

**Latino Businesses in Madison, Wisconsin:
an
Overview of Issues and Problems**

Latino Businesses Experience in Madison

Research survey and study for Latino Chamber of Commerce in
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Introduction

All companies have their problems and hurdles to survive and develop, especially the young ones where the mortality rate is very high.

For Latino businesses, the challenge is even harder because they must face these same problems and in addition there are some special issues due to cultural differences. Madison experienced a clear increase in its Latino population in last decade. Latino businesses grew accordingly and their share in Madison's economy is growing both on the supply and the demand sides.

The Latino Chamber of Commerce of Madison needs to know more about the most serious problems and hurdles that Latino businesses are facing presently in order to allow future planning and programs to help those companies. I was hired to survey these needs and to do a research project on the subject.

Objective

To do an exploratory survey/research on current needs and urgent problems of Latino businesses located in the City of Madison. Find what problems they have and make suggestions on ways to help those companies on addressing those issues.

Scope

On defining which companies would be part of our universe, we limited those where the owner(s) has his/her origin from a Spanish or Portuguese language country and has most of its operations in Madison.

We interviewed owners/managers from Mexico, Venezuela, Colombia, Peru, Uruguay, Costa Rica and Brazil.

Methodology

This research has a clear exploratory format. It does not follow academic standards. We did not have the goal of making any kind of measurement due to the limitations of time and resources to gather the data which is exploratory in its nature. The purpose was purely qualitative not quantitative. We wanted to know “what” and “why” not “how much, how many or how often.”

We did not have any restriction on the sector of economy that the company belonged in. We requested interviews from Latino Chamber of Commerce members and known Latino businesses recommended by its members. We did not make any restriction on the size of the business. The smallest were one-man-show home run business and the largest had around 60 employees.

We ended up interviewing 22 different companies from very different activities. There was no effort in trying to make a representative sample. Our estimate of the actual number of Latino companies in Madison is around 500. Due to this method of selecting companies, we should note that smaller companies with less visibility had a much smaller chance on being selected. Also those smaller companies were much more averse to agreeing to be interviewed.

Companies which are more visible due to the nature of their business were more likely to be part of our research. We tried to widen the scope of businesses as much as possible in order to uncover more perspectives and more diversity of problems.

We focused on interviewing the owners who manage the company directly or the persons who really manage the business at the site. In sectors like food and groceries stores the owner has often several businesses and is rarely present in the day-to-day operations of his companies. We needed to get answers from the person who were in direct contact with their customers and the daily issues.

We asked for interviews through telephone calls for listed members, visiting directly stores and restaurants. We got a better response from larger and longer established businesses. This situation meant that the businesses that were more prone to have problems were more difficult to approach to get an interview.

Interviews were conducted in the most informal and relaxed atmosphere possible in order to allow the owner to feel comfortable on sharing information on his business. This means that we also used the language in which they felt most comfortable. We used English on just one occasion, Portuguese once and Spanish in all other ones.

Interviews were conducted without a visible script and questions were as open as possible. Confidentiality was assured in a sense that their responses would show in this report but would not be linked to any individual name.

All interviews were conducted in their facilities except when they had no facility (typical of cleaning, remodeling and landscaping services). This opportunity to observe their operations, talk to their customers and see first hand how they work was instrumental in gathering more information on their problems. This was because the owners had the tendency of being short sighted on their own problems. They get so used to them during the daily process that they become “blind” to them. Therefore, many of the problems reported here were actually observed but not reported by the owner.

Interviews were conducted to cover the following topics in a random order:

- **Ownership and management**

Who owns the business, what is the ownership structure and who manages directly the business?

- **How the business started**

How they had the idea of the business, previous experience, initial investment, problems to start the business, history of the business?

- **Marketing**

What goods/services they sell? Who are their customers, Latino or non Latino Americans, what is their profile? What is their target market? Who is the competition? How do they position themselves in this market? Price strategy? How they are viewed by their consumers? What are market trends? What advertising they use? How are their sales? How is the economy doing? (all business owners have their own impression of the economy based on how their consumers are behaving).

