A Rural Service Provider’s Guide to Immigrant Entrepreneurship

University of Northern Iowa
Regional Business Center/Small Business Development Center
Iowa Center for Immigrant Leadership and Integration
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The purpose of this guide is to help rural economic development leaders, small business development centers (SBDCs), microenterprise agencies and chambers of commerce to understand Latino entrepreneurship and to offer some best practices from those working in the field to better serve this growing segment of the business community. This publication and the accompanying web resources are based on research conducted by the Iowa Center for Immigrant Leadership and Integration (ICILI), coupled with rural revitalization strategies developed at the UNI Regional Business Center (RBC). Both programs are located at the University of Northern Iowa (UNI) in Cedar Falls, Iowa.

While this guide focuses upon the unique needs of Latino entrepreneurs, the recommendations and practices found here may be applicable to providers serving other immigrant entrepreneurs in rural regions of the country.
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It is a challenging time to be an economic development professional in rural America. Over the past several decades, rural regions in all 50 states have experienced economic decline in the agricultural sector and natural-resource industries, followed more recently by a rapid out-migration of rural manufacturing. In the Midwest, farmers who once made up 30 percent of the rural population now make up less than two percent. In the Southeast and Northwest, timber, coal, fisheries and other natural-resource extraction industries have consolidated, leaving many geographically isolated regions without anchor employers. The more recent global out-migration of the manufacturing sector has resulted in record-breaking bankruptcies and high levels of rural underemployment. Across the country, rural economic development leaders are confronting the grim realities associated with these trends, including the out-migration of youth and families, an aging work force, a declining tax base and the erosion of rural America’s once touted quality of life.

At the same time, a new generation of American immigrants has sought out rural communities, drawn in by agricultural and niche-industry jobs, the low cost of living and, most importantly, the opportunity to create a better life. Over the past decade, these new immigrants – coming from Mexican states like Jalisco and Michoacan – have settled in rural America in record numbers. They have begun to fill gaps in the rural streetscape, populate area schools and tenant vacant housing. These new residents are largely unknown and unacknowledged by the existing development community, and their potential contribution to a rural recovery is often unrealized. Yet these new Latino immigrants represent a wealth of talent, passion and entrepreneurial zeal that could help revitalize rural America in the coming decade.

Most experts agree that rural revitalization will require a fundamental change in development strategies, a change that will promote small business and entrepreneurial development alongside traditional corporate recruitment and retention activities. Latino entrepreneurial development represents only one tool in the developers’ toolbox of strategies, but as many rural communities have already discovered, it offers an opportunity to create a new rural economic model based on the advancement of smaller, locally owned and culturally diverse businesses.
Targeted entrepreneurial development has emerged over the past 20 years as an effective strategy to turn around economically distressed regions across the United States. In the urban areas of New York and San Francisco, entire commercial districts were revitalized in the 1980s through the creation of clustered ethnic marketplaces. In the 1990s, some Midwestern urban centers successfully coupled entrepreneurial development with historical tourism by clustering antique shops with historic sites and tourist services. More recently, a West Coast ecotourism initiative has provided incentives to new entrepreneurial ventures focused on ecologically friendly products and services along coastal reefs. Today, new Latino entrepreneurship initiatives are demonstrating that targeted entrepreneurial development can also provide long-term economic benefits to rural communities.

Latino immigrants have been active participants in U.S. entrepreneurial activity over the past decade. The number of Latino-owned businesses grew 31 percent between 1997 and 2002—three times the national average for all businesses. The nearly 1.6 million Latino-owned businesses generated nearly $222 billion in revenue, up 19 percent from 1997. In addition:

- In 2002, nearly three in 10 Latino-owned firms operated in construction and other services, such as personal services, and repair and maintenance.
- Retail and wholesale trade accounted for 36 percent of Latino-owned business revenue.
- There were 29,184 Latino-owned firms with receipts of $1 million or more.
- There were 1,510 Latino-owned firms with 100 employees or more, generating more than $42 billion in gross receipts.\(^1\)

A growing segment of this new business development is happening in rural states where Latino immigrants are settling in record numbers. Although most foreign-born residents still reside in traditional “gateway” states like California, Texas and New York, a multitude of other states are now experiencing rapid growth in newcomer populations. North Carolina, Georgia and Nevada saw over 200 percent growth in their foreign-born populations between 1990 and 2000. Similar growth rates were recorded in other predominately rural states like Kansas and Iowa. In Iowa
alone, Latino immigrants made up nearly 80 percent of the entire state’s population growth between 2000 and 2004.²

Many of these first-generation Latino business start-ups are small service or retail sector operations. This is simply reflective of the socioeconomic status of most new immigrants. Over time, these initial small companies have the potential to grow and prosper, creating a launching pad for future generations of Latino entrepreneurs in rural communities. While this business matrix doesn’t offer significant economic impact in the short run, the long-term benefits to rural communities from these “lifestyle businesses” can be substantial.

