

COMMUNITY VOICES

THE LATINO BUSINESS CHAMBER OF GREATER LOS ANGELES AND THE WORK OF ADVANCING MINORITY-OWNED BUSINESSES

*Anthony Arnold**

With a wealth of experience in business and advocacy and a sense that something was lacking in existing efforts to promote the interests of minority-owned businesses in the greater Los Angeles area, members and leaders in the Latino business community decided to act by founding the Latino Business Chamber of Greater Los Angeles. From the very beginning, they had a clear vision of what the Chamber would stand for and how it would realize these objectives.

The Chamber's primary objectives include advocating for small- and medium-sized businesses on a regional, statewide, and national basis; providing valuable and permanent member services for the improvement and success of their businesses; generating increased levels of business both among members and from outside of the minority-owned business community; and providing overall

* Anthony Arnold is a member of Stutman, Treister & Glatt, P.C. He attended Harvard College, where he received his B.A. in Social Studies, magna cum laude, and was elected Phi Beta Kappa. He received his J.D. from Harvard Law School in 2007. Anthony is a founding member of the Latino Business Chamber of Greater Los Angeles.

© 2010 Anthony Arnold. The copyright in each article is owned by the respective author. Except as otherwise provided, the author of each article grants permission for copies of that article to be made for classroom use, provided that each copy is distributed at or below cost, the author and the Journal are identified on each copy, proper notice of copyright is affixed to each copy, and the author and the Los Angeles Public Interest Law Journal, a Project of Community Partners, are notified of the use.

leadership on relevant business issues, as well as community economic development issues. Notably, the Chamber's vision departs from that of other actors promoting the interests of minority-owned businesses in two fundamental ways. First, the Chamber's activities center on a robust technical assistance program. Second, the Chamber is focused on its role as a strong advocate on policy issues, seeking to effectively impact policies integral to economic development in minority communities.

HELPING THE LOCAL COMMUNITY THROUGH TECHNICAL ASSISTANCE

Although Latino-owned businesses are a tremendous resource for the Los Angeles region, the Chamber has discovered that there are numerous obstacles to their growth. Early on, the Chamber commissioned a UCLA study to explore these issues and outline possible solutions. The study compiled various metrics regarding Latino-owned businesses and provided an assessment of their most pressing needs. It found that more than half of all minority-owned businesses in the region are Latino-owned and that as of 2002, these businesses generated over \$35 billion in revenue.¹ However, despite the enormous potential of these businesses to act as an economic engine, the study found Latino-owned businesses "are more likely to be strapped for time and human capital resources, while. . .lacking in employees who specialize in essential business functions."² Additionally, they "tend to obtain fewer business loans, open fewer savings accounts, and use financial services offered through commercial banks at a lower rate . . ."³ Importantly, the study also found that Latino business owners generally have "low levels of participation in civic activities and professional networks" and do not "have a clear understanding of how participation. . .would benefit them."⁴ The study recommended several initiatives the Chamber might undertake including providing more effectively-targeted technical assistance; demanding increased outreach by the formal banking sector and increased access to short-term capital; advocating

1. J.R. DESHAZO, LEWIS CENTER, UCLA SCHOOL OF PUBLIC AFFAIRS, STRENGTHENING LATINO BUSINESSES IN GREATER LOS ANGELES 6 (2009).

2. *Id.* at 1.

3. *Id.* at 23.

4. *Id.* at 20.

for expanded access to government procurement programs; and promoting greater civic and policy engagement among owners.⁵

The Chamber quickly went to work to implement a robust technical assistance program. The programming has taken two basic forms. First, the Chamber has organized a series of workshops on a variety of topics of interest to small- and medium-sized business owners, such as “Succeeding in a Declining Economy” and “How Technology Can Improve Your Bottom Line.” The workshops are organized in conjunction with public service organizations, corporations, and government agencies with an existing presence in the community and expertise on the subject matter. The Chamber’s strategy is to bring together the best practices of other organizations and partner with them to provide a wide array of generic and specialized services to its members.

This strategy has worked well. From May to July 2009, the Chamber partnered with the local office of the U.S. Small Business Administration (SBA) to present a series of workshops focused on public contracting. One workshop brought together contracting officers from Sempra Energy with contractors from the Los Angeles Unified School District’s pool so that both sides could gain a better understanding of how a more inclusive procurement process might work. Due in part to the presence of well-established organizations, as well as the Chamber’s outreach, workshop attendance has been robust and feedback positive. Furthermore, the Chamber has attracted new members through workshops, as it demonstrates to the participants how membership can immediately add value.

The second basic form of technical assistance provided to members involves one-on-one consulting and mentoring. As every business is unique, the one-on-one consulting is focused on developing a plan tailored to the member’s specific needs. These services are provided at no charge to members, at nominal fees to non-members, and are available in the following areas: identification of target markets; financial analysis; operations and general management; internet and new technologies; strategic planning; lending; instruction in the use of financial statements; and creation of personnel management processes.

5. *Id.* at 37-39.

In spite of the fact that these efforts have been up and running less than a year, nearly thirty business members have participated and a number of success stories have emerged. For example, a Latina entrepreneur who ran a digital print production and visual display company out of her home came to the Chamber seeking assistance in growing her business. With the help of consultants, the entrepreneur was able to secure financing, move her company's operations into a 28,000 square foot building, and expand her payroll from just two to thirty-five employees. Such tangible evidence of success can only serve to underscore the importance of the work the Chamber and its partners are carrying out.

