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How can more Latino businesses thrive? Texas researchers want to know what's keeping them back



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Business partners Nelda Montemayor and Liz Keitz opened Buda's Red Door boutique 16 years ago on Main Street. Back then, their shop occupied a small corner of the complex and shared space with other vendors.

About a year ago, the longtime friends and business partners decided to move Red Door into a larger space, expand their merchandise selection and get more exposure in the historic downtown district.

While people of color have doubled the number of new entrepreneurs in recent decades, the number of their businesses has not increased at the same pace as white-owned businesses, experts said.

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A group of research fellows at Texas State University through a program called the Sustainable Cultivation and Advancement of Local Enterprises for Underserved Populations, or SCALEUP, is setting out to find out what factors are restraining growth for minority business owners and identify potential remedies and resources to help.

"Once minority businesses are created, they are not growing at the same rate as their majority-owned counterparts," said Josh Daspit, a Texas State associate professor in the Department of Management and a founder of SCALEUP.

"Focusing on this issue is an opportunity where Texas State is uniquely positioned to make a difference with meaningful impact." The aim of the program, Daspit argued, is more business growth, which leads to a better economy, greater employment and more income for families.

SCALEUP's research fellows will study local business owners, like those at Red Door, and gauge their success before using their findings to develop tools for other business owners.

Buda's Red Door, which offers clothes, shoes, jewelry, home décor, and other accessories, is one of millions of minority-owned companies in the United States, and one of several thousand in Texas, according to researchers. But the journey has not been easy, Montemayor and Keitz said.

“Buda wasn't where it was 16 years ago,” Montemayor said. “Buda has just exploded. When we first started, we were the only boutique. Back then in downtown Buda there were only antique (shops).”

Today, the boutique occupies its largest space to date and has several part-time employees to help run the store and social media accounts, including local teenagers. But the pair said it took 16 years of patience and willingness to embrace change and growth.

“We were barely getting by, but this is what we wanted to do and we were not going to give up,” Montemayor said. “We moved a lot because of the economy, and rent is high but this was a blessing.”

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The barriers facing businesses

According to research from SCALEUP, Latino-owned businesses overall tend to start small and remain small, but if Hispanic-owned firms grew at the same rate as white-owned firms, as much as \$2.5 trillion would be added to the nation's economy and more than 10 million jobs would be created.

But something is stopping those businesses from growing, and three research fellows at Texas State — Sid Anderson, assistant professor in the Department of Marketing, Omar López, associate professor in the Department of Organization, Workforce and Leadership Studies, and Min Wan, assistant professor in the Department of Management — will take the next year to look at what those factors are.

SCALEUP's research fellowships are partly paid for by a \$25,000 grant from San Antonio-based Frost Bank.

Anderson said business owners of color face a number of cultural barriers, including access to capital, distrust of financial institutions and a lack of mentors.

The odds of a \$100,000 loan approval from a national bank are 60% lower for Latinos than for white business owners, even after considering business performance. External capital is critical not just for weathering the coronavirus pandemic but to continue growth, according to the 2021 State of Latino Entrepreneurship report produced by Stanford University's Graduate School of Business.

Work-family issues can also be a barrier for entrepreneurs, Wan said.

“Work-family balance is a critical thing,” Wan said. “A lot of people are working from home more than ever before. So, we are looking into what kind of resources are needed or need to be updated by employers to coincide with the current values and changes of the work-family balance dynamic, especially after the pandemic.”

López said their multidisciplinary approach allows the research team to account for different perspectives so they can identify where bottlenecks are and where training is needed.

The group will be focusing on Hispanic-owned business, but the idea is to take the research and adapt it for other communities of color.

“If we are going to help (solve this problem), we have to understand the context our community is in and that is defined by culture more than anything else,” López said.

The road to growth

Montemayor and Keitz said moving into the new space on Main Street gave them exposure from foot traffic downtown, and they've seen growth from having an online presence.

Montemayor's daughter, Marisol Consier, joined the team recently and helped to move the business into a technology-driven model with social media accounts on Facebook, Instagram and TikTok, and an online store using digital bookkeeping and checkout systems.

During the COVID-19 pandemic, Montemayor said the online store helped the boutique to have a steady flow of income. They have since joined other businesses across the globe that have reopened in person.

The store uses Instagram to highlight products, and allows customers to order items through the platform as well.

“But this did not just happen overnight,” Keitz said. “We built a following over the years and have really tried to listen to our customers and learn from our (young) employees about what they want and what they are looking for.”