Lifestyle entrepreneurs are critical to development efforts because they a) set the example for others in the community to follow, based upon the premise of “Well, if they can start a business, I certainly can,” and b) fill niche markets that larger companies cannot fill due to low profit margins. For that reason these smaller firms keep larger business and professionals in the community by providing needed goods and services that would otherwise not be available.

According to Brian Dabson, associate director of the Rural Policy Research Institute, rural communities have simply become too reliant upon a few major employers. He states that “agriculture, natural-resource extraction, or a single manufacturing plant often
dominate a rural community, with most local institutions geared to serving that industry and its employees. This lack of economic diversity may not be a problem in good times…but when farm prices collapse, natural resources are exhausted, or the branch plant leaves town, there is little capacity to withstand the consequences of the change in fortunes.  

Over time then, the addition of 10 to 15 new lifestyle businesses in a rural community can make a big difference. Small firms diversify the mix of business and industry, insulating the economy from economic flux. A cluster of 10 diverse companies, each employing five to 15 people, will be less impacted by economic downturns than a single company employing 100. 

Programs that provide support services to entrepreneurs have found that companies supported by comprehensive business assistance services tend to stay in the region where they received those services – a phenomena called “stickiness.” This has strong implications for rural regions where population and business out-migration has become commonplace.

Long term, the Latino lifestyle business of today may become the regional anchor company of tomorrow. Immigrants who find a supportive environment coupled with a feasible opportunity may, over time, grow their ventures into substantial operations. In Marshalltown, Iowa, for example, a Latino immigrant who first worked the fields of San Diego during the 1980s, recently opened his fourth restaurant in eastern Iowa. Second-generation Latino entrepreneurs offer even more promise: imbued with a family ethos supportive of entrepreneurship, a welcoming community culture, better education and access to capital than their parents, second-generation Latino
entrepreneurs may provide the spark needed to start up or launch significant business operations in rural communities. Of course, this can only be realized if Latino entrepreneurs receive the same kind of supportive services and assistance that their American counterparts take for granted.

In light of the active entrepreneurial spirit present in so many Latino immigrants, their continued influx into rural regions and the potential these individuals offer to a rural revitalization, the Iowa Center for Immigrant Leadership and Integration (ICILI) at the University of Northern Iowa conducted a study of rural Latino business owners in 2004. The goal of the study was to assess the business conditions, support programs and financing available to Latino entrepreneurs in rural parts of the state of Iowa.

Their study found that most business development activity among Latino immigrants was spontaneous in nature: it was driven by individual entrepreneurs who were largely unable or unwilling to secure outside assistance with planning, operating or financing a new or existing business. There was minimal interaction between Latino entrepreneurs and the greater business community, and
Latinos’ mistrust of service providers from the non-Latino community was prevalent. These findings mirror research in other parts of the country concerning the immigrant entrepreneur experience in the United States. The disconnect between Latino entrepreneurs and local service providers, lenders and the rural business community needs to be addressed using unique and culturally sensitive practices. In addition, it is imperative that basic business services are extended to Latino entrepreneurs. Those services include:

- A supportive community culture
- Business technical assistance and training
- Access to capital at every stage of business development
- Peer, professional and industry networks

In general, these four kinds of supportive services guide rural entrepreneurial development across the country and offer a backdrop for discussion of services unique to the Latino entrepreneur. For the purposes of this manual, these services are described as Community and Organizational Preparedness, Business Assistance, Capitalization and Networking. The rest of this publication is devoted to offering best practices in serving Latino entrepreneurs based upon the research conducted by the ICILI coupled with rural entrepreneurship development strategies proven successful elsewhere in the country.


Additional Resources and Publications

- For more information on rural entrepreneurship, visit the Center for Rural Entrepreneurship Web site at http://www.ruraleship.org.

- For the complete report “Immigrant and Refugee Small Business Development In Iowa” by the ICILI, please go to http://www.newiowans.com.

