE now receives funding from the Small Business Development Centers, the Local Initiatives Fund of RSF Social Finance, the NW Area Foundation, and EDASC.

With a 12-member Latino Advisory Board, LBRE is housed in the offices of EDASC, which provides a support staff for the program's director. LBRE's goal is to increase opportunities for Latino entrepreneurs and business owners so they can create and expand their businesses. Since its inception, LBRE has assisted these business owners in securing over \$2.5 million in loans, with an additional \$335,000 for two separate businesses in 2013 – a beauty salon and a contract services company for a nationally known chicken processing firm.

Other loans have funded a varied group of businesses and services, including an automotive shop, a new/used car dealer, an insurance company, a bi-lingual newspaper, and a Mexican grocery store. This group also includes three restaurants, a Peruvian import business, two construction companies, a painting company, a bi-lingual childcare facility, a taco truck, a health-care facility, and a butcher shop.

BENCHMARKS FOR SUCCESS, RELEVANT QUANTITATIVE AND QUALITATIVE STANDARDS

As with most successful people-oriented endeavors, it is essential to develop criteria that allow "success" to be measured. LBRE's benchmarks routinely exceed the usual metrics of loans made, contacts and client numbers.

Another important definition of success for the program is "the realization of a worthy intention." However, sometimes the "worthy intentions" of entrepreneurs can conflict with the very support program that was designed to serve their best interests in the early stages of their entrepreneurial life.

If businesses are to survive and thrive, owners need to increase assets and profits so they can support their families and contribute to their community in a significant way. To accomplish this, a business education and cultural competency in the host country are essential. However, the American approach to helping the Latino entrepreneur is often more threatening than engaging. As a result, new Latino entrepreneurs can quickly become discouraged and cease participating in gaining the very business knowledge they need.

Many beginning Latino entrepreneurs are unfamiliar with the language of business success – so unfamiliar as to consider the "necessities" of a successful business as unnecessary complications that are unrelated to achieving their immediate goals and, ultimately, their worthy intentions.

What many Latino entrepreneurs think of as "unrelated complications" include a vocabulary that is commonplace to most business advisors: the need for business plans and cash-flow projections, plus on-going dependence on and reference to the most common reasons for business failure, which include such concepts as poor management, insufficient capital, poor record keeping and of course, IRS troubles.

To many aspiring Latino entrepreneurs, these basic concepts are "out of context," threatening, and anticipating problems before they become unfixable is unimaginable. For a person who does not know how to turn on a computer, much less type, write, or speak English, how is computer training a possibility? Using the standard approach with many Latino entrepreneurs, new American advisors trying to help them are likely to fail, often reaching the point of a diminishing flow of Latino clients.

LBRE's approach stresses that it is essential to listen initially to new Latino entrepreneurs while acknowledging that barely literate business aspirants can and do run successful businesses. Clients express and are motivated by a strong desire to be their own boss and to create a stable future for their children. In other words, for the most part, "new" Latino entrepreneurs who are deciding to open a business do not appear to correlate their future success in business with business basics, but rather with achieving a life-long dream: the dream of building a better life for their family and a future for their children. To achieve



A new Latino enterprise in Ferndale.

this, it is commonplace for clients to work seven days a week, 10 to 12 hours a day, without complaint; but the suggestion of a computer course will cause them to drop out of the program.

Rather than describing the necessity for a business plan or any other business basics, LBRE has found it's more appropriate for a business advisor to begin interacting with a Latino client by helping to solve their immediate crisis situation, which is usually the reason for contacting the program. These situations can range from a pending foreclosure on a home or business, the realization that bankruptcy is imminent, and a letter of demand from the IRS to a threat from Labor & Industries (a state agency) or the sudden recognition that one cannot pay insurance fees because they have doubled during the last six months. LBRE's best referral sources are word of mouth that reflects a client's satisfaction; positive leadership and visibility within the Latino community; and professional recommendations from bankers, attorneys, and insurance agents.

