PART IV

PRACTICE AND POLICY
Small businesses and entrepreneurship have long been the driver of the U.S. economy. While the rate of business starts has been declining in the United States (Decker et al. 2014; Morelix, Hwang, and Tareque 2017), minority-owned firms and particularly Latino-owned businesses have the greatest growth of new businesses (Orozco, Oyer, and Porras 2017; Rivers et al. 2016). The growth rate of Latino-owned business outpaces that of all other demographic groups. With the growing Latino population alongside its youthful makeup, there is great potential for Latino entrepreneurs to turn around the long-term decline of entrepreneurial dynamism in the United States. However, these Latino-owned firms tend to be smaller than their non-Latino counterparts. In 2012, we expected an additional $1.38 trillion to be added to the U.S. gross domestic product if the opportunity gap facing Latino firms relative to their non-Latino counterparts were closed (Rivers et al. 2015)—that is, if the average Latino business generated annual sales equal to the average non-Latino-owned business. In today’s dollars, that is about $70 billion more, or $1.47 trillion.

Alongside this growth, the discourse around Latino-owned firms has shifted over time. Beyond moral or social obligations, programs are framing the support of Latino-owned entrepreneurs and firms as a national economic imperative given their growing presence, upward trends, and significant contributions to the economy. As a primary policy
recommendation for strengthening the growth of Latino-owned firms, there is a call to create and fund education and training programs that are culturally competent and convenient and target growth-oriented entrepreneurs of color (Alvarez 2017; Klein 2017). While government at all levels and nonprofits provide training and technical assistance to new entrepreneurs, fewer focus specifically on firms poised for growth, or scaled firms. Scaled firms in this context are defined as firms generating at least $1 million in annual revenue. Moreover, small business programs for nascent entrepreneurs are often structured around short interventions or specific outputs, such as one-day workshops for incorporating a business or creating a business, marketing, or financial plan. These programs often lack specialized components that go beyond the educational training to provide ongoing and culturally specific support to Latino entrepreneurs as they navigate the growth process.

Heeding the call for culturally competent, high-capacity, and convenient programming, the Stanford Latino Entrepreneurship Initiative (SLEI)—Education Scaling program, in collaboration with the Latino Business Action (LBAN), focuses on Latino business owners with poised-for-growth firms. This immersive program provides owners the education, enhanced networks, and personal mentorship and a better understanding in accessing capital resources to scale their business, create jobs, and build a stronger economy. The seven-week program kicks off at Stanford University, where entrepreneurs take courses with world-renowned professors, participate in live case studies, network with each other, and learn more about the online course. The custom course is based on curriculum developed by two Stanford professors, Huggy Rao and Bob Sutton, adopted to meet the unique challenges that Latino entrepreneurs might face in scaling their business. The course, titled “Scaling Up Your Venture,” speaks directly to the scaling issue that the SLEI-Research program (see Chapter 5 in this volume) highlights as key to the success of Latino-owned businesses. At the culmination of the program, participants return to Stanford for a closing program that includes seminars from highly successful Latino entrepreneurs, meeting with several capital providers, and a certification ceremony with participants’ families.

The program has over 500 alumni from more than 30 states and Puerto Rico who collectively generate over $1.9 billion in annual gross revenue. This chapter provides a detailed look at the experiences of program
participants through 30 qualitative in-depth interviews. In particular, it seeks to understand how poised-for-growth Latino entrepreneurs navigate their growth process. The chapter concludes with a larger discussion on the efforts of SLEI-Ed alumni in their communities as they elevate the Latino business ecosystem and reshape the national discourse of Latino entrepreneurship.

BACKGROUND

On the whole, the implications of strengthening the growth of Latino-owned firms on both upward mobility and the creation of community wealth has largely been understudied. It is not until recently that Latino-specific and general minority business programs have begun this work through their respective program evaluations. The early literature on ethnic economies considered a series of push and pull factors that shape ethnic business development—that is, the reasons why ethnic communities engage in entrepreneurship. These factors include market conditions, government policies, ethnic social networks, and resource mobilization (Waldinger, Aldrich, and Ward 1990). These early studies also highlighted the importance of ethnic concentration, or the enclave, but often only to the extent that it impacts the economic outcomes of employees instead of the business owners themselves (Portes and Jensen 1992; for more on the enclave see Chapter 9 in this volume). I conceive of recent Latino entrepreneurship in three simultaneous and overlapping time periods. These time periods provide the context in which Latino entrepreneurship is discussed at a national level and simultaneously influences research and programmatic agendas.

Proliferation of Latino Enclaves (1980–1994)

Early research on Latino entrepreneurship as a means of social mobility began with sociologist Alejandro Portes and colleagues as they considered the outcomes of Cuban immigrants in Miami. They found the capacity of ethnic enclaves to provide immigrants with a path for upward mobility. The single best predictor of self-employment was employment by another Cuban three years earlier (Portes and Zhou 1993; Wilson and Portes 1980). Since the 1980s, researchers have analyzed the entrepreneurial activity of
Cubans in Miami given their clustered concentration. During the Mariel boatlift in 1980, the influx of Cuban refugees increased the Miami labor force by 7 percent and a saw a 20 percent increase in the Cuban working population (Card 1990). During this period and throughout other immigrant influxes, one of the chief discourses of nativists and immigrant policy makers alike is the extent to which immigrants depress labor market opportunities of the less-skilled natives.

The natural experiment of the Mariel Boatlift demonstrated the capacity of cities to both absorb the growth in the supply of labor and provide new market opportunities for the growing population. However, one must consider the larger sociopolitical context that underlines the structural opportunities and challenges for Latino entrepreneurs, such as market conditions and access to ownership through government policies (Waldinger et al. 1990; Waldinger, Chishti, and Editors 1997). Given the refugee status of this group of Cuban immigrants, there was a tacit acceptance unlike that of undocumented immigrants (namely, those from Mexico and Central American countries) who are perceived as perpetually foreign (for more on the historical circumstances of Cuban entrepreneurs compared to other Latino groups, see Chapter 2 in this volume).

