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Start-Up Experiences of Latino Business Owners in Lansing and Saginaw, Michigan

Rubén Martínez, Roger Calantone, and William Escalante

Michigan State University

Abstract

The paper presents findings from qualitative data gleaned from formal interviews with 14 business owners from the Start-Up Experiences of Latino/a Business Owners in Michigan study conducted by the Julian Samora Research Institute in 2011 and 2012. The majority of respondents were men over the age of 51 with at least some postsecondary education who were born in the United States; half of the respondents were born in Michigan. For Latino/a business owners in Lansing and Saginaw, MI, family influences decisions to venture into business ownership both in terms of intrinsic motivation and through a history of business ownership. Consistent with earlier research (Martínez et al., 2011), the majority of business owners in our sample used either informal funds or a combination of formal and informal funds to start their business endeavors. Respondents acknowledged that discrimination, prejudice, and exclusion, while perhaps less severe than in past decades, remain inherent in Latino business start-up experiences. Our research begins to fill the gap of knowledge on how Latinos and Latinas are starting and building businesses.

Keywords: immigrant entrepreneurship, Latino businesses, business ownership

Introduction

In the years 2011 and 2012 the Julian Samora Research Institute and the Institute for Entrepreneurship and Innovation at Michigan State University partnered to conduct research on the start-up experiences of Latino and Latina business owners in Michigan. The project focused on start-up experiences of Latino business owners, their motivations for venturing into business ownership and entrepreneurship, the source of initial funding/resources, the roles family members play in the start-up and operation of their business, and obstacles and opportunities encountered. The current paper presents preliminary results from 14 interviews with Latino and Latina business owners in Saginaw and Lansing, Michigan.

Latino-Owned Businesses: An Overview

At the national level, according to the 2007 Survey of Business Owners, the number of Latino-owned businesses increased by 44% from 2002 to 2007, resulting in approximately 2.3 million Latino-owned businesses. In the Midwestern United States (North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Illinois, Wisconsin, Indiana, Ohio, and Michigan), the number of Latino-owned businesses increased by approximately 47% during the same time period. While Michigan is home to the second largest Latino population in the Midwest, next to Illinois, the state experienced only a 9.4% increase in Latino businesses. Most Latino-owned firms are “non-employer firms” (those without employees), and tend not to be as profitable as “employer firms.” This characteristic implies barriers to integration in the local, state, and national economies (Martinez & Tello Buntin, 2011).

Latino business owners, like other racial/ethnic minority groups, tend to initially fund their businesses through informal funds such as personal savings, family loans, and credit cards. Business owners who utilize funding from formal sources, venture capitalists, government agencies, and/or other funding sources are 11% less likely to go out

of business than those who do not (Martinez, Avila, Santiago, & Tello Buntin, 2011; Martinez & Avila, 2011). Latinos tend to be younger (approximately 42 years old), have fewer years of work experience (approximately 11.5), and are less likely to have a college degree than their White counterparts when venturing into business ownership. Businesses owned by Latinos are also typically concentrated in the low-technology, low-barrier, but high-risk industries, such as the service industries. Businesses owned by Latina women are the most susceptible to closure (Martinez, Avila, Santiago, & Tello Buntin, 2011; Martinez & Avila, 2011). Our current research seeks to illuminate the experiences of Latino business owners in Michigan.

Methods

Participants

The snowball sample consisted of 11 males and three females. Nine of the 14 respondents were 51 years of age and older; of these, five were between the ages of 51 and 60, and four were 61 years of age or older. There was only one respondent who was under 30, and the remaining four were between the ages of 31 and 40. Ten of the 14 respondents were born in the United States, and of these, seven were born in Michigan. All of the respondents completed high school or its equivalent. However, most (10) had some postsecondary education either through vocational training, the traditional four-year college experience, and/or graduate school. Five had completed a vocational training program, earned an associate’s degree, or attended college but had not earned a degree; three had obtained a bachelor’s degree, and two held advanced degrees from graduate programs. Of the 14 interviews conducted, seven were conducted in Lansing and seven in Saginaw.

Sampling Procedures

Respondents were known as business owners in the community or were identified through referrals and networks of community leaders and busi-

ness owners. Initial contact was made either by telephone or an in-person visit by a project interviewer. Interview times were scheduled in advance, and a formal protocol was used to guide the interview. Each interview was audio recorded and then transcribed for analysis using Atlas.ti. In addition to the interview, the researcher requested a tour of the business facilities to gain a better understanding of the operation. An “observational inventory” with accompanying field notes was completed for each tour. The observational inventory was not completed for two interviews because it was not possible to conduct the interview at their place of business. All respondents were informed that they were participating in research, agreed to have the interviews audio recorded, and completed an “informed consent” form consistent with Institutional Review Board Policy.