- **Finances**

Bank relationships, financing sources, debts, working capital needs. How accounting is being done? Do you have tax problems?

- **Human Resources**

How many employees? How many are family members? Problems in hiring employees? Turnover? How training is done?

- **Business strategy**

What is the corporate philosophy? Future plans? Governance problems? Regulation problems? Competition issues?

We also pushed the interviewees to discuss any other business issue he was having in a very open format. Very often we would go deeper on the most important problems for his business.

We did discuss some actions with owners for the most urgent issues they had.

Interviewed Latino Companies Characteristics

In most aspects Latino company owners are no different from other American small companies. They start a company without a business plan based on their previous experience working in the area with hopes that the business will prosper but with very little planning and preparation before diving in. As a result they face a very different reality than they imagined and mortality rate among young companies is very high. The most common company interviewed has 2 years of existence, was struggling to find its place in the market and the owner was ill prepared to manage a company.

We tried to cover as many sectors of the economy as possible, but there is clearly a concentration on service companies. We were able to find some grocery stores which were aimed to the Hispanic community but unfortunately we did not succeed in getting an interview.

There is also a preference for food services. We interviewed 9 companies in the food area, 2 in cleaning services, and one in each of the following: day care, architecture, real estate, beauty salon, insurance, remodeling, law office, website design, car mechanic shop, landscaping and IT services.

Most of these companies are very small, usually with just the owner and one or 2 employees, who were members of the same family. In one case, the owner worked alone but the cases where he got a bigger project, he was able to use up to 20 direct relatives to help him.

No company used external financing for its startup. Initial capital was always their own savings and a common characteristic is the poor capitalization of the company. It is amazing how they can start with so little.

Most owners were very receptive to this initiative and are looking forward to future actions to help them. They feel very isolated in their needs with no place to go for help. Any assistance would be very welcome. More mature businesses (those with more than 5 years) are more stable and require much less assistance. But even those experience loneliness and would welcome opportunities to have a forum to network with other business owners.

Companies Surveyed/Interviewed for this Research

ADS – architectural services (no employees)

Alvarado Group – real estate (1 employee)

Cancun – restaurant (10 employees)

Dominir – beauty salon (3 employees)

El Cabrito – taqueria (3 employees)

Emiand Bakery – bakery (4 employees)

Farmers Insurance – insurance (no employees)

Home Express Repair – remodeling services (1 employee)

Inka Heritage – restaurant (6 employees)

Integral Cleaning – cleaning services (no employees)

La Bamba – taqueria (Mexican fast food restaurant) - (40 employees)

Laredo’s – restaurant (18 employees)

Lawton & Cates – law office (55 employees)

Luciana Websites – website services (no employees)

Madison Auto – car mechanic services (1 employee)

Sacramento – taqueria (Mexican fast food restaurant) - (2 employees)

Shinning Concepts – cleaning services (no employees)

Sol y Lunita – day care (no employees)

Southern Services – landscape services (no employees)

Taqueria Guadalajara – taqueria (Mexican fast food restaurant) - (4 employees)

Ticomputer – IT services (no employees)

Tortilleria El Buen Gusto – tortilla factory (4 employees)

The Needs and Problems of Latino Companies

- **Ownership and Management**

Partnerships do not occur often in Latino businesses. When we have a partnership, it is usually among next family members, husband/wife, brothers, mother/daughter, etc. This helps on avoiding governance issues. None were reported in any interview.

On the other hand there is a clear lack of management skills among owners and hired managers. This limits severely the company options and represents a big hurdle for its development. The need for training in management was very clear in all owners.

