

Extension 'Cord

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Connecting People, Resources, & Knowledge

"Welcome to the Extension 'Cord, a monthly briefing paper from WSU Snohomish County Extension. Even though we have existed for over 100 years, we have realized that too many people are unaware of the diversity and impact of our programs. Each issue will highlight the purpose, activities and results of one particular program. The 'Cord will showcase the work of our 1,000 volunteers and 25 staff. Please do not hesitate to contact any of our staff for more information."

Curt Moulton, Extension Director



STRENGTHEN WASHINGTON'S LATINO BUSINESS WORKFORCE AND POWER TOMORROW'S ECONOMY

Background: Between 2000 and 2010, Washington State experienced a 54.9 percent growth in the Latino/ Hispanic population, (from 441,500 to 684,000), making Hispanics/Latinos the state's fastest growing minority group. Predictably, Hispanic entrepreneurship and business ownership are growing as well. The number of Hispanic-owned businesses in the state grew 73.6 percent, from 10,261 to 17,809 in the same period, and receipts for Hispanic-owned businesses grew 77.6 percent, from \$1.5 billion to \$2.7 billion.

Nationally, census data document a rise of 43.7 percent in the number of Hispanic-owned small businesses between 2002 and 2007, from 1.6 million to 2.3 million. This rate was more than double the 18 percent increase in the total number of small businesses nationwide, and it outpaced the growth rate of the Hispanic population during roughly the same time period. From 2000 to 2009, the nation's Hispanic population grew from 35.6 million to 48.4 million, an increase of 36 percent.

Nationwide, Hispanic-owned businesses generated \$345.2 billion in receipts in 2007. The figure is a 55.5 percent increase over the 2002 total of \$221.9 billion and is substantially higher than the nationwide increase of 33.5 percent for all businesses..

Significance: The growth in Hispanic-owned businesses represents new job opportunities and role-model incentives for youth as well as peers. Continued growth and success of both start-up and established Latino businesses are vital for Washington's economy. Nationwide, small businesses employ about one-half of all Americans and account for about 60 percent of gross job creation. In 2007, 30 percent of Hispanic-owned (non-farming) U.S. firms operated in construction and repair, maintenance, personal, and laundry services sectors. Hispanic-

owned U.S. firms accounted for 10.4 percent of all U.S. businesses in these sectors. Ethnic and minority-owned small businesses may provide additional benefits by developing leaders capable of bringing about positive changes in their communities. Further, contractors for government work projects required to use at least 7 percent minority-owned businesses are finding only 2 percent of these enterprises are developed enough to perform the work needed.

Challenges: Hispanic-owned businesses are overrepresented in low-growth and no-growth economic sectors and their average gross receipt per firm is comparatively low. A large number are micro-entrepreneurial in nature, family-run, have zero or just a few paid employees, and/or are even in a pre-license status. Nationally, the share of Hispanic-owned businesses with receipts of \$1 million or more was only 1.9 percent in 2007, compared to 4.9 percent for non-Hispanic-owned firms.

Other barriers characterizing Latino small businesses include:

- Limited collateral for loans.
- Inadequate credit history.
- Low English literacy and proficiency.
- Distrust of government and established institutions leading to businesses confined to low-growth sectors, with owners shouldering full control of the business.
- Limited acceptance of their Individual Taxpayer Identification Number (ITIN) issued by the IRS for non-citizens entities
- Limited opportunities to network with sources of traditional business financing and providers of business-related technical assistance.
- Limited understanding of American business processes.
- Lack of culturally friendly or linguistically appropriate services at local financial institutions.

WSU Snohomish County Extension

600 - 128th Street SE

Everett, WA 98208

(425) 338-2400

<http://snohomish.wsu.edu>

County Extension Director

Curtis J. Moulton

(425) 357-6015

moultonc@wsu.edu

Natural Resources

Forest Stewardship, Kevin Zobrist

(425) 357-6017

kzobrist@wsu.edu

Beach Watchers, Chrys Bertolotto

(425) 3 57-6020

chrys@wsu.edu

4-H Youth Development

Jana Ferris

(425) 357-6044

ferrisj@wsu.edu

Community Horticulture

Sharon Collman

(425) 357- 6025

collmans@wsu.edu

Master Gardener Hotline

(425) 357-6010

Healthy Living

Healthy Families, Bick Hang

(425) 357- 6022

bickhang@wsu.edu

Food Sense Nutrition, Colleen Fullmer

(425) 357-6021

fullmer@wsu.edu

Agriculture

Drew Corbin

(425) 357-6012

corbina@wsu.edu

Latino Community Studies & Outreach

José L. Garcia-Pabón, Ph. D.