Beyond Miami, the limited but budding literature on Latino-owned businesses has considered entrepreneurship in other Latino enclaves such as in Los Angeles (Vallejo 2012), New York, Chicago (Rajman and Tienda 2000), and Houston (Valdez 2011). Through a circular pattern, dense Latino populations yield emergent Latino entrepreneurship and vice versa. However, Latino-owned businesses have also existed outside of dense Latino metro areas and are forming new gateways of entrepreneurship (see Chapter 5 in this volume for a map of Latino-owned businesses). Still, Latino entrepreneurship has historically been considered a localized phenomenon limited to a few central cities in the United States. When the North American Free Trade Agreement (NAFTA) went into effect in 1994, it eliminated duties and quantitative restrictions with Mexico. This agreement opened up opportunities for bilingual and bicultural U.S. Latinos. Additionally, it was Latino border entrepreneurs and their business organizations that proved to be largely instrumental in getting NAFTA nearly unanimously supported by the Texas congressional delegation (Korzeniewicz and Smith 1996). Ultimately, this expanded Latino business reach beyond the enclave and localized communities and into international markets.
Professionalization of Latinos (1978–2014)

With the opening up of higher education through policies such as Affirmative Action and the legacy of the 1960s, a significantly larger number of Latinos attended and graduated from college than ever before, giving rise to the professionalization of Latinos. According to Pew Research, in 2014, 35 percent of Latinos ages 18 to 24 were enrolled in a two- or four-year college, up from 22 percent in 1993. This 13 percentage point increase amounted to 2.3 million Latino college students in 2014 (Krogstad 2016).

SLEI research finds that Latino entrepreneurs tend to be more highly educated than the Latino general population. In 2017, more than twice the number of Latino business owners held at least a four-year college degree (37 percent) compared to the Latino general population (16 percent). Thus, the increasing opportunities of higher education among Latinos has coincided with the increase in Latino entrepreneurship more broadly. Beyond formal education, there has also been a rise in entrepreneurial training targeting minority business owners with long-standing programming coming from the federal government through the Minority Small Business and Capital Ownership Development Program, commonly known as the 8(a) Program.

Given statutory backing in 1978, the 8(a) Program resulted in a merger of two distinct types of federal programs: those seeking to assist small business in general and those seeking to assist racial and ethnic minorities (Congressional Research Service 2019). Federal programs for racial and ethnic minorities began developing around the same time as those for small business, but there was no explicit overlap until the 8(a). The 8(a) Program provides training, technical assistance, and government contracting opportunities to participating small business owners whom are “socially and economically disadvantaged” and demonstrate “potential for success” (Congressional Research Service 2019:1). In fiscal year 2016, 8(a) firms were awarded more than $27 billion in federal contracts. While the number of Latino firms served by 8(a) is not publicly available, there was a growing decline in the number of firms certified from 2010 to 2015 at the same time that the overall number of Latino firms in the United States was rising. Furthermore, in 2015 SLEI found that among Latino business owners, 22 percent had never heard of the Small Business Administration (SBA), 51 percent had never heard of small business investment companies, and 56 percent had never heard of the Small Business Innovation Research program, three of the largest and most-well known government...
funding programs for small businesses (Rivers et al. 2015). SLEI finds underwhelming government usage among Latino-owned businesses, as Latino firms have the lowest rates of business loans from federal, state, or local government and government-guaranteed business loans from a financial institution. Furthermore, nine times the number of Latino firms would like government loans than currently have them, representing the largest funding gap among all desired funding types (Orozco et al. 2017).

Still, the structuring of the 8(a) Program through the resulting amendment to the Small Business Act captures the shifting discourse of Latino entrepreneurship. The law indicates “that the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic equality for such persons and improve the functioning of our national economy” (Small Business Investment Act 1958). Recent congresses have had particular interest in the program given the role of minority-owned businesses in job creation. Even Donald Trump, a vocal proponent against immigration (although SLEI finds that Latino immigrants disproportionately have successful scaled firms relative to native-born Latinos) proclaimed October 22 through October 28, 2017, “National Minority Enterprise Development Week” to recognize the contributions of minority-owned businesses to the economy.

**Latino Entrepreneurship as a National Economic Imperative (2013–Present)**

The most recent period of Latino entrepreneurship is categorized as one that elevates the rhetoric to national economic imperative. In 2013, Professor Jerry Porras of the Stanford Graduate School of Business and a group of Latino MBA alumni came together to form a nonprofit 501(c)3 organization, the Latino Business Action Network (LBAN), focused on making America stronger through LBAN-funded Latino research and education impact programs at Stanford University. LBAN’s mission is to “strengthen the United States by empowering leaders to grow substantial firms that create jobs, develop leaders, and a spawn a new generation of companies.” It is through the collaboration with LBAN that the SLEI-Ed program develops the growth-capacity of Latino entrepreneurs. LBAN embodies the shift in discourse of Latino entrepreneurship as one of national importance.

This national discourse was similarly elevated through the Aspen Institute Forum on Latino Business Growth in the spring of 2017. The
Aspen Institute Latinos and Society Program convened 27 experts and practitioners to address and devise solutions regarding the growth barriers of Latino-owned firms (Alvarez 2017). The calls for action included bolstering the availability of business training and education programs given the “dearth of business resources meeting the developmental needs of Latino business owners whose businesses are ready for continued growth and scale” (Alvarez 2017:18). Table 13.1 compares programs that support small poised-for-growth (i.e., scaling) companies with potential for job creation. While certainly not exhaustive, as there are other localized Latino programs not listed here, the table captures prominent programs with a national reach that specifically target minority, Latino, or other historically underserved entrepreneurs (e.g., those from low-income communities). Most of these programs teach related topics that support entrepreneurs through the growth process. However, a smaller subset, including the SLEI-Ed program, have specialized components that address the ongoing needs of Latino entrepreneurs. The remainder of the chapter explores the growth experiences of SLEI-Ed alumni both in their experiences with the program and as they reflect on past and future challenges and opportunities.