- For an in-depth look at rural entrepreneurship, the RUPRI Center for Rural Entrepreneurship has published *Energizing Entrepreneurs: Charting a Course for Rural Communities* by Deborah Markley, Don Macke, and Vicki Luther. This comprehensive book is a must read for rural economic developers. *Energizing Entrepreneurs* can be ordered at the following Web site: www.energizingentrepreneurs.org

- To network with other economic developers interested in entrepreneurship development, join the Economic Gardening listserv hosted by the city of Littleton, Colorado. E-mail isre@littletongov.org with “subscribe” as your subject. You can also join the online community of entrepreneurship service providers at http://www.myentre.net and select the Community Partners Portal beginning October 2006.
Long-term entrepreneurial success of any kind is more likely to occur in regions where entrepreneurship is culturally and socially supported. For decades, Americans viewed entrepreneurship as a high-risk, low-reward venture. During the 1990s, those perceptions began to change as innovations in technology led many Americans to start their own companies. However, some of that earlier, negative stigma still remains in many rural communities. In a 2002 survey conducted by the UNI Regional Business Center, rural entrepreneurs indicated that the social stigma associated with business failure was the second greatest barrier to starting their own business, second only to money. Changing those attitudes is critical to fostering a supportive environment for new business development. In some places, community-wide branding campaigns have been successful in changing those attitudes. For instance, a “Go For It” campaign in mostly rural Ireland increased entrepreneurship start-ups by 21 percent.

Latino entrepreneurs face the added stigma of being immigrants. The ongoing public policy debate concerning illegal immigration has created many negative stereotypes of Latinos in the United States. As a result, many Latino business owners believe they will not be accepted into the established business community. According to ICILI research, if there is a negative perception of Latino immigrants within the organization or greater business community, those perceptions need to be addressed before services to Latino entrepreneurs can be successful.

For Jacque Hahn, executive director of Howard County Economic Development in northern Iowa, creating specialized supportive services to accelerate Latino entrepreneurship had to begin with creating a cultural shift in her rural business community. “Before we could be effective in supporting immigrant-owned business, we needed to get the community behind us,” she said. “Bankers, real estate agents, property owners and many other people interact with immigrant business owners. Sometimes folks reacted negatively to immigrant entrepreneurs, often because they didn’t understand the positive things they brought to our community.” In 2004, Hahn hosted a community meeting – the first of five she held over the next two years – to change the local mindset associated with these
new Iowans. “We need to be a warm and welcoming community,” she told the group the first night they met. “We must remember that with these new residents come more students and school revenues, more demand for housing, and infill into our downtown districts as new businesses open and expand. If we are going to help ourselves, this is where we must begin.”

Over the next three years, Hahn also guided a number of small, but important initiatives that set the stage for greater interaction between immigrant-owned businesses and residents. For example, simple translation sheets have been distributed to retailers, service providers and existing industry throughout the county, offering common words and their Spanish translations to assist shopkeepers, service providers and employers in communicating with Spanish-speaking clients.

At the local community college, a popular new class called “Command Spanish” teaches Spanish phrases and key words common to specialized fields (e.g., healthcare, law enforcement, education). These limited language courses offer common ground for new and old residents to understand one another at critical moments. “It takes time and effort,” Hahn said, “but all these things have made a difference. We are much more welcoming to Latino business owners today.”

John Parker, executive director of Good Work, a North Carolina non-profit organization that helps entrepreneurs start or expand businesses, works with Latino entrepreneurs every day. He suggests that service providers should seek out existing organizations in the community that provide other kinds of support services to immigrants and create partnerships with them before directly engaging Latino entrepreneurs. In every state there are Latino church ministries, social service agencies and community colleges that interact regularly with Latino immigrants. Parker notes that those successful existing organizations are already trusted in the
Latino community. Creating linkages with them will accelerate the acceptance of organizations like the SBDC and economic development agencies. Parker further suggests that sharing staff or co-locating offices with such partner organizations can reap big rewards. “Building relationships with these service providers will form the pipeline and create a seamless network of support and referral services,” he noted. “It makes sense for a number of reasons: the challenges immigrants face with business issues overlap with their need to understand taxes, leases and other non-business regulations. In addition, over 40 percent of the entrepreneurs we see in our [North Carolina] office are immigrants; the majority of them have been in the country for less than two years. Going through an organization they already trust to obtain a new set of services (to start or expand a business) will help to build long-term relationships with those entrepreneurs.”

“In order to serve Latino entrepreneurs effectively, we must first understand their culture and gain their trust. Most of these people have had to be very entrepreneurial just to get here!”

- Victor Dau, Director of Randolph Small Business Center, Asheboro NC

Once the economic benefits of supporting Latino and other immigrant entrepreneurs are clear, the natural tendency is to quickly begin outreach efforts. The experiences of North Carolina’s Good Work program and Iowa’s Howard County Economic Development organization would indicate that planning and capacity building within your organization and the greater business community is key to building an effective and trustworthy service-provider network for immigrant entrepreneurs. The following are some other “first steps” developed by the ICILI to prepare your organization.
Action Steps

Develop a shared vision
Create a common vision among organizations in support of Latino entrepreneurship. It may be beneficial to review and revise your organization or department’s mission statement to formally recognize the intent of the organization to serve immigrant entrepreneurs. Members and staff should be able to communicate this vision in and outside of the organization.