MEETING CLIENTS WHERE THEY ARE

The most frequent challenges facing Latino businesses are eased if one is able to establish rapport and address their immediate needs in a practical way. Although a combined lack of knowledge and business experience are often the root causes for their dilemma, it is more productive to focus on their current crisis rather than innumerate the daunting list of intimidating educational requirements they should achieve. But after a crisis, especially if a positive outcome is achieved, clients are motivated to learn because they don't want to land in the same difficulty again. These challenges often serve as catalysts for positive changes that include a willing acceptance of the need for additional education. Clients seek help for many reasons, including:

- Lack of a written leasing contract, landlord verbal commitments not met, and imminent foreclosure;
- Being informed they are out of compliance with city/state/federal business regulations, and a fine is being attached to the infraction;
- Insurance and bonding problems;
- Budgeting and cash flow issues;



Everyday's a "Fiesta" in a "Tienda Mexicana."

Since LBRE offers individualized, confidential business consultation in Spanish, as well as group training, it is imperative that, in both instances, hands-on, personalized, culturally appropriate assistance be provided.

- Lack of understanding and following correct accounting procedures;
- Problems in opening business bank accounts;
- Lack of savings to support the business, especially when taxes are due;
- Issues involving hiring and training employees;
- Not following Labor & Industries or Department of Revenue regulations;
- Paying huge insurance premiums, especially in the construction field;
- Lack of a bidding system for construction jobs;
- Lack of literacy and language understanding;
- Lack of medical insurance; and
- Lack of computer literacy leading to a lack of Internet presence.

To reiterate: LBRE has found it is essential to meet clients where they are, instead of where good business practices would suggest they should be. ESL classes, computer training, financial literacy programs, or any other kind of immersion into our American education system are not addressed unless the client specifically requests such information.

THE NEED FOR EXTENSIVE TECHNICAL ASSISTANCE IN LOAN PACKAGING

It is impractical to simply supply handouts and send clients home to do their homework. Under this model, they cannot succeed as demonstrated by the fact that they almost never return with the work completed. Since LBRE offers individualized, confidential business consultation in Spanish, as well as group training, it is imperative that, in both instances, hands-on, personalized, culturally appropriate assistance be provided.

This individualized approach is essential in helping clients procure business loans. About half of LBRE's clients have less than five years of education from their native country. They speak some English but cannot write well, let alone write in English. At the same time, they have acquired a great deal of expertise in their chosen profession – as a chef, a mechanic, a master furniture builder, a plumber or a carpenter. Their work ethic is formidable; they pay taxes, save money, and prosper. With these qualities operational, they decide the time has come to open or expand a business. In order to expand, they need capital – a bank loan. The process of actually applying for a loan requires many skills that are unfamiliar to them. Clients often have a lack of computer skills as well as little or no understanding of a business plan,



Creating trust with clients.

a résumé, cash flow projections, budgeting, Labor & Industries requirements, licensing, etc.

Clients have to figure how to navigate and survive face-to-face banking inquisitions from well-intentioned American bankers – which truly is a very big deal. As a result, it is essential that business advisors to Latinos carry the responsibility for their clients. The individualized American concept of “selling yourself” does not compute in the collectivistic consciousness of Latinos. Although what they have to offer is every bit as saleable as what others are able to offer, they consider it bragging to assertively highlight their talent, skills, and expertise.

ESTABLISHING A TRUSTING RELATIONSHIP WITH CLIENTS

Latinos value the trusting relationship more than most Americans can imagine. As with most human interactions, a show of empathy, attentive listening, and the ability to speak the same language are very high on the list of trust builders. For the most part, it is unacceptable to get down to business in the first meeting, or even to understand the reason for the visit. If enough trust has been established, clients will eventually explain what really brought them in, including serious debacles like bankruptcy, imminent loss of the lease for their established business, or a pending IRS audit. Following are some tips to successfully establish this trusting relationship with new Latino clients:

