Latino Immigrant Entrepreneurs: Planning and Future Time Perspectives

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Barbara Bird

American University

Ayman El Tarabishy

George Washington University

Inspiration and Purpose

The inspiration for this project derived from conversation between LEDC and American University faculty, including Eric Hershberg in the summer of 2011. Those conversations suggested that LEDC found that some of their Latino business clients had more difficulty than others in formulating and acting on business planning. Given the unique population of the Washington DC metro Latino population, we speculated that country of origin may have something to do with the forward thinking (planning orientation) of Latino entrepreneurs.

Based on that, preliminary research was done on the state of the art on Latino immigrant entrepreneurs and on the composition of Latinos in the DC metro area. We also began the process of qualifying for and achieving IRB approval to do the research.

We found that while there is research literature about Latino immigrant entrepreneurs, that literature tends to address only the most nationally populous Latinos, specifically Cuban, Mexican and Puerto Rican groups. In cases where there are other Latinos in the sample, they are grouped as "other". There is evidence that Cuban and to some extent Mexican entrepreneurs have formed enclaves where the community of Cuban (or Mexican) business owners buy from and sell into businesses and consumers of that particular nation-of-origin immigrant. Arguably there are likely to be fewer recent immigrants in these communities, at least proportionally since enclaves take considerable time to develop.

We found that the Washington DC metro area has a large number of Central American immigrants, with Salvadoran as the largest group. The area also has a significant number of South American immigrants. There are also significant numbers of Mexican immigrants.

Thus our research questions are: What are the differences in planning among Central American (specifically Salvadoran, Guatemalan, Honduran, Nicaraguan), and

among Andean (Columbian, Peruvian, Bolivian, Ecuadorian) immigrant entrepreneurs? How are Central American immigrant entrepreneurs different from each other and from Andean immigrant entrepreneurs?

Sampling

The sample of Latino immigrant entrepreneurs was randomly drawn by nation of origin from the database provided by LEDC. That database with over 10,000 individuals includes all individuals who have approached the center for assistance in any way. Thus many people in the data set are only thinking about becoming an entrepreneur. The database was analyzed for those who had contact information and who were from countries of interest (Bolivia, Columbia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru). This resulted in 844 possible individuals. Within each country of origin, individuals were randomly chosen.

Data gathering method

Telephone interviews were conducted in Spanish by two graduate students with a university in the DC metro area. Interview questions were cross-translated and the students trained in interview protocols. Two types of interviews were done.

Qualifying interview. The candidates were asked questions to determine if they had a business, if that business was less than six years old, and if they were an immigrant (if both parents were born outside the United States). If they qualified for the study, they were sent a written (Spanish) consent form.

Research interview. Several days after the consent form was mailed, the same graduate student contacted the respondent and conducted an approximately 20 minute interview in Spanish. These interviews were recorded so that later English language notes could be provided. A total of 30 interviews were completed by September 2012. The break down by country is shown in table 1 below. In subsequent analysis we combine Central American groups and South American groups. Only 27 of the interviews were deemed complete so results are based on that number.

Table 1

Country of Origin Frequency

Guatemala	3
El Salvador	10
Bolivia	6
Columbia	4
Honduras	1
Peru	6

Data analysis method

The two lead researchers examined the English language notes from the interviews. We used a method of code development offered by (Boyatzis, 1998). We were delayed in getting the codes developed due to personal issues of the lead researchers. Codes were finalized in November 2012 and are show in the two tables below.

Table 2

Latino Immigrant Entrepreneurs Data Coding

Short term planning

Definition: Person reports specific activities and cognitions expected from him/herself or the enterprise over the next 1-3 months. Activities and cognitions need to be focused on enterprise operations and/or moving toward longer term goals; operations that are day-to-day
Indicators: Mentioning activities with results expected; either says or infers that these will be completed in the next three months; activities are focused on short term business revenues, cost savings, or milestones in longer term/strategic goals. Milestones include evidence of achievability of mission of enterprise
Exclusions: Activities and cognitions that are beyond (longer term) than 3 months; hopes; expectations of continuing "as is", more of the same activity right now; operations
Code 0 = no plans
Example: 031 Nothing special, just day to day
Code 1 = plans, specific ideas of activities over next 3 months that lead to positive enterprise change (growth)
Example: 104 Has 3 projects that will make the business finish the year strong…

