



# The Future of Hispanic-Owned Businesses in Texas

By Kerri Fivecoat-Campbell

**T**exas is second only to California in people that report being of Hispanic origin, so it's no surprise that according to a recent WalletHub survey, several large cities in Texas were ranked as being some of the top cities friendliest to Hispanic businesses. Corpus Christi, Laredo, El Paso, Grand Prairie, Garland, Amarillo, and San Antonio all ranked in the top 20 cities of the 150 of the largest cities in the U.S. surveyed. The survey examined 19 key metrics such as Hispanic entrepreneurship rates, corporate tax systems, and the share of businesses owned by Hispanics.

In 2013, 3.1 million businesses in the U.S. were owned by Hispanics. Approximately 50,000 of those are businesses in Texas, according to the Texas Association of Mexican American Chambers of Commerce (TAMACC), which represents 15,000 chamber members statewide.

According to the U.S. Census Bureau, Hispanics and Latinos accounted for 18 percent of new business owners between 2002–2007, nearly twice the national average of other groups. In Texas, Hispanic-owned businesses are growing at a rate of 3 percent faster than other groups and Latina-owned business 6 percent faster, according to TAMACC.

J.R. Gonzales, executive vice president of TAMACC, said it really isn't surprising that many Texas

cities fell at the top of the WalletHub survey. “Many of these cities have large Hispanic populations, which are naturally friendly to Hispanic-owned businesses,” said Gonzales.

Other Hispanic business leaders think the resources available to businesses in the cities have as much to do with it as the make-up of the population. “The sixth largest city in Texas lends itself to entrepreneurship partially because of the demographics, but also because it is a great city to start a business,” said Pamela Morales, communications coordinator for the El Paso Hispanic Chamber of Commerce. “There is a very active business community and many resource partners that help entrepreneurship thrive. Yet most importantly, El Paso is located on the border with Mexico and New Mexico. The location leads to commerce between all three borders.”

Gonzales added that he also believes the rate of Hispanic businesses is growing not just in Texas but in other parts of the country as well because of something that has served this country well since its inception: good old fashioned work ethic. Immigrants have been using it to achieve the American Dream for centuries.

“I think it is the sheer tenacity, the determination, and work ethic. I think people have different answers to the question, ‘What is risk?’ Risk is something very different to people who have been here for generations than it is to an immigrant,” said Gonzales. “If immigrants have to work 18 hours a day, seven days a week to achieve the American Dream, they will. A lot of people don’t want to put in that much time. They don’t want to take the risk. I think Hispanics, in general, are more entrepreneurial than a lot of other segments of the population.”

Still, those risks include the risk of failure. Gonzales said that they don’t have records on how many Hispanic businesses fail within the first 18 months. He doesn’t have reason to believe the rate is any higher than for any new business in general, which is an 80 percent failure rate. However, some studies have suggested the failure rate for Hispanic businesses is 50 percent within the first 12 months.

Gonzales named several key challenges Hispanic businesses face

not only in Texas but throughout the country: education, lack of planning, capital and availability of credit. Successful Hispanic entrepreneurs, mainly through Hispanic chambers across the state, recognize and are trying to address these issues.

### **It Begins with Education**

A good work ethic and willingness to assume risk goes a long way in helping a business succeed, but not many would disagree that an education will improve the chances of success even more. Gonzales said that making sure Hispanics complete their education and, if possible, go on to higher education is key for success within the community. “Education is the cornerstone to any society,” said Gonzales. “The better the education, the more likely a person will be successful.”

However, the statistics in Texas for Hispanic students are grim. Accord-

ing to the Intercultural Development Research Association, Black and Hispanic students are about two times as likely to drop out of high school than any other group. “The racial-ethnic gaps are no better than 29 years ago. The gap between the rates of White students and Hispanic students has gone back to the 18 percentage point gap of 1985-86. The gap between the attrition rates of White students and Black students has worsened from 7 percentage points to 12 since 1985-86,” according to the Intercultural Development Research Association.

