

# JSRI

**Occasional Paper No. 24**

*Latino Studies Series*

## **Field Notes on Hispanic Entrepreneurship**

by Jesús Chavarría  
*Editor & Publisher*  
*Hispanic Business Magazine*

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*January 1997*

**Julian Samora Research Institute**

*Michigan State University*



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***JSRI Occasional Papers:*** for the dissemination of speeches and papers of value to the Latino community which are not necessarily based on a research project. Examples include historical accounts of people or events, “oral histories,” motivational talks, poetry, speeches, and related presentations.

## **About the Author:**

Jesús Chavarría is owner and chief executive officer of the diversified publishing/information services firm Hispanic Business Inc. headquartered in Santa Barbara, Calif. He is also editor and publisher of *Hispanic Business Magazine*, one of a group of complementary business products designed to serve the information needs of Hispanic professionals, executives, and business owners nationwide.

As an academic turned entrepreneur, Chavarría recognized the emerging impact of Hispanic entrepreneurship and helped channel the course of Hispanic business development by embarking on a second career as a trade magazine publisher in January 1979. The eight-sided, black and white newsletter laid the foundation for today’s Fortune 1,000, full-color, advertiser-supported publication. Syndicated by the *New York Times*, today *Hispanic Business Magazine* has a circulation of 200,000 nationwide.

## **Introduction:**

We are undergoing a period of wrenching change. As we approach the 21st century, industry and the workplace are changing so rapidly that at times it seems we can hardly catch up. As Editor and Publisher of *Hispanic Business Magazine*, I have been witness to changes of immense proportion and significance to the U.S. economy.

Today, I want to share with you some brief observations on how our society is evolving; from what were patterns of the past to trends we would never have predicted in the 1970's.

Overall, I have some commentary on general social change but also about the market segment that we at *Hispanic Business Magazine* serve, which is "Hispanic Entrepreneurship."

My perspective for these comments is "small business" which is one of the key driving agents of change in the world today.

At times we seem to be overwhelmed by the rate of technological change. Listen to professor Warren Bennis, distinguished professor of business administration at the University of California: "The factory of the future will have only two employees, a man and dog. The man will be there to feed the dog. The dog will be there to keep the man from touching the equipment."

In 1996, information technology and the products it spawns — micro chips, computers, software — will account for \$1 trillion in annual sales; the information business will soon eclipse the steel and auto industries in size and strategic importance.

In 1991, for the first time ever, companies spent more money on computing and communications gear than the combined dollars spent on industrial, mining, farm, and construction equipment. This spending pattern offers hard proof that we have entered a new era. The industrial age has given way to the information age.

By the year 2000, just around the corner, the Department of Labor estimates that 44 percent of all workers will be employed in data services: gathering, processing, retrieving, or analyzing data. Compare this labor profile to the early 1900's when 85 percent of all workers toiled in agriculture; or to the 1950's, when 73 percent of all U.S. workers were employed in production or manufacturing.

How is today's rapid technological change affecting society? In many different ways clearly. The scope and depth of U.S. business has been profoundly transformed. Thousands of people have been made redundant by technology and the rise of Global markets. At the same time, we have seen small business entrepreneurship take off with a surprising worldwide surge.

Less than half the work force in the industrial world will be holding conventional full-time jobs in business organizations by the beginning of the 21st Century. Those full-timers, or insiders, will be the new minority. Many will work temporary or part-time jobs, some because that's the way they want it, others because that's all the jobs that will be available. The corollary of this trend is that every year more and more people will become self-employed.

In 1995, *Hispanic Business Magazine* organized a trade mission to visit Chile and Argentina. The 16 CEOs who comprised the mission confirmed not only the business opportunities to be found in international markets, but also the increasing importance assigned by government everywhere to small business development as a source of job generation, tax revenue expansion, and economic growth.

As large businesses have downsized and geared up for worldwide competitiveness, small business has become transformed into the main engine driving jobs and business growth.

*Hispanic Business Magazine* was launched in 1979; we have been eyewitness observers, participants, and reporters of an explosion in entrepreneurship. Our start-up business niche as a magazine company was to become an information provider to an emerging market segment in need of information services.

Initial focus groups held in the late 1970's in Miami, New York, Phoenix, Chicago, Los Angeles, and elsewhere all confirmed that Hispanic entrepreneurs represented a growing market of underserved media consumers. All of the studies we initially consulted confirmed that the ethnic minority populations, and the nation's women, lacked comprehensive coverage in the nation's general market media concerning their particular information needs.

The 1960's and 70's were a period of rising market segmentation. The face of the nation's markets changed dramatically. Gradually, ethnic minorities and women became consumer segments that were being pitched products and services. It was in that general market environment that *Hispanic Business Magazine* appeared. We sought to become a part of that market trend. In our case, we were marketing information services vital to the growth of Hispanic business firms.

*Hispanic Business Magazine* serves a narrowly targeted market segment. In 1969, the year of the very first Hispanic Business Census, the U.S. Bureau of the Census reported a count of 126,000 Hispanic-owned business firms in the U.S. with revenues of \$3.4 billion. In 1992, nearly a quarter-century later, the same government bureau reported 826,605 Hispanic businesses in the country with annual sales receipts of \$76.8 billion.

During the 1980's, the number of Hispanic businesses grew by more than 80 percent. And if we extend the rate of growth of Hispanic businesses between the 1987 and 1992 business censuses to 1996, *Hispanic Business Magazine* projects a total of 1.3 million Hispanic businesses in the U.S. today with annual revenues of \$151.7 billion.

Hispanic entrepreneurs have achieved critical mass, especially along the Sun Belt. California, Texas, and Florida represent the most dynamic market centers of Hispanic small business growth today, as well as core metro markets of Hispanic consumers.