Table 3

Latino Immigrant Entrepreneurs Data Coding

Long term/strategic planning

Definition: Strategic planning is based on establishing a long-term plan to achieve a specified enterprise mission, through the attainment of objectives set; strategic plan looks out over an extended time 1-5 + years. The plan establishes (A) where the business is currently, (B) where management wants to go, (C) how they will get there and (D) how they will know when they have arrived. Person reports specific activities, action plans and cognitions expected from him/herself or the enterprise over the next 12 months and/or beyond. Activities and cognitions need to be focused on the enterprise change/growth
Indicators: Mentioning specific activities with results 12 or more months into the future.
Exclusions: Hopes; education or training that is not specifically focused on the

current business; vague statements about the business being bigger or expanding without any specifics on what is needed from the person to get there; "someday", or more of something without specifying what, when where, how		
Code 0 = no specific plans or goals for a year or more in the future		
Example 199 She has reached the best moment in her business and she wants to maintain it.	Example 315 Perhaps get more locations where to pick up remains/debris (vague). Want to buy new truck, (activities are short term though). It might take 3 years to pay it off but less than a year to buy it.	Example 362 Goal is to rent an office and have more certification but specific activities are not mentioned.
Code =1 specific plans that indicate or infer (A) where the business is currently, (B) where management wants to go, (C) how they will get there and (D) how they will know when they have arrived; operational goals that lead toward long-term goal		
Example 104 Plan to buy houses and flip them, get in the construction from group up; get into new side of renewable energy, getting training for this; got verbal support from 3-4 people that they will work with me once I get all my licenses in place; July exam for solar energy certification. Three activities that aim toward long term.	Example 007 Small store samples demonstrations, working on sealing deal with Whole Foods Market. Operations that lead to long term	

Two independent coders were provided the codes and trained to use them. The inter-rater reliability was .75 for both the short -term and long-term planning. The coders met with one of the lead researchers to work out discrepancies. When final codes for short and long-term planning were established for the 27 cases, two composite scores were also created, those who do both long- and short-term planning, and those who do any planning (either short- or long-term). Analysis tools were chi square and two-tailed t-test.

Results

Sample characteristics. The sample (n=27) had equal numbers of men and women and the average age of the entrepreneurs was 39.7 (sd 8.42). The years in the U.S. varied from 23 years to 4 years, with the greatest number arriving in 2000 (n=5). Over half (55%) were married and only 20% had no children with the median of two children. Of those who responded (n=13), about half had another job besides the new venture.

Businesses were on average 2.7 years old (sd 2.15) and of those who responded (n=16) more than half ran the business out of their home. Of the 27 ventures, about

half have positive cash flow and pay themselves a salary. Most (74%) ventures do not employ anyone other than the entrepreneur on a full time basis whereas about 70% employ at least one part time employee. Only three respondents (11%) had no bank account. Most (81%) did not borrow money to start the business.

Planning. With regard to planning, we found that only 41% of the entrepreneurs do short term planning and the same proportion do long term planning. 48% do neither long nor short term planning and 29% do both long-and short-term planning.

Regional differences. We found statistically significant differences between Central American and Andean/South American immigrant entrepreneurs.

Table 3. Regional Origin Differences in Planning Horizons

Two-tailed t-tests

Region of Origin	Short-term		Long-term		Planning*		N
	Mean	S.E.	Mean	S.E.	Mean	S.E.	
Andean	0.60	0.13	0.67	0.13	1.27	0.21	15
Central American	0.17	0.11	0.08	0.08	0.25	0.18	12
Difference of Means	0.43	0.18	0.58	0.16	0.81	0.17	27
T-statistic	2.44		3.65		3.61		
P-level	<0.02		<0.001		<0.001		

* Composite variable equal to the sum of long-term and short-term planning binary variables.

What this shows is that three in five (60%) South American immigrant entrepreneurs planned ahead in the short term, compared to only one in six (16.7%) of Central American immigrants (p <.02). Two thirds (66.7%) of South American immigrant entrepreneurs planned ahead in the long term, compared to only 8.3% of Central American immigrants e (p <.001). Finally in the combined measure of short- and long-term planning the same pattern held with South Americans significantly more likely to do both kinds of planning compared to Central Americans (p<.001). Chi Square tests also support this result with Andean

entrepreneurs significantly more likely than Central Americans to do short-term planning (p<.02) and long-term planning (p<.002).

Within the Central American group, proportionally more do not do short-term planning than those that do (α .02), those who are married do more short-term planning (α .01) and those with a loan to more short term planning (α .05). Other tests of proportion differences (e.g., number to children and years in business) did not show a significant difference. Similarly for long term planning, among Central American entrepreneurs, proportionally more do no long term planning (α .001), those with loans do more long-term planning (α .05) as do those with another job (α .02). Other differences were insignificant.

Reference

Boyatzis, R. (1998). *Transforming qualitative information*. Thousand Oaks, CA: Sage.