Many people believe the high drop-out rates, especially among minority groups—including Hispanics—is due to the continuous cutting of educational funding by Governor Rick Perry. “I think the incumbent governor has pulled the wool over the voter’s eyes,” said Gonzales. Texas has made national headlines in recent years for its funding, or lack



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thereof, for public education. According to comparisons released in 2013 by the National Education Association, Texas dropped to 49<sup>th</sup> among all states in spending per student, which is more than \$3,000 below the U.S. average and about \$66,000 less per elementary classroom.

State Republicans have argued that pumping more money into the educational system is not the answer. “It’s not how much you spend. It’s how well you spend it,” Rob Eissler, former house public education committee chairman told the *Dallas Morning News* in defense of studies suggesting that there is no correlation between spending on education and student achievement.

Whatever the reality, education funding most likely won’t change anytime soon as Republicans, including Greg Abbot, who won the governor’s office in November, remain in firm control of the Texas budget. The deep budget cuts in education have prompted many within the Hispanic community to start mentoring programs as well as incentives to finish high school.

Claudia Mirza, CEO of Akorbi, a Dallas-area based firm that provides multilingual business solutions in more than 170 languages, is giving back to

the community by helping sponsor the college education of three girls who have very limited resources. David E. Saucedo II is a third-generation member of his family to be involved in the family business, the Saucedo Company, an El Paso Locksmith business. He is also the founder of a program that helps at-risk youth. His Keys for Kids program donates 10 percent of every key cut at his business to the Boys & Girls Club of El Paso. That program was launched nationally in 2013 by the Associated Locksmiths of America. According to the Boys & Girls Club, nearly 90 percent of all kids who participate in the organization graduate high school, and 26 percent go on to attend college.

If a Hispanic student graduates from high school, business leaders say it is just as important to help try to get them into college. Morales credits the University of Texas at El Paso as a driving force in the success behind many Hispanic businesses in that community. “It is a dominate feature in the community and has been rated several times as one of the best colleges in the country for Hispanics,” said Morales.

While some might argue that billionaire CEOs such as Mark Zuckerberg, Bill Gates, and Steve

Jobs didn’t have a college education, numerous studies suggest that entrepreneurs who have a college degree have a higher probability of owning a successful business. Rick Ortiz, president/CEO of the Greater Dallas Hispanic Chamber of Commerce, which encompasses several of the cities cited as the best Texas cities for Hispanic entrepreneurs, agrees that a college education doesn’t necessarily predict success for a company’s founder but that it could help. “I think what we’re seeing now is a lot of colleges and universities beginning to offer classes in entrepreneurship, which is really important,” said Ortiz.

In an effort to help Hispanic entrepreneurs gain that upper hand, many of the Hispanic chambers throughout the state offer scholarships. TAMACC also recently developed a partnership with Western Governor’s University, an online program, to help members complete their master’s degrees. In addition, they have awarded \$25,000 in scholarships to its members for educational and research studies. “We’re also developing a series of certification programs,” said Gonzales.

In addition to providing other services, some Hispanic chambers throughout the state also offer short courses in various entrepreneurship classes such as business development, marketing, and accounting.

### **The Key Is in the Planning**

Gonzales laughed when he talked about one of his early businesses that went down in flames due to a lack of planning. “I have a whole warehouse full of sandals if you’d like to buy a pair,” he said. “It seemed like a good idea at the time.”

Like any group of entrepreneurs, Hispanic business owners face a high risk of failure due to a lack of planning. This includes everything from securing financing and living expenses until their business turns a profit to basic market research. “I know of one entrepreneur who wanted to open a skate shop, and he didn’t realize another one had just opened in this relatively small town, and it just couldn’t support his being in direct competition,” said Gonzales.

Many chambers, as well as other non-profit business organizations

have mentors that lead classes in helping to develop a business plan, but Ortiz said that the core of having a successful business just doesn't amount to what is put on paper. While that can be a guide, he said that business owners also need to develop skills in bidding for private and public contracts, as well as learning to adapt in different situations. "They might have a plan, but they also need to be willing to adapt that plan," said Ortiz. "They need to be innovative and learn what sets them apart from the rest of the businesses out there."