- **How the Businesses Started**

The Latino community clearly has entrepreneurship in its blood. Partly because of Latino culture which gives a high social value to business owners, partly due to the lack of jobs in their native country which forces people to open their own business. In Madison, immigrants face extra hurdles to get a job due to their limited knowledge of English, immigration status situation and lack of recognition of their professional qualifications in a foreign country. Facing this situation the immigrant very often gets a job where he is overqualified, underpaid or gets exploited by the employer. The clear alternative is to open their own business. I was able to interview engineers, architects, doctors, software programmers working as musicians, CAD operators, waiters and home computer technicians.

I interviewed several qualified professionals who started their own business due to problems to get an appropriate job and were supported in the startup by the respective spouse. Other owners saved money and opened a business where they have worked for more than 10 years as employees, especially in the food and cleaning sectors.

In the opinion of all owners, it is easy, quick and cheap to open a business from their point of view. Nobody complained on this topic.

- **Marketing**

This is an area where the lack of skills, business plan and training is full of problems for the businesses interviewed.

The observed approach is almost no planning. Let's shoot in all directions in the dark and see if we can catch something. There is no planning on the target market. Advertising is scattered in all directions often spending more than they can afford with very poor results. Nobody aimed at their target market. Actually, how do you aim at a market when you have not defined your target market? Favorite approach here is trial and error. I did not see any of the companies using marketing techniques more appropriate for small companies. No press releases, no cooperative advertising, no targeted promotions, no common promotional events, no attempts to improve their knowledge on their customers.

The most often complain heard in the interviews was low sales. This is the most important symptom of the problem. This was also the area where I could see basic errors more often.

There is the need of a better forum for making their services better known. Limited English skills is a serious problem for some businesses.

- **Finances**

According to the owners interviewed financing does not exist for small businesses and startups. Some of them have the need to expand due to the demand and can't finance the expansion. It seems very difficult to find a bank targeted to small businesses or Latino businesses. The most common way to finance a startup was to use their own savings or the spouse's support. Financial management is very basic in all interviewed businesses. They control just sales, some control costs, some control profit. Cash flow control is also very basic. Accounting is used just for tax purposes.

- **Human Resources**

There is no labor shortage and no complains on qualifications on the jobs where low level skills are required. However, when there is the need of medium level training I received some complains on the difficulty to find courses available. Due to their size, these companies have few problems in this area. The more serious complains are for high level jobs.

There is the need for training on leadership and motivation in this area for the owners. There is one potential problem that only 2 owners mentioned but might mean significant changes in the near future. Due to the large number of illegal immigrants employed, there is an uncertainty on the potential changes in immigration law and policies that can undermine labor availability in the near future.

- **Business Strategy**

The lack of business plan was the big issue in this area. This meant the lack of even basic planning and a lot of effort wasted in time and resources. Little effort is made on studying who or where is their target market meaning that advertising was made in a diffuse way often to the wrong audience. I observed typical local businesses located in small malls where the owner knew almost nothing about who lived in the neighborhood, who was the mall client.

For Latino businesses there is another issue worth mentioning. Who to address their business; the Latino market or the American market? Both - seems the obvious answer. But, depending on their business, this just can't be done. Consumer habits can be very different and language is just one of them. The effort to address both markets often creates a fuzzy image for the consumer making it difficult to succeed in any of them.

The English limitation of some businesses is also a big problem on conquering the American market especially in corporate sales.

The Challenges of Being a Latino Business Owner

The first one is the language. There are services like cleaning, remodeling, landscaping where the customers are American and they need to be fluent in English.

The other big problem is the Latino background. I observed many examples of the owner actions that were counter productive for his/her business but made all sense in the world for a Latino heart. Examples are: selling Latino phone cards and offering Latino food in an American targeted store. A restaurant owner promoting music filled evenings that his Latino clientele loved but the American public finds annoying and a lawyer doing too much pro bono work for his low income Latino customers.

The business owner often take actions for the Latino customer even when he is target is the American community and he is jeopardizing his real target market. Even when the owner consciously knows that he must target the American public, deep in his heart he still dreams of working with the Latino public.

Another challenge is the vulnerability of the Latino community to economic swings and immigration policy changes and indecision. Business owners are feeling first hand any economic down turns in their Latino customers buying habits. The American public is much less sensible to these economic turns.