- Speak Spanish in a way that mirrors the client's vocabulary and level of understanding. Seldom will a Latino admit that he or she does not understand, but if an advisor uses technical business terms or tends to refer to “cash flow projections,” there will be little real communication.
- Sometimes clients might not be able to read or write so at LBRE, entrepreneurs are not routinely asked to “sign in.” Usually, literate clients request the form and quickly write out the necessary information themselves.
- Humor can easily be misinterpreted, due to linguistic and cultural differences, and it does not break the ice for most Latinos, even as a way to begin a meeting. It often takes quite a bit of courage for a Latino to seek advice in the first place. Most often he or she believes the problems are either unsolvable, or not

worth taking seriously. A serious, attentive interaction produces a much better outcome.

- The impossible is possible. It is essential *not* to make snap judgments about the feasibility of a client's requests. Yes, a loan is possible with mediocre credit, little collateral, after bankruptcy, and without citizenship – especially if the advisor assumes responsibility for creating the loan package wherein the banker is given an opportunity to “know” the client and respect his or her abilities. Without this very labor-intensive kind of help (which includes gathering testimonials and making multiple visits to the client's business, as well as gathering information in a way that does not stress the client), most clients will become discouraged and not try to get the loan they need. When the creation of a loan package is described as a complicated process, complete with procedures that Latino clients do not understand, they are overwhelmed and give up their quest.

TECHNIQUES FOR HELPING CLIENTS PROVIDE THE RIGHT INFORMATION

In gathering information to write a loan package, the key is to begin with things the applicants understand and can successfully deliver. A business advisor can get the needed information in a way that is much less daunting to a Latino loan seeker. For example:

- Banks require three years of income tax returns; copy the originals and return them to clients. Do not begin the loan process without this data.
- Ask approximately how much money they'll need to borrow and exactly how they'll use every penny. If it's for equipment, for instance, applicants should determine approximately how much each item costs. For example, a recent client provided a detailed equipment list for 25 construction tools with exact costs for each, down to the penny – demonstrating his extensive technical awareness for the loan reviewer.
- If necessary, help complete a bilingual business plan questionnaire. This is a reference work from which to write the actual loan application, including a business plan.
- Obtain two pages of a life history (ultimately the résumé the advisor will compose), one each for both

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LBRE is now being used as a model for a statewide program called Assistance for the Financial Health of Latino Businesses (ASFINLA is its Spanish acronym).

husband and wife. Include names, ages of children, years of schooling and training of any type, skills, community activities, volunteering, and previous jobs. List each child's talents and activities, which serve to humanize the loan client in the eyes of the loan reviewer. Following is a brief excerpt from an actual client description that highlights her exceptional dedication to the community – a client with a low credit score and little collateral. But the loan was granted and her business is thriving.

Ana immigrated to the United States and has lived in Skagit County since 1990. As described in a Skagit Valley Herald News article from December of 2010 – ...A single mother of two, Ana struggled to make ends meet until community volunteers came to her aid. ...She now lives in a Habitat for Humanity House in La Conner and owns her own hair salon." For the last two and a half years, Ana felt she was able to give back to the community – so donated 1,000 haircuts to the Skagit Valley Herald's Christmas Fund for children.

- Ask clients to gather testimonials from happy customers. Clients do so readily and receive authentic accolades.
- Clearly communicate that the appearance, spelling, and grammar, etc. are not important for the business plan questionnaire or the two-page history and that it's not important to totally complete these items. A business advisor can take down the information orally for those who cannot write.
- Clients generally accomplish these step-by-step requests easily. Don't create time pressure or other intimidating rules and regulations.

TIPS TO HELP BRIDGE OTHER CULTURAL GAPS

Many clients come for help with either a loan or to start a new business, and say they have no idea how to get started. Help them by simply listening. Discover who they are, what they think they want, and their expectations. Once they are ready to get down to business specifics, cover some of the following topics:

- Feasibility, experience, and potential costs;
- Business licenses, relevant government agencies, and non-compliance fines;
- Renting, leasing, contracts, and costs;
- Bi-lingual accountants and costs;
- Insurance and attorneys and costs;
- Cash, keeping receipts (Help clients avoid the "kitchen sink" syndrome, in which they save all their

receipts for the year and give the box to their accountant to sort out);

- The need to keep business bank accounts separate from personal accounts; and
- A warning never to hire an undocumented relative to work in their business, even if they are undocumented themselves. In Washington, the fine is \$10,000.