Mirza, the founder of Akorbi, came into the El Paso Hispanic Chamber in 2003 looking for work. One of the mentors at the organization saw potential in her ability to help people translate documents, and she was encouraged to start her own business.

Akorbi began as a small, home-based translation business and now employs 670 full- and part-time employees. The company has grown at a rate of 200 percent each year and has \$10 million in annual revenues. The Common Sense Advisory ranked Akorbi as one of the largest providers of translation, localization, and interpreting services in the United States.

The El Paso Hispanic Chamber of Commerce credits Mirza's success to having a clear vision and a highly experienced management team that provides innovative services and invests in infrastructure for continued growth or simply put: good planning.

## Show Me the Money

"One of the greatest challenges any business owner today faces—across the state and across the country—is access to capital to help grow their business," said Gonzales. "After the recession, lenders tightened up, and it still is really difficult to find funding." While some lenders are starting to loosen the credit reins, many, according to a story in *USA Today*, are still only taking chances on businesses with a proven track record. In addition, many banks are still only providing loans to businesses backed by the Small Business Administration

(SBA), which reduces their risk. "Access to capital through the SBA has always been an issue," said Gonzales. "It's very difficult to meet their requirements."

State-wide funds available to businesses, such as the Texas Enterprise Fund (TEF), which *NBIZ* reported on extensively in the last issue, also have

onerous requirements, especially for small businesses. In order to qualify for these funds, Texas must be in competition with another state to retain the business, and the business must have a significant capital investment as well as the promise of creating at least 25 jobs in a rural area or 75 in an urban center.



As a result of the inability for many small business owners to get financing or qualify for government grants and loans, non-profits throughout the state have directed funds toward Hispanic-owned businesses. This year Accion Texas, the Hispanic 100, and the Eva Longoria Foundation partnered to raise \$250,000 for the Latina Loan Fund, benefiting Hispanic female entrepreneurs.

Courtney Rodriguez, owner of Crossfit Love Field, received \$5,000 from the fund early this year, which was enough to finance the opening of her specialized fitness center in April. Rodriguez had a lot going for her before opening her own business. A self-described “army brat,” Rodriguez graduated from high school and went on to earn a degree in public relations from Texas Tech University in Lubbock.

She worked in corporate marketing for several years until the fear of layoffs and her love of fitness combined to propel her desire to

open her own facility. The biggest challenge she said she faced as a Latina entrepreneur was the financing aspect. “Getting a loan through a bank was almost impossible,” said Rodriguez. Having access to fundings also gave her access to various support services, including business plan templates and business budgeting classes. She said they also offer English as a Second Language (ESL) resources for those who need them.

Rodriguez said business is going a little slower than projected. “It is growing, but the first year is difficult,” she said, adding that she most likely wouldn’t have had the chance at all if she hadn’t had access to start-up capital.

### **What Is it Going to Take in the Future?**

The Hispanic population in the U.S. is expected to grow to 31 percent of the total population by 2060. The Hispanic population in Texas is already at 35 percent, but is expected to grow at a very fast rate

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by 2040. Some projections grow the Hispanic population by as much as 530 percent from 1980 to 2040.

The question is, what is needed to help Hispanics entrepreneurs achieve a higher rate of success in the state, and how do we get more of the largest cities in Texas to be at the top of surveys citing cities in the U.S. friendliest to Hispanic business owners?

“Lenders should be creative when it comes to financing small businesses,” said Morales, “[by] looking outside of the standard traditional avenues for capital and utilizing programs such as microloans and revolving loan funds available through their city or state. Traditional and non-traditional lenders need to work together to better serve customers and get them the funding they need.”

Morales also said that borrowers need to become more educated on how to manage their cash flows, plan their business growth, and assess the resources that are available to them. “Local municipalities need to be more encouraging of business development and not so burdensome when it comes to ordinances and laws governing small business,” Morales said.

Gonzales agrees but said that future Hispanic business owners need to get back to basics. “The business owner really needs to understand how business works. They need to go into their business and live it, breathe it, and sleep with it.” **N**

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