One obvious advantage on the other hand is that for the Latino businesses the owner finds it easier to address the Latino community needs due to their knowledge of this consumer. I interviewed some businesses where almost all his customers are Latino.

Suggestions for Possible Programs to Help Latino businesses

- **Discussion Forum for Business Owners**

The business owner feels very isolated and there is no appropriate place to exchange ideas and experiences. For many issues the owner is not the first to experience it and it has been addressed by others before. This discussion forum would also be useful to organize cooperated actions among similar companies to promote their business.

The format I suggest is a monthly meeting with a theme in each month. A speaker would be hired to give a 30 minute speech on the subject. This speaker could be a consultant or a professor from a School of Business followed by 2 and half hours of Q&A and discussion among participants. It is an excellent opportunity for the business owners to network with his colleagues.

- **Training Courses in Management**

There is the need for training in several topics in marketing, finance, human resources, strategy in order to improve their business skills. This would require the help from local business schools. English training is also very important.

- **Business Directory in the Internet**

All companies need an easy way to be found and offer their services. The Latino Chamber of Commerce could provide a directory to facilitate the search of its members by goods/services provided.

- **Junior Consultation Services Provided by Business Students**

This is an idea that requires the cooperation of a business school. To join small companies that need consultation to help them to improve their business and can't afford consultation fees to business students who have no real work experience and need to practice what they learn in real businesses. The students could create a "consultant company" that provide such services at a nominal fee. They would experience real life problems and use and train owners on modern business practices.

- **Annual Week of Latino Cuisine**

The large number of businesses offering Mexican, Peruvian, Brazilian, Costa Rican food need an annual event to promote their businesses. The creation of an annual event for them would help them become more known by all community and help them boost their businesses in a cooperative way.

- **Research on the Latino Consumer Market**

This would be a very big project. There is a need to know more about the consuming habits of the growing Latino community. Qualitative and quantitative studies are needed. This knowledge would help many companies not restricted to the Latino companies. All companies interested in the Latino business would benefit.

Conclusion

The recent growth in the Latino population resulted in also a sudden growth in Latino businesses. They are mostly small by nature and render labor intensive services. This is clearly the sector the most generate jobs and helps local economy activity.

Those business owners are highly entrepreneurial, are very determined and work harder to develop their business but are still very fragile situation in their business. They are not different from other small business owners in this aspect. What differentiates them is that they have a very different background. The experience they had on coming to a foreign country with a different culture, and hurdles they face just to live here, make tends to filter out those who will become Latino business owners. They are already survivors before starting their business.

They are very hard workers and a little help will mean a big difference in their chances to succeed. Any investment in time and resources spent to help them will easily mean a high return on local economy in income and jobs.

There is a big opportunity to boost economy with little help. A little push and some fertilizer will do wonders for the future crop of successful Latino businesses.

About the Author - Clovis Mo

Clovis Mo is a 51 year old Brazilian who has lived in Madison for 3 ½ years. He has a B. Sc. in Civil Engineering by Universidade de São Paulo, a B. A. and a PhD. in Business Administration by Fundação Getulio Vargas. These schools are in São Paulo, Brazil.

He worked as a corporate bank officer for Citibank for 7 years being a Resident Vice President. He was also a partner in 2 companies: Aqualung Confecção, a clothing manufacturer and franchisor and Scubatec Ltda, a scuba diving equipment manufacturer and distributor for 8 years. He owned Digital Graphics, a printing and website design business.

He lived 2 years in Cancun, Mexico where he owned a clothing store.

In USA, he worked 3 years for Epic Systems as a software engineer and is presently working for Robert Half Consultants.

He is author of several published academic papers in international meetings and a chapter on e-learning in the book “Information Technology” published by Editora Atlas in 2004. He is fluent in English, Spanish and Portuguese.

He taught classes on IT management in MBA courses in 2 different universities in Brazil.