**METHODS AND DATA**

The present study uses a qualitative approach to highlight the ways in which Latino entrepreneurs navigate their growth process. The SLEI-Ed program recruits poised-for-growth business owners to apply and participate in an executive education program that runs twice a year. For each cohort, a group of 70–80 business owners are selected from upwards of 240 applicants to participate in a seven-week online course geared at scaling a business. The specialized components of the program include weekly mentorship meetings, tailor-made webinars, and a capital provider speed-pitching session, among others. Currently there are over 500 alumni of the program. I selected a randomized stratified subset to interview, sampling for range across industries, gender, and geographic location, resulting in 30 cases. Among baseline business questions, respondents self-identify on the application as having Hispanic or Latino background, as this program specifically targets the growth of Latino-owned businesses. While some business owners are located in the local San Francisco Bay Area, the program recruits participants from a national database and networks.
<table>
<thead>
<tr>
<th>Program</th>
<th>Structure and Length</th>
<th>Eligibility and Requirements</th>
<th>Latino / Minority Focus</th>
<th>Curriculum and Topics</th>
<th>Specialized Components</th>
<th>Cost</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBAs Emerging Leaders Program</td>
<td>7-month program</td>
<td>At least $400,000 annual revenue</td>
<td>55% minority-owned</td>
<td>StreetWise ‘MBA™’ Strategic Growth Action Plan Financing and Access to Capital Government Contracting</td>
<td>Mentoring</td>
<td>Free</td>
<td>51 cities, SBA District Offices</td>
</tr>
<tr>
<td></td>
<td>Classroom learning + out of class preparation</td>
<td>At least 3 years in business</td>
<td>16% Latino (2015)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>At least 1 employee, other than self</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interise’s StreetWise ‘MBA™’</td>
<td>Licenses program to partners who deliver through their own locally branded programs</td>
<td>Partner specific</td>
<td>42% minority-owned 36% low-to-moderate income community (2016)</td>
<td>Curriculum by Interise Strategy Financial analysis Accessing capital Marketing Sales strategy Talent Contracting Growth plan</td>
<td>Live cases</td>
<td>Partner specific</td>
<td>80+ locations</td>
</tr>
<tr>
<td>Program</td>
<td>Duration</td>
<td>Required Revenue</td>
<td>Required Ownership Experience</td>
<td>Membership Requirements</td>
<td>Curriculum Focus Areas</td>
<td>Mentoring/Networking Events</td>
<td>Funding Model</td>
</tr>
<tr>
<td>----------------------------------------------</td>
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<td>------------------------------------------------------------</td>
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</tr>
<tr>
<td>Goldman Sachs 10,000 Small Businesses</td>
<td>12-week program</td>
<td>At least $150,000 annual revenue At least 2 years in business At least 4 employees, including the owner</td>
<td></td>
<td>No data on racial/ethnic makeup of participants</td>
<td>Curriculum by Babson College Growth plan Financial analysis Leadership Talent Marketing Legal Operations</td>
<td>Mentoring Networking events Business support clinics</td>
<td>Free</td>
</tr>
<tr>
<td>Tuck Executive Education at Dartmouth—Minority Business Programs</td>
<td>1-week program Residential program</td>
<td>At least $300,000 in annual revenue 3–5 years of ownership management experience</td>
<td>100% minority-focused No Latino-specific data available</td>
<td></td>
<td>Curriculum by Tuck Executive Education Accounting and Cash Flow Strategy Operations Leadership Capital</td>
<td>None</td>
<td>$4,900</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Program</th>
<th>Structure and Length</th>
<th>Eligibility and Requirements</th>
<th>Latino / Minority Focus</th>
<th>Curriculum and Topics</th>
<th>Specialized Components</th>
<th>Cost</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Business Executive Program (MPEP) at University of Washington Foster School of Business</td>
<td>1-week program Residential program</td>
<td>At least $300,000 in annual revenue</td>
<td>100% minority-focused No Latino-specific data available</td>
<td>Curriculum by Foster Executive Education Finance and accounting Negotiations Strategy Marketing Leadership Supply chain management</td>
<td>None</td>
<td>$4,250</td>
<td>University of Washington, Seattle, WA</td>
</tr>
<tr>
<td>Stanford Latino Entrepreneurship Initiative–Education Scaling Program</td>
<td>7-week program On-campus sessions 2 weekends + online</td>
<td>At least $1 million in annual revenue or have raised at least $500,000 of external funding</td>
<td>100% Latino-focused</td>
<td>Curriculum by Stanford GSB Executive Education Strategy Financial analysis Accessing capital Operations Marketing Sales strategy Talent Contracting Pitch deck</td>
<td>Mentoring Live cases Design thinking Session with over 50 capital providers Regional alumni networking events</td>
<td>$1,000</td>
<td>Stanford Graduate School of Business, Stanford, CA</td>
</tr>
</tbody>
</table>
Table 13.2 presents descriptive statistics of the interview sample. While Latina business owners are driving much of the overall growth in Latino-owned businesses (Davila and Mora 2013), they make up 30 percent of scaled Latino-owned businesses. Latinas are oversampled in this study and represent 38 percent of those interviewed. Moreover, 70 percent of the respondents are married, and nearly half (47 percent) are married to a white partner. This is important to note, as intermarriage marks a traditional assimilation benchmark. Socioeconomic status is another assimilation benchmark captured here through homeownership (74 percent). Given the success of their businesses, all respondents report currently being part of a self-described middle-class or higher-class status. Their childhood backgrounds, however, include greater variation, with a little less than half (43 percent) coming from low-income/working-class or lower middle-class backgrounds. As previous studies on entrepreneurs have noted, it is important to consider class backgrounds in our interpretation of results, as this tends to color entrepreneurial outcomes (Valdez 2011).