Results

Respondents’ initial funding for their enterprises came from personal savings and investment, external funding in the form of loans and investments, or a combination of the two. Five respondents stated that initial funding came from personal savings. Another five reported having used only external funding either through business loans or grants from local banks or other organizations/entities. The remaining four stated that they had utilized their personal finances, but also obtained external funding either through small business loans or grants from banks or other formal and informal entities.

Most respondents had a family history of business ownership. Nine respondents indicated that at least one family member currently or had previously owned and operated a business; five reported that none of their family members owned businesses. Of the nine respondents who stated that other family members owned businesses, six of them reported multiple family members having owned a business or businesses in their lifetime. Respondents most often referred to immediate family members (i.e., parents or siblings) as others who owned businesses. However, three respondents shared that their

extended family members (aunts, uncles, or grandparents) also owned, or had owned, businesses. Of the nine respondents who reported business ownership among family members, seven of them reported that their parents were, or had been, business owners.

Motivation

Family played a major role in the start-up experiences of Latino and Latina business owners in Michigan. In many cases, family members, particularly the need to support a family, were the primary motivational factors. Three respondents indicated that they had started businesses to offer their children and grandchildren different opportunities and life lessons. Respondent # 008 took formal action to ensure that his children had an opportunity for future success in the family business:

My children not only were a part of my decision making over the last five years... we taught them how to be business people... They’ve learned not only from our side of the business, but are learning the operational side from a decision making process... They’ve been attending a family business program at Saginaw Valley State University for the last four years... So they did their part, they’re ready, and they’re young... They’ve got a great opportunity to do well (Case# 008).

Another respondent was motivated by the desire to have his children avoid the hardships of the migrant farmworker lifestyle:

I used to work the fields with my parents. We used to come up north to go to different states throughout the year, and...since a young age, I knew I wanted to do something different in my life. I knew I needed to work for myself and for my kids so they could have something they could look up to; I knew I could do it... Me working in the fields all those years, I didn’t want to work in the fields no more, I didn’t want, if I had a family, for my family to work

in the fields like I did. I wanted better for my kids (Case #001).

Similarly, another respondent stated that the business provides working experiences for her grandchildren (and presumably their parents before them):

My vision was to take care of the family; it was something for my children, something for my grandchildren, something that could be their own. Like my granddaughter who works in the company, she helps me do housekeeping. I will take her with me...to show them the value of work and earning their money. My granddaughter is 17 now. She doesn't particularly care to do housekeeping. She'll be the first one to tell you, "That's not what I want to do for life." I say that's good, I'm glad you're doing it now, because you know that it's important for you to go to college (Case #005).

Another respondent indicated that she believes her sons began working and became partners in her business out of the desire to support the family:

I am sure that they would have wanted a different industry, but this is what I knew how to do. I think that they knew that I needed help...[talking about one son]. But I think he felt, "Hey, why am I doing work for somebody else and why not have a family business?" So I think it was his loyalty to our family that made him come back (Case # 012).

Intergenerational Business Families

In our sample, business ownership seems to beget business ownership, or at least make it more feasible. Seven of the nine respondents who reported a family member or relative having owned a business stated that it was their parents who had owned, or currently own, a business. Growing up in a business family not only exposed respondents to the realities of business ownership and operation, but also offered the invaluable perspective or orientation that business

ownership and entrepreneurship are realistic and lucrative possibilities.

My mom and dad owned a grocery store; we grew up in a family business...I think that when one has been raised in a business, you're a little bit braver to start one. Just for the fact that my dad, who didn't have much of an education, had a grocery store; he and my mom, neither one of them graduated from high school (Case# 014).

Similarly another respondent indicated being influenced by having grown up in a family with a business:

My parents owned a restaurant for 35 years...I grew up around it...I wound up working at the restaurant, working at the business, and I learned a lot just tagging along with my dad when I was young. And I remember all those things, you know, tagging along with him going to business meetings or to this or that and the other, and it was stuff that the everyday kid doesn't really see...I got to see who he emailed with, who he talked to, and how he, you know, how he presented and comported himself in those settings, and I learned, you know, I picked up a bunch of stuff from him (Case#002).

In the case of another respondent, family firm succession is a matter of both importance and pride:

I've brought my family in: my son Jose, who's our president, my son Armando, who's our vice president, and then my daughter-in-law, Maria, who's our office manager, and then my daughter joined us too a couple of years ago, Juana. So, it's definitely a family-owned business now... We're working on a buyout agreement right now with me, so they'll be the owners. So, it's a family-owned business, and it'll stay in the family now (Case# 008).

Initial Funding

In addition to serving as a source of motivation and knowledge, the family also served as the main locus for resources such as access to networks, labor, new ideas, and development, as well as investment funds to start and grow the business successfully.

