Understanding Hispanic Entrepreneurial Success: An Exploratory Study

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Our study focused on identifying characteristics of firms that joined, maintained, or left the membership of a Chamber of Commerce.

Expanded the topic through an exploratory analysis of a database created by the Center for Hispanic Entrepreneurship at UTEP with the help of the Hispanic Chamber of Commerce.

A second phase of research is needed to continue expanding on subject.
In collaboration with the Hispanic Chamber of Commerce, the Center created a database with membership status to determine characteristics of businesses and trends.

The database currently holds 687 records of businesses and their locations.
Database Characteristics

- Created in MS Access
- 6 Tables/Categories
  1. Basic Business Information
  2. Business Contact Information
  3. Business Characteristics
  4. Firm Size
  5. Business Owner Characteristics
     - Membership Information
       1. New Active
       2. New Not Active
       3. Renewal Active
       4. Renewal Not Active
- 75 Fields
- Census Bureau Survey of Business Owners & verification form from the chamber
Hispanic Business Characteristics

• Hispanic businesses in the United States account for 2.3 million establishments and $350 billion revenue. From 2002 to 2007 the increase of Hispanic business was of 43.7%

• These businesses were expected to grow to 3.1 million establishments which would represent $450 billion revenue. (According to Geoscape 2017, today these businesses represent 4.3 million establishments in the United States generating $660 billion of revenue.)

• According to 2007 SBO data Hispanic businesses lag behind in comparison to other non-minority owned businesses.

• For example Hispanic businesses have shown lower performance in the following economic indicators:
  • Sales
  • Payroll
  • Number of Employees
According to a 2012 UT Austin study about entrepreneurs with paid employees, these are some of the reasons cited for Hispanic businesses lagging behind:

**KNOWLEDGE**
- Need of Management, Marketing, Communications, Leadership, and other business knowledge

**NETWORKING**
- Leadership, relationship building, and communication skills as major needs for Hispanic business community
- Smaller business networks
- Being mentored by other business owners

**ACCESS TO CAPITAL**
- Lack of access to credit
- Absence of modern technology tools

**ADDITIONAL:**
- Less access to decision makers on government contracting opportunities
- Unfairly being excluded from participating in private sector
- Lower percentage of parents with business experience
Data Analysis

• A cluster analysis on SPSS was helpful to determine commonalities among groups.

• We used this analysis in our study to determine if membership of an organization such as the Chamber of Commerce is an indicator of a business’ success.
Data Analysis

Clusters were based on the following characteristics:

- Relevant Fields Used:
  1. Number of Years in Business
  2. Business Industry
  3. Size
  4. Ownership Type
  5. Owner gender/age
  6. Legal Structure
  7. Membership Type

- Membership Type
  1. New Active
  2. New Not Active
  3. Renewal Active
  4. Renewal Not Active
Findings Index

Analysis 1
- Introduction to the analysis
- Variable: Membership Status
- Variable: New Date
- Variable: Business Type
- Variable: Gender

Analysis 2
- Introduction to the analysis
- Variable: Gender
- Variable: Company Size
- Variable: Membership Status

Analysis 3
- Introduction to the analysis
- Variable: Gender
- Variable: New Date
- Variable: Membership Status
Findings: Analysis 1

Yielded two clusters.

The top four variables have an 80% of the influence in determining clusters.

These variables were:
- Status
- New Date
- Business Type
- Gender
Status: The business’ membership category with the Chamber.

Cluster 1

Contains mostly New Active and Renewal Active Members.

Cluster 2

Contains mostly Renewal Active Members.
New Date: Number of years as a member of the Chamber.

Cluster 1

Cluster 2

Supports the previous figure on status. Showing a higher number of new members. Shows no first year members.
The industries that mostly made up this cluster were: construction/development, financial, and general services.

In contrast to cluster 1, this one is mostly made up of retail, restaurant/food, and services.
Gender

Cluster 1
Mostly Males

Cluster 2
Mostly Females
Main profile is dominated by male owners who just joined the Chamber or did not renew membership, and have been in business for a short time. Industries include construction/development, financial, and general services. This group seems to be at most risk of going out of business.

This group may require the greatest attention to retain.

Perhaps those exiting the Chamber are those that fail.

Cluster profile of renewing members composed of primarily female owners in retail, restaurant, and service industries, and having been in business for some time.

It would be interesting to find why they perceive most benefit.

Trend of Hispanic women becoming entrepreneurs at a faster rate.
Findings: Analysis 2

• Yielded two clusters
• Gender showing as strongest predictor.
• Clusters in this analysis show similar characteristics to clusters in the first analysis.
Gender

Cluster 1

Mostly Males

Cluster 2

Only Females
This cluster shows to have slightly larger businesses than cluster 2 which, in contrast to this cluster, is dominated by females.

*In this data a small business is defined as less than 10 employees, medium is less than 100, and large is 100 or more employees.*
Status: The business’ membership category with the Chamber.

**Cluster 1**
Contains mostly New Active and Renewal Active Members.

**Cluster 2**
Contains mostly Renewal Active Members.
Analysis 2

• The **male** dominated cluster owns slightly **larger** businesses and have higher rates of **new memberships** and **non-renewals**.

• **Female** dominated cluster owns small businesses and renew at a higher rate than male owners.
  • Again, female owners tend to renew their memberships at a higher rate even though they have smaller businesses.
Findings: Analysis 3

- Yielded three clusters.
- Size of business showing as strongest predictor.
- Focuses on the only two categories after the first year: Renewal Active and Renewal Not Active.
Status: The business’ membership category with the Chamber.

Cluster 1
- Only small businesses.

Cluster 2
- Mainly small businesses.

Cluster 3
- Mostly medium businesses.
New Date: Number of years as a member of the Chamber.

Cluster 1
Primarily newer members (not first year).

Cluster 2
Members in their third to eighth year of membership at the Chamber.

Cluster 3
Longer term members.
Status: The business’ membership category with the Chamber.

Cluster 1

Cluster 2

Cluster 3

Exclusively Renewal Not Active members.

Exclusively Renewal Active members for both, Cluster 2 and 3.
Findings: Analysis 3

• Cluster 1 contained small, newer (0-3 years) membership length, and businesses are not renewing their memberships.

• Cluster 2 contained small businesses, older members (3-8 years), and businesses are renewing their memberships.

• Cluster 3 majority contained medium businesses, longer term (8-13 years), renewing their memberships.

-Analysis shows those that don’t renew were small and didn’t have their membership for long.
Conclusions and Future Research

• This is the primary stages of our research intended to start to determine success and failure factors of Hispanic-owned businesses.

• Second phase of research will delve deeper by conducting focus groups of both members and recent non members.

• Determining why businesses drop or stay with the chamber may help to determine what makes them successful.
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