(425) 357-6008

garciajl@wsu.edu

For upcoming events:

<http://snohomish.wsu.edu/calendar.htm>

Need: *Recognizing both the value and challenges Latino entrepreneurs face, the state is ready for an evidence-based business-assistance model that ensures that resources and services are made accessible to small businesses through culturally-sensitive professional and peer mentors. Such was the need from which ASFINLA (for its acronym in Spanish of Assistance for the Financial Health of Latino and Minority Business). was born.*

ASFINLA: To address these challenges, in 2011, ASFINLA emerged from strategies successfully piloted with 140 Latino small businesses in Skagit and Franklin Counties. Components included

- 1) One-on-one bilingual individualized business consultations using a bilingual curriculum that included how-to's on taxes, accounting, loan acquisition and compliance with state regulations
- 2) Peer-to-peer mentoring, pairing business owners in one locale with counterparts in another, to share best practices in management, marketing and accessing capital; and
- 3) Latino business owners forums with participation by state-level decision makers, hosted by Hispanic chambers of commerce.

Principal partners in the pilot, as in the scale-up in progress, included Washington State University Extension (WSU EXT) Community and Economic Development Program, Washington Small Business Development Centers (WSBDC), the Association of Washington State Hispanic Chambers of Commerce (AWSHCC), and Skagit County's Latino Business Retention and Expansion Program (LBRE).

Participants overwhelmingly agreed they had a tremendously positive learning experience, strongly endorsed the educational value of all components, and indicated they had made concrete plans to improve business practices, thus confirming the value of the model.

ASFINLA's overarching goal is to assist existing small businesses and new start-ups in underserved minority categories to prevail and grow stronger in these challenging economic times.

Peer and support networks: Our experience has shown that Latino small business owners and developers are much more receptive to coaching and instruction endorsed by practitioners who share the same cultural and language background. Hence, a key to assuring cultural relevance is the endorsement and engagement we have from existing businesses, including peer enterprises associated with and candidates for membership in the Association of Washington State Hispanic Chambers of Commerce (AWSHCC), as well as the support network of banks, licensors, regulators, and other state, federal and private resource providers. To create the network of resources and infrastructure critical to delivering focused, ongoing education and mentoring in multiple locales, ASFINLA's partnership with the AWSHCC and participation in the growth of its members' numbers is critical to the success of all parties.

Expected outcomes: The measurable long term outcomes of culturally-sensitive business education for both Hispanic chambers of commerce and Latino business owners and potential entrepreneurs will be 1) Latino small businesses with effective and sustainable management and business practices, 2) a larger tax base for their regions, and 3) more employment opportunities. In addition, Hispanic chambers of commerce will increase their membership, run their organizations more efficiently and represent a stronger voice in local economic issues.

Staffing: Ultimately, staffing will need to include at least four full-time bilingual, experienced business educators/specialists providing basic, individualized business skills instruction, and one capacity-building and training coordinator for HCC board members. Other funding is needed for travel, communication, office expenses, including – as with our clientele – enabling technologies that expand our capacity to help more widely and provide models for other regional small business assistance programs. We estimate that to provide staff statewide with the level of experience and compassion for micro-entrepreneurial small-business startups, and retain them with benefits and other long-term incentives and supervision will require a \$1 million investment.

Sustainability: Long term, when fully staffed, we expect the successful reception of the technology-enhanced pilot business assistance curriculum to leverage enough requests over time to allow us to collect a percentage of participating minority business organization membership fees and a percentage of the sliding scale, pay-as-you-can fees of curriculum enrollees. These self-supporting measures would include major fundraising, much anticipated community events, similar to those hosted by the Economic Development Association of Skagit County, coupled with strategic and systematic fundraising from businesses, foundations, and individuals that will provide additional, stable sustainability for the project.

WSU Extension Mission Statement

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