The guys had come in and totally revamped it. They have education, so they have gone in there and are changing things. I've never been good in that area. I've always been more the hairdresser. Again, you've got to have people who know what they're doing . . . they actually saved the salon (Case #012).

Much of the initial financial capital used to start businesses came from respondents' family members and their personal savings, or loans acquired through using their home as collateral. For example, one respondent emphasized personal savings:

So I basically started saving, and when I was ready, I had become a supervisor at General Motors at the time, and I decided it was the right time to open my own business (Case# 001).

Another respondent points to the financial support provided by his father in getting his business started:

So, I borrowed from my father. I put a down payment on an office and I started my own kitchen-remodeling firm which, after a few years grew where I built a showroom and then built a cabinet shop and did well for a few years (Case# 009).

A Latina started her business by obtaining a loan with the support of her husband [at the time]:

My ex-husband took out a loan for us. He worked for General Motors, and truly I wouldn't have been able to...at that time. So,

we financed, I think it was our house or whatever, but he was supportive, he didn't like me working, but when it came to this he was supportive in that (Case# 012).

Another respondent had a different path and began by only providing investment for a business that would be run by a partner:

This particular business, I was supposed to have been the fiduciary only. I was going to be the money bag and somebody else had the know-how, the technical knowledge, the desire, the drive, and they were going to be the driving force. But the type of personality that I am, right off the bat wanted to know everything there was to know . . . The person had no problem with it, they thought "That's great." So, in [an] effort to help our children succeed . . . we decided to help them. (Case# 005)

Barriers

Business owners acknowledged that there were several challenges they faced when starting their business. Respondents identified issues with funding and cash flow, building business relationships, staffing, and maintaining inventory that met client needs. Lack of start-up funds was emphasized by one of the respondents:

When I started up there were a few bucks in the bank account and we just had to go for it. Other than that, people started coming in, at first they were kind of wary about us because we were new, and started asking questions, but finally they kind of accepted us, and they kept coming back anyway. They asked for different stuff and we tried to get it for them. So that made them happy to come back. If they asked for a certain brand, we try to get it (Case# 006).

Another respondent, one in the beauty industry, found employee management a challenge:

Employees. Constant obstacle. Drama...Today I don't have to deal with them: the guys do all that. They're a whole lot more focused than I

am . . . They [the guys] think totally differently. And that's been an adjustment too, realizing that they think so different from how I do (Case# 012).

Another respondent had difficulties estimating the inventory of goods and the number of employees needed:

Overbuying nearly killed me. I don't know how many dozens of times, trying to satisfy the customer too much by having too many goods on the floor and not having enough sales, that was one of them . . . In the beginning too many employees, staffed too many employees, and now I realize . . . we know what hours we need the employees (Case 14).

Business owners also experienced racism and discrimination as a result of being Latinos. These experiences, including discrimination, were understood as inherent obstacles in the start-up process that had to be overcome. Some of these challenges, like money, were understood to be a part of the business start-up process.

One respondent related having difficult experiences with customers because of his "race":

This industry is traditionally not one for minorities to be in. So that was, I think more of a challenge for my customers than it was for me. There were times that no matter what I did, how good I was, I didn't get anywhere, and I'm certain it had to do with my race. You could tell by their demeanor, you could tell by the lack of opportunity they would give you. So, there's not much you can do about that. . . There's only so many hours in the day that you can work. . . You find where you're best spending your time and you focus your time on where you might have a chance (Case# 008).

Similarly, another participant shared the challenges faced due to institutional racism:

The prejudice and discrimination was so bad in this town . . . In Saginaw, you could stay north of Lapeer but you couldn't go south. You could go east until Buena Vista, because it was farmland, but you couldn't go across the river, to live or work for business . . . that was an unspoken agreement . . . So, that's what made it harder . . . they wouldn't rent to you, they wouldn't sell to you, it was just "no." But it started changing slowly, very slowly, and now, hell if you want to open up a business, they might even provide you your own credit account and a loan (Case# 013).

Conclusion

The preliminary findings for the Start-Up Experiences of Latino Business Owners in Michigan Study indicate that for Latino business owners in Lansing and Saginaw, Michigan, family played a key role in their decision to start a business or pursue entrepreneurship. The influence of family was also a significant factor as many of our respondents were first introduced to the prospect of business ownership by immediate or extended family members. Many of our respondents also mostly used either informal or a combination of formal and informal means to fund the initial stages of the business. This finding is consistent with those of Martinez, Avila, Santiago and Tello Buntin (2011). Discrimination, prejudice, and exclusion were also seen as inherent in Latinos' start-up experiences and are still a salient concern for Latino business owners in Lansing and Saginaw. Even though generalization is difficult, and more research needs to be done, the current project begins to fill the gap in knowledge of Latino business owners in the United States and provides findings from the Midwest.

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