Immigrant-owned businesses represent nearly half of all Latino-owned businesses and 46 percent of this sample. As Figure 13.1 shows, there is a fair spread in the geographic location of respondent’s businesses from Manassas, Virginia, to Salinas, California. Finally, it is important to note that 58 percent of the sample reports a family history of entrepreneurship, with parents and siblings currently or previously owning businesses and 54 percent of the business owners having had or currently having family members working for them including spouses, children, and siblings. As an example, one business owner has five of his eight siblings and a son working for his software company. Another business owner employs his mother, father, father-in-law, and four other close relatives in his wholesale company. One entrepreneur describes this prevalence by saying “we’re very familia.” While early conceptualizations considered the training functions of ethnic economies for coethnic employees (Raijman and Tienda 2000), there is the potential training function of highly specialized businesses for subsequent family members.

The pool of interview subjects seemingly captures elements of sample bias in that these business owners may systematically differ from non-applicants to the program. However, since the goal of this study is to consider how Latino business owners with a proven business track record strategize their growth process, the sample yields an upward look into activities undertaken by these business owners. Furthermore, a nonrandom
<table>
<thead>
<tr>
<th>Description</th>
<th>Percent/Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>38%</td>
</tr>
<tr>
<td>Male</td>
<td>62%</td>
</tr>
<tr>
<td>Age</td>
<td>42</td>
</tr>
<tr>
<td>Married</td>
<td>70%</td>
</tr>
<tr>
<td>Partner race</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>47%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>53%</td>
</tr>
<tr>
<td>Family history of entrepreneurship</td>
<td>58%</td>
</tr>
<tr>
<td>Family work in business</td>
<td>54%</td>
</tr>
<tr>
<td>Education (4 years+)</td>
<td>74%</td>
</tr>
<tr>
<td>Ancestry</td>
<td></td>
</tr>
<tr>
<td>Mexican</td>
<td>35%</td>
</tr>
<tr>
<td>Cuban</td>
<td>9%</td>
</tr>
<tr>
<td>Puerto Rican</td>
<td>4%</td>
</tr>
<tr>
<td>Central America</td>
<td>17%</td>
</tr>
<tr>
<td>South American</td>
<td>26%</td>
</tr>
<tr>
<td>Spanish</td>
<td>9%</td>
</tr>
<tr>
<td>Mixed Race</td>
<td>30%</td>
</tr>
<tr>
<td>Native-Born</td>
<td>54%</td>
</tr>
<tr>
<td>Homeownership</td>
<td>74%</td>
</tr>
<tr>
<td>Childhood class</td>
<td></td>
</tr>
<tr>
<td>Low-income/working class</td>
<td>30%</td>
</tr>
<tr>
<td>Lower middle class</td>
<td>13%</td>
</tr>
<tr>
<td>Middle class</td>
<td>40%</td>
</tr>
<tr>
<td>Upper middle class</td>
<td>17%</td>
</tr>
<tr>
<td>Industry</td>
<td></td>
</tr>
<tr>
<td>Technology/software</td>
<td>26%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>40%</td>
</tr>
<tr>
<td>Educational services</td>
<td>14%</td>
</tr>
<tr>
<td>Real estate</td>
<td>4%</td>
</tr>
<tr>
<td>Transportation</td>
<td>4%</td>
</tr>
<tr>
<td>Waste management</td>
<td>4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8%</td>
</tr>
<tr>
<td>Years in business</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: SLEI-Ed interview respondents.

Note: N = 30. Central American includes Guatemalan, Honduran, and Nicaraguan. South American includes Argentinian, Colombian, Peruvian, Venezuelan, and Brazilian.
Figure 13.1 Business location of respondents. (Source: SLEI-Ed interview participants.)
sample is preferred in that the program itself serves as an instance of high network connectivity as people hear about the program through chambers of commerce (both Hispanic and general), business contacts, email list-servers, social media ads, and personal referrals. Thus, participants of this program are presented as “unique cases” (Small 2009). Interviews occur in person wherever possible for those located in the San Francisco Bay Area, otherwise via videoconference or phone, and last on average 60 minutes.

I begin each interview with a specified set of questions asked of all participants including detailed histories of how they came to start the business, their family life and community growing up, the communities they live in now and are involved with, and their business development. From there, I follow up on their responses to trace new themes as each interview progresses. Each respondent completed a follow-up demographic survey for any information not gleaned in the interview or previous program surveys. The interview protocol slightly shifted over time as new themes emerged inductively. This iterative process allows future interviews to adapt to insights gained from previous interviews (Glaser and Strauss 1967). All business owners and their businesses are presented under pseudonyms to protect anonymity.

In the summer of 2017, SLEI conducted its first annual alumni survey of cohorts one through three, with data 18 months after cohort one completed the program, 12 months since program completion for cohort two, and 6 months for cohort three. Taken together, the alumni survey had a 78 percent response rate. Some of these findings are presented here.