Conduct a cultural audit
Conducting a cultural audit may help measure how well positioned the organization is to serve diverse clients. According to the ICILI, there are three key questions in a cultural audit that can be applied to working with entrepreneurs:

- How well is the organization’s vision concerning Latino entrepreneurship communicated to all staff?
- Are personnel and expertise in place to support the accommodation of Latino entrepreneurs?
- What barriers might hinder successful inclusion of Latino entrepreneurs and their unique cultural perspective and experiences into the local business community?

Establish a roadmap for Latino business services
Appoint a lead organization to welcome Latino entrepreneurs and appropriately refer them to business resources, technical assistance and training. Market the lead organization within the Latino community via the media, other service providers and direct referrals.

Send out an “undercover entrepreneur”
If you are brave, it may be useful to discover what current Latino entrepreneurs experience when seeking assistance from regional service providers. Sending an “undercover” individual to a number of agencies (e.g., SBDCs, chambers of commerce, economic development offices) to inquire about entrepreneurship assistance services may reveal gaps in service delivery.
Celebrate diversity among Latinos
Partner with other organizations in the community to celebrate diversity. Heritage or food festivals also give Latino entrepreneurs an opportunity to showcase their goods and services to the rest of the community.

Build relationships
Go shopping! Eat at Mexican-owned restaurants, shop at Latino businesses and encourage others to do the same. Stop and talk with Latino business owners. Even if the communication is difficult, becoming a familiar face will reap rewards.

Appoint a Latino board member
Appointing a Latino entrepreneur to the board of directors of the development organization is an excellent step toward inclusiveness and offers direct interaction between cultures.

Develop Spanish/English office communications
Record office voicemail messages in Spanish and English. Consider posting signage concerning hours, contact information and location of offices and restrooms in Spanish. If you can, make your organization’s Web site (and the resources posted there) multilingual.


Additional Resources and Publications
- For more information on Command Spanish® and the various curricula available, visit http://www.nicc.edu/Continuing_ed/CommandSpanish.cfm.
- For a broad worksheet on conducting a cultural audit, go to http://www.myentre.net.
- Visit http://www.myentre.net for downloadable Spanish signage for your office.
All entrepreneurs face significant start-up barriers. Complex governmental regulations, tax laws, access to financing and a highly mobile customer base keep many would-be entrepreneurs out of the marketplace. The Internet, while creating many new business opportunities and linkages to the global economy, requires that small business owners understand how to use computers and online information resources. Latino entrepreneurs must overcome these challenges, while also facing language and cultural barriers.

Language

Language is the greatest barrier to obtaining entrepreneurial development services for many Latino entrepreneurs. Even the best information is of little value if the entrepreneur cannot understand it. Proactive Latino clients will sometimes bring family members or friends to interpret for them during business meetings or in the classroom. For the service provider, this is cost-free and convenient; however, some business topics or concepts may be difficult for these interpreters to comprehend and communicate.

A professional interpreter, particularly an individual with an understanding of business practices or counseling, can be very effective in providing quality information accurately, while facilitating the flow of questions and answers between a service provider and an entrepreneur. Experienced interpreters can be found in community colleges, Latino church ministries, high schools and at other service provider offices. Some SBDCs have engaged local interpreters from social service agencies and cross-trained them in business counseling. Vital to the success in using professional interpreters is ensuring that the entrepreneur is comfortable working with a third party. SBDCs that use interpreters have developed appointment policies that include sharing the interpreter’s name and qualifications with the entrepreneur before the meeting to ensure they are comfortable in sharing their business information through that individual.

It takes some effort and experience to become effective in communicating through interpreters. The ICILI cautions against making the interpreter the center of discussion simply because
he or she represents the entrepreneur’s voice. It is very common for service providers to inadvertently turn their attention and eye focus — or offer materials — to the interpreter, rather than the entrepreneur. The ICILI offers a few other practical tips for effective communications using interpreters:

- Speak a sentence or two, then stop to let the interpreter communicate. Avoid explaining large amounts of material and then waiting for the interpreter to catch up.
- Use facial expressions and gestures to illustrate points and show emotion.
- Spend time having informal discussion with the client to help build rapport. It does not have to be all business just because there is an interpreter present.
- Speak slowly and repeat key phrases.
- Avoid using children as interpreters.