During the research phase of the client-advisor interaction, some very touching life-stories emerge – ones that later can be used in the loan package. Since the five key elements a borrower should have to obtain credit include character (integrity) as well as capacity (sufficient cash flow to service the obligation), it is essential to help a client portray himself or herself appropriately.

THE REWARD OF HELPING A CLIENT BECOME SUCCESSFUL

Taquería El Milagro- The Miracle Truck

Gonzalo wasn't exaggerating when he named his Mexican restaurant-on-wheels Taquería El Milagro – "the miracle truck." He was born in a small town in Mexico called Vicente Guerrero in the State of Michoacán. His earliest memory occurred at the age of four: the memory of his own cries as he called for his mother and watched her back as she disappeared down a long dusty road. She never returned.

At the age of seven, he began working in the fields in Mexico, before finally making it to the U.S. and settling in Mount Vernon, WA.

In March 2007, he sought a loan from LBRE without collateral or established credit. But he did not give up. About six months later, he announced that he had saved every penny he could to buy a food truck and had established credit. After saving \$8,000 to buy his food truck, it was given to him as a gift – a miracle. He also calls it a miracle that he was able to heal and continue his business after a propane tank exploded, burning his face and scarring his hands. He also called it a miracle to receive two micro loans through LBRE, totaling \$9,500.

Now the proud owner of a successful taco truck business, he is already thinking of expanding. To top it off, Gonzalo was voted the "Best Bite" for his beef tacos at the Bite of Skagit in 2010.



Proud owner of Taquería El Milagro, Gonzalo Huatrón.

A MODEL FOR A STATEWIDE PROGRAM

LBRE is now being used as a model for a statewide program called Assistance for the Financial Health of Latino Businesses (ASFINLA is its Spanish acronym). Funding this expansion model are EDASC, Washington State University Extension, Washington State Association of

Hispanic Chambers of Commerce, and Washington State Small Business Development Centers.

The most immediate challenges facing LBRE's expansion lie in the need to gradually transform the agrarian worker into a knowledge worker, so, for example, that the former becomes computer literate and can market his or her own value-added farm products. The curriculum for the ASFINLA program addresses this need on a level that at first glance appears to be too basic. At the same time, the statewide training schedule addresses the actual needs of new Latino entrepreneurs, in three areas:

- Keeping a calendar, scheduling activities, keeping appointments, meeting deadlines, arriving on time;
- Composing a resume, i.e., recording the story of a client's life, valuing their real attributes, and building self-esteem; and
- Budgeting, record keeping, planning ahead, formalizing contracts, gaining technical experience, and competency.

CONCLUSION

To meet the needs of all our talented Latino entrepreneurs, we, the business advisors, must transform our models and methods of providing assistance and adapt to the culture and psychology of the clients we serve. If we are to help, we must assume the responsibility for understanding our client's values, dreams, and frame of reference, respecting the limitations these guiding principles for their lives may impose on our work.



Successful start-up by Lorenzo Velasco has grown to three Lorenzo's Mexican Restaurants, named Latino Business of the Year in 2006 by LBRE, the Washington Latino Business Association, and the Washington State Hispanic Chambers of Commerce.

Some clients may never clearly understand a loan process or a balance sheet or the idea of positioning their business in the marketplace nor many other business concepts, but they can still realize their dream. They can provide incredible products and services, create loyalty with their customers, contribute to their communities, and provide a wonderful life and a lasting legacy to their families. By understanding and assisting these entrepreneurs in the ways they can receive help, what at first seems to be an impossibility can become a surprising and rewarding reality. ☺



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