**FINDINGS**

The research questions of this study are twofold. First, how do poised-for-growth Latino entrepreneurs navigate their growth process? Second, what are SLEI-Ed alumni doing in their communities to elevate the Latino business ecosystem and reshape the national discourse of Latino entrepreneurship? SLEI-Ed entrepreneurs recount their experiences in navigating their growth process in two ways: (1) through their varied financial experiences and (2) training experiences in the 8(a) Program, through SLEI-Ed, or both. Among the Latinas in this sample, about half have done both programs, and a smaller subset of Latino males have engaged in both programs.
Financing: An Essential Growth Factor

Access to capital remains a prominent challenge for Latino business owners (see Chapter 5). External sources of financing such as bank and government loans, venture capital, and angel investing are critical in helping a business scale. SLEI-Ed entrepreneurs describe the ways in which they navigate the process. Not unlike national trends, 78 percent of SLEI-Ed alumni started their companies by self-financing, while only 22 percent had investors. Among those who requested funds from friends or family to start their business, they reflect on being “fortunate” or having “personal angels.” Others recount serendipitous exchanges in their friendship network that led to their funding. When successful, these entrepreneurs describe their funding experience as “very unique,” as they understand the importance of varied networks in securing funding. Edward, cofounder of a health care technology firm, describes his attempts at tapping into his personal network: “As family goes, mine and my partners, it’s kind of exhausted. We had a few friends, cousins, and sort of not the closest family, but folks that we knew that were actually open to investment. We went through a few of those rounds, but my list of contacts wasn’t very long that had that kind of capital. I should have explored my friend list deeper [Laughter].”

Research on the minority middle class often cites close ties to poorer coethnics (Vallejo 2012), which disadvantages entrepreneurs who, like Edward, may quickly exhaust the resources of their personal network. In other cases, the personal network of the kind needed to finance entrepreneurial endeavors may not exist, and the entrepreneur is instead seen as the provider in the network.

At their growth stage, many SLEI-Ed entrepreneurs recount less than positive experiences with banks. Miguel, cofounder and COO of a product development firm, describes his first experience with the bank as “really bad.” They had marked him as a “high-risk company” and did not want to give him a credit line:

The funny thing was that we actually wanted a credit line taken and backed by a CD or a money market account that we were going to drop money into. We were telling the bank, “We’re going to buy a $20,000.00 CD, and I just want you to open me a line of credit against those $20,000.00, so you have that money there. Let’s start the relationship.” And they actually told us, “No, we cannot do that.” That was the first one. The second time we went
to the bank, they kind of said, “Okay, but I am not going to lend you all the money that you’re depositing, even in the CD. If you deposit $20,000.00, then I’m just going to give you a $10,000.00 credit line. And you have to sign this document where you basically say that you are personally liable for any business you do with the bank from now on.” So we did not sign that year. A long time afterwards, we kept saving enough money so that we built kind of our own credit line.

Here, Miguel describes a bank that is unwilling to work with his particular requests. SLEI-Ed entrepreneurs often recount a sense of anxiety in trying to work with banks, particularly when they must be personally liable, as Miguel describes. In some cases, entrepreneurs such as Francis, president and founder of a design firm, have put up multiple mortgages on their personal home to personally secure the loans. Others refuse to secure funding through personal collateral and instead have to get creative in their search. Even when the banking relationship has been established, the sense of anxiety does not always dissipate. Francis describes his relationship with the banks: “I feel like I’m at their mercy all the time. So in spite of the fact that they’ve seemingly been reasonable, I’m always concerned that it’s going to dry up and they’re going to yank me.” Francis describes a perpetual power imbalance with banks. However, some entrepreneurs are finding success with local banks and community funds. On the national survey, SLEI finds higher usage rates among local banks compared to national banks. Lori is one example of this. She describes going to national banks, but “no one would loan to me.” She then went to a community loan fund. She made her case with them in a matter-of-fact way: “I told this bank, I said, ‘Look, we’re going to be doing a million. . . . We are exponentially growing and we are going to be one of the most influential businesses in this county. I want a bank we can have a relationship with.’ She said, ‘Okay.’ They wrote us this loan and they were really good and they came back to me and said, ‘What else can we do for you?’

As evidenced by both Lori’s retelling of her community fund experience and Miguel’s bank experience, entrepreneurs describe wanting to have a relationship with banks. Beyond a transactional exchange, Latino entrepreneurs seek a humanizing experience so that lenders can hear out their situation and work with them flexibly. Karla captures this desire to be known by the lender beyond the paperwork that they see.
Karla, president of an industrial company, was seeking about $240,000 to buy her first industrial machinery. Karla describes what it took for her to finally secure funding:

It was a strong push from my end but getting a loan was tough. Even the last bank that ended up saying “yes” they initially called me to say “no.” They called to say, “sorry and thanks for all your effort but we’re going to have to bow out.” I was pretty pregnant at the time and frustrated. I was taking the call at the doctor’s office and I had to take the call outside. I told them, “You don’t understand our tenacity. You don’t understand our drive. You don’t know us. All you have is a bunch of paperwork that I sent you and I understand that you don’t want to lend us money but I’m going to keep going. Somebody’s going to lend us that money and were going to pay our loans back. We’re good risk and I’m going to prove that to whoever believes in me. I’m going to make sure that you’re aware of it and that you should have taken a risk on us. You could have made a lot of money on us but that’s fine. Thanks for your time and I appreciate it.” And then I hung up the phone. The broker called me and apologized and I told him “I’m just pretty tired of getting no’s all the time.” And then I went into my doctor’s office. When I came out, I had a voicemail from the broker saying the bank had called him and changed his mind. I was like I have everything to gain and nothing to lose. I’m just going to scream at these people and I did.

Karla’s experience captures the resilience that Latino entrepreneurs have to embody, often working past multiple “no’s” and searching until someone is willing to take a chance on them. Furthermore, Karla’s insistence on the bank getting to know her personally—her tenacity, her drive—points to an unintended consequence of the advent of the credit score. Banks assess risk based on the “bunch of paperwork” they receive and then make snapshot, quantitative judgments of loan-worthy or -risky business ventures. Before credit scoring, lenders assessed applicants on qualitative measures, such as payment history and other reputation-based characteristics. Latinos whose families span multiple generations in the United States may stand to benefit from these small-town arrangements. However, newly arriving immigrants are disadvantaged all around,
lacking U.S. credit histories and any reputation-based measures unless they come into an enclave where their families from the sending country are known.