According to John Parker, a quality bilingual and bicultural interpreter is a big asset to Latino outreach efforts. He noted that, “Many of us have found that our best North Carolina consultants are those who are both bilingual and bicultural. It isn’t enough to simply speak Spanish; we need someone who has a shared cultural background and can understand what people have experienced just getting to where they are. This person can educate stakeholders in the organization as well as empower entrepreneurs.”

**Culture**

A critical first step to providing business assistance services to Latino entrepreneurs is learning as much as possible about them. While three-fourths of Iowa’s Latino newcomers come from Mexico, for example, the remaining 25 percent come from several other Latin American countries and several distinct ethnic groups. Lumping all Latino entrepreneurs together promotes the view that one set of services will work for all Latino entrepreneurs, when often a variety of services are needed. At the UNI Regional Business Center/SBDC, a good portion of the introductory meeting with a Latino entrepreneur is spent primarily learning about their educational and literacy level in their first language,
their country of origin and specific ethnicity. Services can then be effectively tailored to the client based upon what is shared.

The ICILI recommends that family members be involved in the training and development process as much as possible. This is a departure from standard American business assistance services that serve only the individual entrepreneur, but in the Latino community, major decisions regarding businesses, finances, health, and other important matters are made as families. Seldom are major decisions of this kind made by individuals.

It seems plausible to take existing business assistance materials and simply translate them for use with Latino entrepreneurs. While this is a cost effective approach, there are some drawbacks. Most American small business training materials are designed for entrepreneurs already familiar with basic business customs common to the United States. There is an inherent assumption in these materials that participants already understand basic legal, social and cultural constructs such as sales tax, payroll taxes, business leases or commercial financing. Unfortunately, many Latino entrepreneurs have little experience with or understanding of these principles and are lost when reading about them in translated materials. Determining which materials will be the most beneficial to specific Latino entrepreneurs may depend in part upon whether the individual has any previous business experience and how long the entrepreneur has been in the United States.

In Iowa, ICILI research found that only 25 percent of the Latino business owners interviewed owned businesses in their home country prior to coming to the United States. While some studies have found that number to be slightly higher, there is plenty of data to suggest that many Latino entrepreneurs would benefit from basic business start-up and operational assistance.

The Ewing Marion Kauffman Foundation of Kansas City, Missouri, has a business start-up curriculum written in Spanish, called First Step Fast Trac®, that targets Latino entrepreneurs with limited business experience. First Step Fast Trac® assists potential and start-up entrepreneurs in exploring the feasibility of their business idea. Designed to be used in a facilitator-led
classroom format, the 36-hour course covers the core elements in the business planning process. For more information on this and other Kauffman offerings, see the Additional Resources and Publications section at the end of this chapter.

For more advanced Latino entrepreneurs, the Kauffman Foundation offers a Spanish version of their standard Fast Trac® entrepreneurship training curriculum. Fast Trac® is a 10-week comprehensive program that provides small- and medium-sized enterprises with business management skills, marketing strategies, operations management and financial principles.

In North Carolina, the Rural Entrepreneurship through Action Learning program (REAL) has a Spanish curriculum called Spanish REAL. REAL is taught by bilingual facilitators and provides business start-up training to Latino immigrants.

Nearly all of the nation’s SBDCs offer a start-up curriculum, usually in the form of a short workshop, that outlines the basic requirements to starting a new business, including business planning, marketing, financing, organizing and gathering legal and accounting information. To find Spanish workshops that are available in your state through the SBDC system, visit http://www.asbdc-us.org.

There is some evidence that the longer an immigrant entrepreneur has been in the United States, the more likely they are to find more complex entrepreneurial services useful. Latinos who have been here longer tend to have stronger English language proficiency as well as a better understanding of American culture and the U.S. banking system – all skills critical to long-term business success. These entrepreneurs can usually benefit from standard business assistance services available to other rural entrepreneurs, including one-on-one business consulting from SBDC consultants and SCORE (Service Core Of Retired Executives) mentors.

The ICILI recommends some of the following additional steps to improve the array of business services available to Latino entrepreneurs.
Action Steps

**Translate all business resources into Spanish**

Having items translated is relatively easy, although finding qualified translators with the ability to provide accurate translation at the appropriate educational level can sometimes be difficult. Online translation software is available, but these programs often do not consistently account for tense, gender or dialect.

