Developing Latino Entrepreneur Support Networks: The Wapello County Microloan
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Abstract

Since 2004, Iowa State University Extension and Outreach has been working with Latino entrepreneurs in Iowa and the Midwest to better understand the needs of the fastest growing group of entrepreneurs. After several studies and requests from communities, ISU determined the strengths and weaknesses that Latino Entrepreneurs face, to further encourage sustainable entrepreneurship among newcomers to the Midwest. While urban areas have been intensively studied, the focus has been geared towards rural areas since these are the areas where Latinos have made the biggest impact in the last two decades. The last two decades refer to impact in terms of percentages of growth in population and businesses. Iowa State University has designed several programs aimed at educating Latinos in communities, helping to develop necessary leadership skills, and participate in the communities that they live and work in. One of the key findings in working with Latino entrepreneurs in the Midwest was the lack of knowledge and support of some key business concepts such as: 1) marketing; 2) expansion techniques; 3) taxes; 4) permits; and 5) portfolio diversification (Borich, 2009). To approach and address these issues, ISU Extension and Outreach developed the Latino Business Outreach Program. In Wapello County, Extension partnered with different community agencies and volunteers to start a Microloan program with goals to promote entrepreneurship, leadership and mentor Latino entrepreneurs.

The program, still in its initial steps, has become a model of inspiration on how communities can take a non-traditional approach to economic development, social integration and leadership development. Microlending is becoming an important alternative to underserved businesses (Bernanke, 2007) because it provides flexible, fast, small financing and can educate entrepreneurs. We know from research that small businesses can be an answer to the economic issues in rural communities (Martinez, 2005). By creating the necessary tools needed to help those small businesses flourish we can bring economic and social wealth to communities in rural America.

Keywords: Latino entrepreneurs, Latino education, leadership development
Historical Background and Current State

To understand how the Wapello County Microloan was born, we would need to go back in time to 1974. That year the John Morrell plant in Ottumwa closed its doors for good. The loss of 2,000 jobs did not go unnoticed to a county of 50,000 residents. Employees had lost their jobs overnight. Ottumwa did not have any similar manufacturing companies either. The closing has affected the community in ways that are still felt today. More importantly was the loss of the company’s headquarters since Ottumwa had been the home to John Morrell’s United States operations and management since 1888. The loss of the headquarters meant a severe blow to the economic leadership in Ottumwa. The individuals with higher paying managerial jobs left town and took their investments with them. This meant that Ottumwa was not only poised to lose economically but socially as well. The higher paid employees were also important benefactors in the community to social causes. After John Morrell, there were not any other big companies left in Ottumwa and the smaller ones were not based or headquartered here. The economic and social downturn started immediately after the closing and has not yet recovered.

In the late 1980’s, the reality of the changing shopping habits of Americans hit home for residents in Wapello County. These changes materialized Ottumwa with the opening of the Quincy Place Mall in 1989. Corporations including Wal-Mart, Kmart and Target followed soon after. The trend of malls and big retailers further damaged the economic center of Ottumwa. Since then, the role of Main Street, also known as historic downtown Ottumwa, has been left to government offices and other limited services.

The current state of Ottumwa is not showing great entrepreneurship levels compared to other similar communities in the state or in comparison to smaller surrounding communities. One area of special concern is the downtown area, where the community struggles to open businesses and keep the downtown Ottumwa businesses from closing their doors. The decay of downtown Ottumwa has bigger implication than just losing its status as a retail center. Ottumwa’s Main Street has come to reflect the worried mood of the community since Ottumwa has been showing high levels of dissatisfaction and disengagement among its population for a long time.

Ideal State

The ideal state for Ottumwa is to be a community with the necessary tools available to increase entrepreneurship in the area. The Wapello County Microloan can assist people wanting to go into business or wanting to expand business. Microloan helps individuals by reducing the time it takes to process the application, compared to conventional lenders. At the same time, the focus will be in educating applicants so that their businesses are not short-lived. Wapello County Microloan is planning to do this by lend $1,000 educational grants to successful recipients. Latino business owners have lower levels of trust with other Latino business owners (Welch) as well as other formal business and community organizations, such as Main Street Chambers of Commerce, Economic Development, etc (Ramirez de Miess 2009). The community development component of the Wapello County Microloan includes construction of bridges between the established, and entrepreneurial communities. Relationships are being built between the small business owners and the formal networks under the name of nanoloans and microloans. One of the most interesting points learned is that small Latino businesses and non-Latino businesses have more in common than previously realized. Both types of businesses struggle with: 1) low financing; 2) sustainability; 3) entrepreneurial education; and last but not least; 4) business community networking. The Wapello County Microloan provided its first loan to a Tortilla factory in the community and is currently evaluating two nanoloan applications and another microloan application.

Problem Statement

There were no programs in Wapello County that tied both business financing and business educa-
tion focused on small businesses or businesses owned by minorities. Small businesses struggled to secure financing in small amounts.

**Components**

- Financial Component (Up to $30,000 in financing)
- Educational Component (Up to $1,000 a year in technical assistance)

**Areas of Particular Interest**

Although all entrepreneurs are important to the organization, The Wapello County Microloan has some special areas of interest derived from the gap analysis:

- New Iowan Entrepreneurs (to honor the background of the original funds)
- Downtown Businesses (to promote community vitality)
- Home-based businesses (to fill in the gap)
- Incubator businesses (to support entrepreneurs using the local incubator)
- Local foods
Measures of Success

The final goal of the Wapello County Micro-loan is to create community vitality through the promotion of entrepreneurship. One way that this could be measured is by the number of loans given, number of educational hours taken by the applicants, number of jobs saved or created, number of new businesses or number of expansions.
References


Welch, Bridget, and Hernández Himar. “Cultural Impediments to Trust Development” A Network Analysis of a Hispanic Business Group