Moreover, the funding experiences of Latinas slightly converge from that of the Latino male entrepreneurs. In the 2017 *State of Latino Entrepreneurship* research report, SLEI reports Latino-owned firms growing in number at rapid rate but Latina entrepreneurs face a funding ceiling, as they perceive of themselves as being “less qualified” to receive funding from financial institutions compared to their male counterparts, even when holding firm size constant (Orozco et al. 2017). We see some of this among Latina SLEI-Ed entrepreneurs. For instance, Margarita, owner of a growing bakery, describes putting together “a fantastic binder, beautiful with all the information and I presented to the bank and everyone told me, ‘no, no, no, no.’” Later she would go on to present the same binder to the SBA loan office. As she describes, “I introduced myself, I brought in my product. Of course, I didn’t qualify for anything.” Given her previous experiences with banks, Margarita may have decided to settle for one store. While she was persistent in her funding efforts and eventually secured loan funding, it is possible that other Latinas continue to perceive of themselves as less qualified and self-impose barriers to scale in addition to the externally imposed barriers. Previous research has shown a similar gendered perception of qualification among women who think they are not qualified to run for office, even when having comparable educational, occupational, and professional success relative to men (Lawless 2015). As an additional example, Daniela, a SLEI-Ed entrepreneur with extensive financial background, describes fund-raising as “not my best talent,” although she has successfully raised two rounds of a few million dollars.

There are distinctions in mind-set between how Latinas at the unscaled and scaled business levels operate. As depicted in Chapter 12, unscaled Latina-owned firms feel a sense of pride in starting their business with personal savings and not borrowing money from banks. Still, external financing remains an essential growth factor. Even when scaling, a different mind-set creeps in—gendered perceptions of qualifications—when seeking funding. Latinas may realize the need for additional funding to continue on a path toward scalability but may doubt that they have what it takes for such funding. That is, for some Latinas, they must first feel sufficiently confident in their level of success and qualifications in order to pursue funding, counting themselves out of the funding pipeline.
However, some Latinas are setting forth efforts to combat the gendered perceptions of others. For example, Tina, a serial entrepreneur who previously owned a chain of gas stations, pinpointed a gendered hindrance to her business development when securing funding:

I don’t think Hispanic hindered me as much but I think being female more. When I first opened the gas station business and was going after the first loan, and maybe it was perception on our part but we put my husband out there first because he’s an Anglo guy and I thought that it might be easier for people to give us loans or support the business. Behind the scenes I was the one doing the schmoozing and the venture capital solicitation, but in front of the bankers we’d put my husband just in case.

Tina highlights the importance of understanding the experiences of Latino entrepreneurs navigating their business growth through an intersectional lens. In particular, many of the SLEI-Ed Latinas discuss the salience of their gender identities in their respective industries.

It should be noted that some Latino entrepreneurs, even at the scaled level, do not desire external sources of funding. Jorge, owner of a software company, describes:

Our experience is a bit different in the entrepreneurship arena in the sense that we are a bootstrap company and we don’t aim to raise equity in any sense. We have very successfully grown with our customers’ money and that’s probably a different approach to growth and to financing, but it’s definitely the most stable and the most realistic, in my opinion. The path is very complex because we have to be very, very scrappy with our expenses and to have a very good controlling system on expenses, but it has already brought us many benefits in regards to the internal control of our company. We don’t have VCs behind us making us change everything but we have complete control of our company and that has really paid off for the future.

Jorge brings forward the idea of internal control. In the 2015 Survey of U.S. Latino Business Owners, SLEI found that although half of respondents believe they could grow faster if they had additional capital,
67 percent are concerned about losing control of their business (Rivers et al. 2015). However, this company is in a unique position, as it is utilizing internal business to fund business growth, a source of funding that has an 8 percentage point funding gap. In the 2017 Survey of U.S. Latino Business Owners, SLEI finds that 16 percent of Latino firms are leveraging business revenue but that 24 percent would like to access business revenue to fund their business growth. That is, many Latino-owned businesses are not in position to leverage business revenue for growth. Overall, financing proved to be a challenging experience for all entrepreneurs. They navigate this largely through persistence, resilience, and finding the right type of capital. This includes local community banks, equipment financing, loan sharks, and bootstrapping, or self-financing.

**Growth through the SBA’s 8(a) and Procurement**

Related to fund-raising, government contracting is a way in which businesses can secure high-dollar contracts with a fixed term. Given the high volume of government spending on set-aside and sole-source contracting, about $27 billion in 2016, SLEI-Ed entrepreneurs are readily familiar with the 8(a) Program. Among the SLEI-Ed Latinas interviewed for this study, half of them reveal a successful completion or near completion of the 8(a) Program or SBA loan engagement. However, Latino firms in the United States have the lowest number of government-backed loans, and nine times the number of firms report that they would like to have them. This represents the largest funding gap among specific funding types for Latinos. Thus, there is still much work to be done at the government level in terms of engaging a wider range of Latino business owners.

Although government support of minority businesses exists with the 8(a) Program, Latino entrepreneurs are quick to point out that it is their distinctive qualities that led them to their success. As Martha notes, “Being Latina gives me that passion and drive. Latinos are entrepreneurs. We do whatever it takes to make a living. I think being Latina has actually helped me, and SBA or not, I still would be climbing the ladder . . . maybe just not as fast.” For Martha, it is the qualities she attributes with being Latina that have fueled her passion and success, above and beyond the support she received from the SBA.

Similarly, Vanessa, president of a professional services company, describes her own initiative that led to her success with the 8(a) Program: “It’s important to know that simply by having the certification will not
automatically deliver contracts to your door. It took us 4 years to get our first contract, and over the course of the remaining five years, we won several sole-source and competitive 8(a) contracts. When used wisely, this program can be extremely successful and help businesses gain a competitive advantage.”