**Offer a Spanish “new business packet”**

Nearly all service providers of Latino entrepreneurs will benefit from having a basic information packet for new business development. Economic developers can greatly assist Latino entrepreneurs by creating new business packets containing materials that could be used in site location, business planning, market research and business counseling. Customized information may include:

- Population by age/ethnicity
- Population projections
- Laborsheds/commuting patterns
- Business organizations
- School enrollment by age and ethnicity
- Calendar of local events and holidays
- Local sales tax requirements
- Local interpreters/translators
- Typical store hours
- Local lending institutions (identifying bilingual staff)
- Local financing programs
- Building inspection contacts
- Letters of support from the local mayor/city manager

**Offer training and technical assistance off site**

A developer’s willingness to visit clients’ businesses or potential site locations may be the single most effective step in gaining credibility with the Latino entrepreneur. Rather like the traditional entrepreneurs’ anxiety about meeting the banker at the bank, going to the Latino entrepreneurs’ place of business signifies the first step in building a relationship of trust with the client.
Develop a Latino business roundtable
Organize a periodic roundtable for Latino business owners and facilitate a discussion on a topic of interest. In Iowa, the Tama County Economic Development Corporation brought Latino business owners together for a roundtable discussion on local business issues. Not only did the group discuss and share solutions to some common business problems but they ultimately launched another roundtable to address other, non-business issues in the Latino community.

Provide targeted technology training
Host computer literacy workshops for Latino entrepreneurs and their families. These informal sessions might include three or four Latino families in a computer lab working together to research various business needs online under the guidance of a facilitator.

8. Parker, interview.

Additional Resources and Publications
- The Ewing Marion Kauffman Foundation has a number of training curricula to meet the unique needs of a variety of entrepreneurs. More information about the resources available can be found at http://www.kauffman.org/
- The Good Work organization in North Carolina offers an 18-hour, six-week, business start-up training called Building Your Business, in Spanish or English. More information can be found at http://www.goodwork.org/training.php.
- The Small Business Administration offers many excellent resources at http://www.sba.gov. The entire Web site is viewable in Spanish. Resources include a business plan template, many online classes and Frequently Asked Questions – all in Spanish.
- For a downloadable generic “New Business Packet” in Spanish and English developed by the UNI Regional Business Center/SBDC, go to http://www.myentre.net and click on Immigrant Entrepreneurship.
Less than half of all the Latino entrepreneurs interviewed by the ICILI secured any kind of commercial financing when starting or expanding their rural Iowa business. This mirrors the experience of other rural entrepreneurs nationally. Entrepreneurs in rural regions have traditionally lacked adequate access to capital. Commercial lending, the most common form of business financing, is more difficult to obtain in rural regions in part because the typical rural bank is not large enough to adequately distribute risk. In addition, most rural lenders have a great deal of experience in agricultural lending but not a lot of experience in small business financing. As a result, they approve fewer small business loans.

Latino entrepreneurs may not have a checking or savings account, understand budgeting processes or know how to read financial statements. Recent immigrants may also be very unfamiliar with traditional U.S. banking and lending procedures or institutions. They may not fully appreciate the value of a banker as a member of their business team – in fact, some Latino entrepreneurs may not trust local banks or bankers at all.

It is not surprising then, that Latino entrepreneurs invest a disproportionate amount of owner equity into their start-up operations. ICILI research found that owner equity represented about 75 percent of the start-up capital invested into the Latino businesses interviewed. The only specialized capital devoted solely to the support of Latino entrepreneurs tends to come from within the immigrant community itself. In some parts of the country, clusters of Latino immigrants have formed loan pools, called tandas. In a typical tanda, 10 to 20 individuals contribute a defined amount of money into a savings pool each month. The contributors then have access to those funds on a rotating basis to use for personal needs or to invest into business ventures. These informal revolving loan funds are common to other parts of the world. They are successful because of peer pressure among the participants. For more information on tandas, see Additional Resources and Publications.

There is need for additional, alternative sources of financing to support both Latino and other small business development in rural
America. Over the past decade, federal revolving loan funds, such as those awarded by the USDA, have been instrumental in creating new, more flexible sources of capital in most states. More recently, community foundations and regional Angel Investment Networks are being explored to leverage commercial funds and provide incentives to local entrepreneurs to pursue business development.

According to Mark Edelman, director of Iowa’s Community Vitality Center, there is a strong interest among foundations to broaden their role into new areas of community investment, including economic development and entrepreneurship. He notes that foundations have traditionally been reticent about getting involved in economic development and for profit entities because of IRS regulations, but there are now models in place that are acceptable to the IRS. “Endowments can be excellent tools to support rural entrepreneurship,” Edelman stated in a 2006 interview. “A professionally managed endowment portfolio can typically generate a nine percent rate of return, providing somewhere in the neighborhood of five percent to be distributed for entrepreneurial support and development activities and still grow the fund. This is an excellent solution to the problem of finding sustainable rural capital outside of traditional circles.”