California generates one-third of the sales receipts of all Hispanic businesses. Florida generates one-fourth. And Texas one-fifth. This is clearly a small business segment of uncommon growth potential. It is also an attractive opportunity career area for young college graduates interested in careers as business professionals.

Let me briefly share some thoughts on entrepreneurship and excellence with you. In business, as we all know, no one speaks with greater authority than the customer. Indeed, I would say, forget about the competition and learn all you can about your customer.

But to learn about your customer does not come easy. It is not a matter of grabbing a book, or taking a course, or cruising the net. You have to do it the old fashioned way. That means speaking, meeting, and networking actively with literally hundreds of customers. It means wearing out shoe leather and high levels of daily calls; of pounding the pavement; of developing many, many qualified prospects until you reach that quantitative threshold when the cumulative experience of calling on so many people, of processing so many personal impressions and conversations that the activity begins to acquire a voice within you. You do not generate high levels of daily activity to satisfy your supervisor; you do it in order to position yourself to be able to hear the voice of the market.

At some point daily activity connects with mastery — which is your holy grail, your goal of goals. How do you become “good,” no, not just good, but “damn good,” at what you do?

Mastery, or “excellence,” is not a condition or a state of being you attain; rather it is a journey. It is a journey that will challenge you emotionally, mentally, and physically. The critical reality is mental and emotional — how bad do you want to achieve excellence? Which takes you into the realm of will; do you have the will, the commitment to become a traveler on the road of achieving excellence?

Like all journeys the search for mastery requires that you set forth with a clear sense of direction. That as you travel upon that road you remain open-minded about the world around you. That you have good eyes to see and good ears to hear. That you be alert and sensitive to your surroundings. You have to have a bit of the field anthropologist about you; you have to ask many questions, such as, who is the person I am speaking with? What drives this person? Where does this person come from? What are his interests? His passions? What is the vocabulary they use? And you must try to emulate or share in their ways in order to gain their trust.

Mastery means commitment and accumulating a myriad of data points that eventually empower you. Listen to the words of the master Shunryu Suzuki, who writes in *Zen Mind, Beginner's Mind*, "In our scriptures it is said there are four kinds of horses: Excellent ones, Good Ones, Poor Ones, and Bad ones. The best horse will run slow and fast, will turn right and left, at the rider's will, before it sees the shadow of the whip. The second best will run as well as the first one, just before the whip reaches its skin. The third one will run when it feels pain on its body from the whip. The fourth will run after the pain penetrates to the marrow of its bones. You can imagine how difficult it is for the fourth one to learn to run."

When we hear this story, almost all of us want to be the best horse. If it is impossible to be the best, we want to be the second best. But the master says this is a mistake. When you learn too easily, you are tempted not to work hard, not to penetrate to the marrow of a practice.

The best horse, says the master, may be the worst horse. The worst horse can become the best, for if it perseveres, it will have learned whatever it is practicing all the way to the marrow of its bones. Mastery is practice, plus will. The will to discover another part of yourself. To rise, grow, to another level of yourself.

So let's continue with our journey.

Hispanic small business activity is small business activity with a difference. Part of the difference stems from the way the federal government and government in general views the Hispanic population.

When *Hispanic Business Magazine* was founded, its early pages rarely veered far from public policy issues, especially issues connected to affirmative action business development programs. To an extent the same editorial focus persists to this day.

Affirmative action legislation and programs came about during the 40's, 50's, and 60's as a response by government to population and gender segments designated as ethnic, gender, or racial minorities, isolated from the main highways of economic opportunity. Coming of age in Texas in the early 50's, I can recall a Hispanic population characterized in the main by poverty and social isolation.

Yet behind the story of Affirmative Action, entrepreneurship has played a critical role in changing circumstances of poverty and isolation. Affirmative Action, I would argue vehemently, has been good for the country. The social investments made by government, and I might add, Fortune 1,000 size companies have resulted in sound returns to society and bottom-line impact in the private sector.

But affirmative action is not the entire story. The vast majority of Hispanic firms have not been affected by Affirmative Action. The two largest companies on the Hispanic Business 500 directory of largest Hispanic owned firms in the U.S. — Burt on Broadway, an Englewood, Colorado autoplex of dealerships, and Goya Foods in Secaucus, N.J., have been only tangentially affected by Affirmative Action, or not at all.

Affirmative Action, as a business development tool, mainly provides access to government procurement markets on the federal and state levels. Certification of Affirmative Action status does not guarantee contracts. Further, the small business administration (SBA), created in 1953, provides all small business firms with essentially the same set-asides and capital development resources that minority business owners are allowed.

*Hispanic Business* tracks the performance of the fastest-growing and largest Hispanic firms, and of high tech firms. We just published two much sought after directories. One of the 100 fastest growing companies and the other on the top 50 Hispanic owned high tech companies in the U.S.

The firms making both lists are ranked as super enterprises. Thirteen companies fit the bill. What are their common traits? Eleven of the 13 firms provide high tech services to the federal government.

Most of the super companies report using federal contracts as an incubator to sharpen their skills at delivering services and to develop the market positioning and resources needed to land contracts with fortune 1000 size companies. A typical super company has at least 2 lines of business: A federal market business and another focused on private sector contracts.

This 17 year experience with Hispanic Business Inc. has been a revelation to me. I have learned lessons that a college education and 13 years of university teaching never taught me. Experience in business ownership is an education in itself.

Change is sweeping the world as we know it. The world that many of us remember of the 50's and 60's and even going back further to the 40's is no more.

Indeed we are standing on the threshold of a new tomorrow. We need not blink. But rather seek to influence and lead the course of the events swirling about us and lying ahead.