Others have not been as successful with the SBA. Andres, a software business owner, attempted to participate in the 8(a) Program but found the requirements too cumbersome, as the SBA wanted “a business plan, our financials, our projected financials. They wanted stuff that was forwarding looking that we didn’t have access to at all.” Andres also indicated that he would get calls from people saying they would help him fill out the application, but they requested $10,000. Eventually Andres hired someone, and they built a business plan; however, this was when the 2007–2008 economic recession hit. Juan thought “Great, I have a beautiful business plan, we’re going to make a lot of money but no one was investing anything, anywhere. So I got a pretty business plan still, but we didn’t have access to funding.” While some business interventions focus on the creation of a business or a financial plan, these stories prove that Latinos need support beyond the creation of these materials, especially as it relates to expanding access to funding. Through the SLEI-Ed program, entrepreneurs meet with capital providers of all types as they expand their understanding of what type of capital exists while simultaneously networking with the gatekeepers.

**Growth through the SLEI-Ed Program**

Overall, alumni recount highly positive responses to their experiences in the program evaluation surveys, in interviews and on the alumni survey. Since exiting the program, businesses are recounting 20–60 percent growth in size (expanding to additional states and adding more employees) and revenue. On the whole, SLEI-Ed alumni are using diversified sources of external funding at higher rates than the general Latino business-owner population. Moreover, since completing the program, 61 percent of alumni report creating new products or diversifying their existing products.

Among cohorts 1–3, the alumni survey revealed that 89 percent of participants have had contact with each other since the program ended. As a motto of the program, “do business with each other and get business for each other,” 57 percent of alumni report doing business with each other or other Latino-owned firms, and 38 percent reported getting business
for each other. Other important measures of educational program success are student completion and satisfaction rates, including participant recommendation of the program to others. SLEI-Ed entrepreneurs have a 99 percent completion rate, one of the highest among all of Stanford’s executive education programs. Furthermore, 98 percent indicate that they would recommend the program to others. In fact, over one-third of new participants come directly from referrals of previous participants. Among the lessons learned are the following:

“SLEI-Ed started with a module on business valuation. This was very helpful to help me think about the sale of the company. After SLEI-Ed things crystallized and I was able to sell the company to another, much larger player in the industry.”

“Now my mindset is to scale. To develop the right people and procedures to scale my business. The only reason to start a business is to scale it, end of story.”

“I constantly try to utilize what I learned through the SLEI-Ed program. One example is being eager to find ‘broken windows.’ I encourage our team members to do so and look at this as a positive. This way we can take steps to fix them and it is an easy way to be ‘better today than you were yesterday’ and to be ‘better tomorrow than you are today.’”

“We have used the “broken windows” tools to fix interoffice procedures on quality control. We have also utilized the tools learned from SLEI-Ed when hiring new employees.”

“In many business situations, I have been able to use business terminology that I learned at SLEI-Ed, which help to make my business conversations more relevant. Such as: presenting my product line to a potential distributor.”

Finally, alumni are encouraged by the possibility of future collaboration through structured alumni events. To date, several regional alumni gatherings have organically convened.
COMMUNITY AND SOCIETAL IMPACT

There is great potential for SLEI-Ed alumni to build the “Latino commonwealth” that one SLEI-Ed entrepreneur envisions. This entrepreneur captures the sentiment of a group of Latino entrepreneurs who see their work as having a larger purpose. Through commitment, passion, and fervent activity, Latino entrepreneurs are engaging with their communities. Some SLEI-Ed alumni stand as models for incorporating “community” as a core value of their business. While many alumni recount their community involvement through their participation on boards, there is much intentionality behind their involvement.

Alexis, an immigrant from Central America, owns a successful transnational software company. He explicitly builds in community involvement as a core value into his company. Alexis emphasizes the importance of building community: “Community involvement is a huge thing for us in Latin America, especially in Guatemala and in Colombia as well. Part of our contract that’s supported by human resources comes with a clause that community service is a must. There are options for how they can help. They can either donate materials, computers, or make time to go teach teachers how to use the computers with the kids.”

When asked why community service is a must for him, Alexis recounts that “our childhood was a bit challenging because the opportunities were not there. We look at these kids and try to help them in any way we can to not have them go through that.” Robert has also made community an explicit part of his businesses core values. When asked why, he states,

It’s important to give back to the community that you’re a part of. We see our communities as the actual physical geographical community but we also think of all of our clients as part of our community, our vendors, as well as our colleagues within [our business]. Even some of our competitors are part of the community. We really like to share our successes and failures with everybody. It’s how we get in touch with the human element.

The human element desired with community involvement parallels the approach that Latino entrepreneurs take in financing their business with their desire to establish relationships. As Latinos represent a collectivist
culture, this influence can take shape in their business, as in the case with Alexis and Robert.

For some, while community lives in their company’s core values, others describe an evolutionary experience. Tina describes her community involvement as a three-tiered progression. First, when she and her husband owned gas stations, her community involvement on boards was largely industry-related. That is, through trade associations, her goal was to stay on top of the latest industry-specific content and use this network for education and resources. When she converted to business brokerage, the next tier of involvement was related to growing her network. She sat on a lot of small business boards as she was looking for clients. Now as the president of a business organization, Tina is “looking more for influence.” She describes this influence as needing to be “on the right boards and in the right seat so that I’m representing [the region] or women business leaders or Latinos or whatever my particular hat is on that board so that our voice is heard.” Similarly, David is very purposeful about his involvement on boards. While he has been a part of many, as a rule he always joins the fund-raising and financing committees. He reasons that “if you want to ever effect change you have to be able to financially direct the change and understand how the money is going to be spent and then you have to go out and raise the dollars for it.”

Yet, for some this notion of community came a time when they were reflecting on their larger purpose. Lucas finds himself at a crossroads. Much of his community involvement has been with middle school–to high school–age children. At one point, he started a nonprofit to support students as early as fifth grade complete community service. The revenue generated was then used for scholarships. When reflecting on why he has been actively involved, he asserts that “it’s natural. It’s almost like breathing to me. I don’t think twice about helping somebody if I can.” As he reflects on his current involvement and his next big project, he says that “I took a little time away. Maybe my business took my time away but I had to regroup. I had to find a purpose of why am I doing this? Am I doing this so people can see me on stage? Am I doing this so people can see me in the community? What is the real purpose of me doing it?”