Angel Investment Networks are also gaining popularity in rural regions of the country. Angel networks are investors (often from the local region) who make an equity investment into a local company. Angel investors benefit from seeing their investments “grow” in their own community and they often serve as mentors for the companies they invest in, benefiting both the company and the region with enhanced business success. In Iowa, the state’s Department of Economic Development (IDED) has developed a set of guidelines for developing Regional Angel Investment Networks (RAIN), which has been instrumental in the creation of a number of funds statewide (www.iowalifechanging.com). The following action steps offer some additional activities to consider.
Action Steps

Conduct a capital inventory
Entrepreneurs have different capital needs at different stages of their business development. Determining what kind of capital is available (how much and for what kinds of uses) and identifying gaps in the capital stream will ensure better access to those funds by both traditional and Latino entrepreneurs.

Host a capital roundtable
Many rural regions have benefited from hosting roundtable sessions for financial partners in rural regions. A roundtable that includes the small business administration (SBA), local loan fund administrators, representatives from the local Latino tanda and regional bankers may offer a forum for these regional “purse holders” to share risk, create linkages and improve commercial investment in rural regions.

Connect with the local community foundation
Most regions have a community foundation that could be brought to the table to explore the creation of an entrepreneurship endowment. The funds can be used to offer seed capital, direct investment into targeted companies or simply fund feasibility studies for would-be entrepreneurs.

Develop an Angel Investment Network
Every region has a number of civic minded, wealthy individuals who might be interested in “patient” investment into a local business; in fact, there may already be local investment by an informal network of individuals. Identify those individuals in your community and work to put new business opportunities in front of them.

Acknowledge entrepreneurs who complete business plans or receive funding
Recognize Latino entrepreneurs who successfully complete a business plan or receive commercial financing. This recognition may help to reinforce the importance and benefits of planning.
Additional Resources and Publications

- The Small Business Administration has excellent articles concerning business financing at their Web site at http://www.sba.gov/financing/basics/basics.html.


- To learn more about Community Foundations and Entrepreneurship Endowments, go to the Community Vitality Center at http://www.cvcia.org/ Another resource is the Aspen Institute Community Strategies Group at http://www.aspenesg.org/rdp/.

- The Iowa Department of Economic Development has a template for the development of Regional Angel Investment Networks that is used extensively throughout Iowa. For more information go to http://www.iowalifechanging.com/business/rain.html The UNI John Pappajohn Entrepreneurial Center in Iowa hosts a number of angel investment funds. Their guidelines can be found at http://www.bcs.uni.edu/jpec/.
Networking creates an environment for innovation, creativity and entrepreneurial advancement. Rural regions are at a disadvantage because of their geographic isolation, but with advances in technology these physical barriers are being reduced. Networking Latino entrepreneurs into the business community will accelerate the success of both the individual businesses and the region’s economic growth. Central to these efforts is creating an initial “sense of place” for new Latino entrepreneurs where they are accepted, respected and can act as contributors to the larger business community.

Most new small businesses develop a sense of belonging by joining the local chamber of commerce, volunteering in the community on behalf of the business or by networking at various business and social functions in their first few years. Latino entrepreneurs tend to do none of these things. It is difficult to attend business programs and social events when communications are stifled by difficulties in understanding the speaker or other participants. Some chambers of commerce have proactively sought to engage new Latino businesses by hosting ribbon cuttings, providing announcements in their newsletters in both Spanish and English, having interpreters available for committee meetings and offering discounted memberships to new Latino entrepreneurs.

When one Latino entrepreneur becomes networked into the greater business community, he or she sets the example for others to follow. In Iowa, one longtime Latino entrepreneur is blazing a trail for other entrepreneurs to become part of the business community. Alfonso Medina is an American immigrant from the outskirts of Guadalajara, Mexico. He immigrated to the United States nearly 40 years ago as a migrant field worker in Southern California before moving to Marshalltown, Iowa, in 1982. With assistance from the local development organization, Medina opened a small restaurant. This year, he is poised to open his fourth Mexican café in Tama County. He has become very successful, employing nearly 30 workers, parlaying vacant storefronts into tax generating properties and creating a link between the Latino culture and the local communities where he has located his restaurants.10

According to Tama County developer Deb Collum-Calderwood,
Medina is an excellent example of how one individual can set an example for other Latino business owners to follow. “We know the entrepreneurial culture is strong in the Latino community – in fact, the number of Latino businesses in the county have almost doubled in the past year. Medina is networked with the business community and has become the role model for several other Latino operations in eastern Iowa.”

Many immigrant-owned businesses shy away from networking with others in the non-Latino business community because they are operating informally. Informal business operations are defined as those businesses that operate without collecting or paying taxes, buying permits or going through public inspection. In many rural communities, these informal operations represent an entire “silent economy,” a separate set of business owners operating entirely alone without the benefit of networking to spur growth, innovation or to share knowledge. A lack of understanding of the laws and regulations or fear of governmental influence may keep these business owners from interacting with larger, more formal businesses. Breaking down these barriers may represent the most difficult aspect to working with existing Latino business owners.
Often, Latino-owned businesses start out informally because of limited supply and demand for their products or services. According to a study conducted in 2004 by the “Hispanic Advocacy and Community Empowerment through Research” (HACER), many immigrant businesses are launched in response to perceived needs within their own ethnic group. As a result, the demand for goods or services may not be sufficient to cover the fixed costs of a formal business. The first Mexican grocery store to open in a rural community for example, may start in the back of a pickup truck or on the porch of a rental property, perhaps serving only 50 new immigrant workers and their families.

The HACER research found that informal operations expand into formal operations in three critical phases. Upon opening, informal operations tend to serve only the specific ethnic group to which the entrepreneur belongs. In the second phase, they begin attracting other immigrant groups to their business, and finally they expand their market to include the non-immigrant community. Service providers can accelerate this process by welcoming informal business operations into the community, creating incentives to immigrant-owned businesses to encourage formalized practices and developing mentoring networks, linking informal Latino business operations to formalized businesses in the community. ICILI suggests some of the following networking activities:
Action Steps

Create a peer network
Sponsor a peer network that matches up Latino-owned businesses with complimentary businesses in the community. Arrange social events to partner up peers at luncheons, breakfasts or after-hour socials.

Create a visitation program
Create a visitation program for Latino-owned businesses. Business visitation programs offer an opportunity for traditional business owners to interact with Latino-owned businesses and promote in-depth networking during business tours and one-on-one interviews. Visitation programs can create an awareness of the benefits of formalized business operations by exposing informal business operators to successful formal business owners.

Hold ribbon-cutting ceremonies
Hosting a ribbon-cutting ceremony for a new Latino business acknowledges their participation in the business community even on an informal basis and enforces positive communications between the Latino entrepreneur and the greater business community.

Publicize entrepreneurial success
Promoting new and expanding businesses in the local media is critical to building community support and raising awareness of entrepreneurial activity in the region. In rural regions, small businesses are “legitimized” through publicity that makes vignettes and news coverage of any kind very powerful.

10. Medina, interview.

Additional Resources and Publications
- The Hispanic Advocacy and Community Empowerment through Research (HACER) can be found at http://www.hacer.org/.
THE NEXT DECADE OFFERS AN opportunity to bring about a rural economic recovery based upon the creation of a rural business matrix consisting of fewer large companies and an abundance of smaller, culturally diverse firms representing a multitude of industries. The inflow of Latino immigrants into the rural landscape is much like dropping seed into fertile soil. It is up to rural service providers to create an environment where these new companies can flourish: a welcoming community, relevant business assistance services and access to the right kind of capital at every stage of their business life cycle. Latino entrepreneurs are not the only entrepreneurs needed in the mix to create a rural recovery, but over the next decade they will represent a valuable segment of business growth. For additional information on Latino entrepreneurship, or to share your organization’s best practices in servicing Latino or other immigrant entrepreneurs, please go to http://www.myentre.net and join the Community Partners Portal.
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The Regional Business Center/ SBDC at the University of Northern Iowa has served the needs of Iowa entrepreneurs starting or expanding business ventures since 1987 through one-on-one counseling, customized training programs and research support. In 2003 the RBC launched a rural entrepreneurship development system called MyEntreNet, which provides rural entrepreneurs and service providers with technical assistance and training and advanced technologies to foster rural business growth. Visit www.myentre.net.

The Iowa Center for Immigrant Leadership and Integration guides and prepares Iowa communities and businesses as they accommodate immigrant and refugee newcomers living and working in Iowa. ICILI provides tailored consultation for community leadership, conducts research relating to issues facing newcomers and communities, develops innovative training programs for business and industry, and educates Iowans concerning the needs, challenges and opportunities of their new immigrant neighbors, coworkers and employees. Visit http://www.newiowans.org.

Cover Artist Paco Raque Rosic was born in 1979 in Sarajevo. At the age of 12 he and his family fled to Germany, then immigrated to the United States. His last memories of Sarajevo were associated with shuffling through safe houses and the passing of money from the family savings into the hands of smugglers. Now an American citizen, Rosic credits the freedom in the United States with helping him fulfill his dream of becoming a nationally acclaimed artist. Visit http://www.pacorosic.com.