In this line of reflection, Lucas holds his involvement to a high standard. He wants to make sure that the activities he engages in are purposeful and have a long-lasting impact rather than serve as self-promotion. He is
now working with the local high school to support a business program among the vocationally tracked students.

Across the board, SLEI-Ed alumni are actively involved in their communities and recounted their experiences starting nonprofits, performing pro bono work, serving on boards, or working with students in a variety of ways. Among the couple of entrepreneurs who were taking the time to focus on their family members (such as by providing them internships at their business or donating their travel miles) and had little time to go beyond their immediate family, they shared aspirations about extending their involvement in the future. James, who runs a double bottom-line company, captures the tension in growing his business but also staying true to his mission:

When it comes to doing my philanthropic work, I’m in a place right now where it’s easier for me to just give money than it is for me to get directly involved but I want my play to be more volunteering. Now, we do practice what we preach at my company to at least once a month go volunteer for a local organization. It’s a great team building opportunity and it allows me to grow that part of my soul. As more of my company stabilizes, I want to be able to do more of that you know, get your hands dirty work in the future.

James details how he came to develop his philanthropic perspective. He comes from two very generous parents, and even though they grew up in a mobile home, they would give whatever little change they had at church or donate their clothes to families in Mexico around Christmastime. It was this upbringing that taught him “giving makes you happy. Giving heals your soul.” James ultimately translated these early life lessons into a company that is now transforming the work environment and is serving a double bottom-line: profit and positive social impact.

CONCLUSION

The discourse around Latino entrepreneurship has been elevated to a national level, and SLEI-Ed entrepreneurs are helping carry this movement forward. While the early literature on ethnic economies focused on
businesses in ethnic enclaves and confined business reach to a localized nature, we are seeing greater engagement with the pairing of Latino businesses as they relate to the larger U.S. economy. As an example, JP Morgan Chase recently published a piece in The Atlantic with the headline “Latino Entrepreneurs May Be the U.S. Economy’s Best Bet.” The article highlights success stories, including that of Ana Bermudez, a SLEI-Ed alumna and the founder of TAGit. Other headlines from Forbes and CNBC capture the new discourse: “Economic Growth’s New Driver: It’s All about Latino Entrepreneurs” and “Latinos: The Force behind Small-Business Growth in America.” This national attention can work to bring awareness to the growth issues that Latino entrepreneurs face. Highlighted in this chapter are the experiences of entrepreneurs in accessing capital, both their failed attempts and successes. I also highlight the importance of business education and training programs.

More specifically, this chapter focuses on the experiences of Latino entrepreneurs who are successfully scaling their companies. Future studies can consider an interrelated group of stakeholders advancing a Latino commonwealth from the business owners’ perspective including the suppliers, customers, and social institutions. In particular, the strategic ways in which this network works together to advance a positive narrative should be examined. For example, in the early work on black enterprise, DuBois (1899) found that black clientele make black businesses successful. Similarly, the social processes that inform the consumer habits of the Latino population that specifically engage with Latino business owners, within and beyond the enclave, can help us understand the success of a new generation of Latino-owned businesses (see Chapter 9 for a discussion on social network utilization and enclaves). Externally, there are other stakeholders such as media and government that can converge (or diverge) from the Latino business-owner narrative.

Moreover, this chapter explored the relationship that Latino entrepreneurs have with their communities. Large bodies of work have considered collective responsibility as a presumed cultural value, particularly as one that shapes the identity of members in the African American community (McAdoo 1997; DuBois 1903) and as a preference for cooperative behavior (Allen and Bagozzi 2001). Similarly, Vallejo and Lee (2009) find that among upwardly mobile professionals, Mexican Americans experience an obligation to “give back” to their family, especially if they experience rapid social and economic mobility. However, we knew little about whether
Latino entrepreneurs felt a similar sense of obligation to their communities, as they define it. We find that while some Latino entrepreneurs specifically channel their efforts back into their racial and ethnic community, many more are contributing to larger definitions of community—their intersecting identities (i.e., regional, gender, ethnic), physical communities, and youth, among others. In doing so, Latino entrepreneurs demonstrate the ways in which supporting their efforts in turn contributes to a stronger national economy but also stronger U.S. communities.

NOTES

1. According the Small Business Act, “socially disadvantaged” individuals are those who have been “subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.” Included in congressional findings, black Americans, Hispanic Americans, Native Americans, and other minorities are socially disadvantaged. In 1989, the law defined “economically disadvantaged” as “individuals who have a net worth of less than $250,000, excluding ownership in the 8(a) firm and equity in his or her primary residence.”

2. The author notes that the scaling-up strategies set forth in this chapter were most salient to the entrepreneurs in the sample. There is a potentially larger set of strategies, including entrepreneurs’ narratives, market research, business intelligence inputs, and novel collaborative forms, among others, not addressed here.

3. As minimum requirements for the program, applicants must have businesses with at least $1 million in gross annual revenue and three years of business existence. Startup businesses must have secured at least $500,000 in external funds.

4. Mentors are selected through a rigorous screening process to meet minimum qualifications of executive management experience, business success, and/or successful investing. Mentors need not come from a Latino background.

5. Interview respondents from Chapter 12 represent smaller scaled businesses (see Table 12.1 in that chapter for detailed business characteristics), with the highest revenue bracket representing $80,000 in annual revenue. Respondents in this chapter represent scaled firms, or those generating at least $1 million in annual revenue, representing the top 3 percent of Latino- and Latina-owned firms. Both sets of respondents could be considered
“networked” or participating in formal business organizations based on sampling procedures. This characteristic has been found to positively correlate to growth measures.

REFERENCES