With additional contributions from both corporate and local partners, the Chamber plans to soon unveil a high-tech business center which will house workshops on the benefits of technology. The center will also provide members with a chance to access common software, utilities, and networking platforms members might not be able to access or afford on their own. With the center, the Chamber will be in a unique position to offer small- and medium-sized minority-owned businesses the sort of technological training they would not be able to receive free of charge anywhere else in the greater Los Angeles area.

ADVOCATING FOR CHANGE

The Chamber has simultaneously invested a great deal of time and energy in forging ahead with policy initiatives. Prior to the Chamber's launch, Chairman and Chief Executive Officer Jorge Corralejo and other members of the Chamber's leadership team met with Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke in Washington, D.C., to bring attention to issues relevant to Chamber members. One primary issue raised was the need for the federal government to extend its focus beyond top-tier financial institutions and banks and to consider how to provide direct assistance to struggling small- and medium-sized minority-owned businesses. The Chamber outlined several broad proposals, including the creation of a \$100 billion fund focused on small business lending, capacity building, and technical assistance, and transforming the directorship of the SBA into a Cabinet-level position where its new director might become a powerful advocate for minority-owned small businesses. They further suggested the

reallocation of billions in TARP funds returned or due to be returned by borrowers to small business lending, job creation, technical assistance, and capacity-building initiatives. As a result of these meetings, by its launch, the Chamber was “in a position now to advocate for small business in a way the other groups in the area just can’t,” according to Corralejo.⁶ The Chamber has since made similar proposals to local leaders, including the mayor of Los Angeles, Antonio Villaraigosa, and has pressured them to take action.

Apart from the immediate need to provide direct assistance to struggling minority-owned businesses, the public contracting sector is another area where the Chamber has identified an urgent need for policy advocacy. According to the UCLA study, Latino businesses have a harder time getting contracts with government agencies.⁷ Not only is the requisite certification process time-consuming and tedious, but many Latino business owners feel that public agencies solicit bids from within established networks and thus exclude those who have no prior relationships with the agency. According to Corralejo, these obstacles may go a long way towards explaining why Latinos constitute over ten percent of the U.S. population yet Latino-owned businesses have successfully bid on only a small fraction of government contracts, including defense contracts.

In one instance, government agency policy has explicitly shut Latinos out of programs designed to promote diversity in public contracting. In March 2009, the California Department of Transportation (Caltrans) began excluding Latinos from its “disadvantaged business enterprises” program after it commissioned a study which concluded that Latino contractors did not suffer from sufficient discrimination in the awarding of contracts to warrant participation. This exclusion could result in the loss of sizable contracts as Caltrans is expected to receive \$1.72 billion in federal money.⁸ The Chamber has supported efforts to force Caltrans to reverse its policy and to expand public contracting opportunities for minority-owned businesses. According to the UCLA study, while Latino political engagement has increased over the last decade, Latinos have not done as much business advocacy due to constraints on time and resources, as well as a general lack of access to groups

6. *Id.*

7. *Id.* at 30-38.

8. *Id.* at 35.

through which they might engage in collective action. Thus the Chamber sees its role as a voice of accountability vis-à-vis government agencies and elected officials as crucial, as business-owners and entrepreneurs may not otherwise be heard.

The Chamber has also focused efforts on advocating for expanded private procurement opportunities. Generally, the Chamber argues companies operating in regions with a significant minority presence should be sensitive to the concerns of those individuals and should operate, to some extent, with their interests in mind. To this end, the Chamber's leaders have scheduled a number of meetings with company executives and officers responsible for developing business relationships or conducting community outreach to encourage the companies to incorporate minorities into their procurement, contracting, and general business plans. Moreover, the Chamber has demanded utility and other service providers make their products and services more affordable in communities facing high levels of unemployment or poverty. Mr. Corralejo reports that the companies have thus far been quite receptive to working with the Chamber and a number have made sizable contributions.

Consistent with these efforts, the Chamber has also formed a "Green Committee" charged with demonstrating to companies how minority-owned businesses might be able to help them achieve their "green business" objectives. For example, the committee informed Sempra Energy executives that many minority-owned businesses are, with the Chamber's help, already engaged in the process of converting their existing business models into green business models, such as transitioning from the manufacture of traditional meters to the manufacture of "smart meter" equipment. As a result Chamber members have added a degree of credibility when bidding for contracts as well as a direct link to the individuals who will be signing contracts. The Chamber's direct advocacy on behalf of its members is another important way in which the Chamber is unique.

BENEFITS OF THE TWO-PRONGED APPROACH

There is a strong connection between the Chamber's technical assistance programs and its advocacy efforts; indeed, one very important issue that neatly ties in both aspects is the expansion of access to capital. Noting that "[i]nadequate access to financial capital continues to be a particularly important constraint limiting the

growth of minority-owned businesses,” the federal Minority Business Development Agency found minority-owned businesses pay higher interests rates on loans, are more likely to be denied credit, and invest about half as much equity in their firms as non-minority firms do.⁹

Constraints on access to capital threaten the very survival of minority-owned businesses and likely a good number of the Chamber’s members have encountered, or will encounter, such constraints. The Chamber’s staff walks members through every step of the lending process and maximizes members’ chances of having loan packages approved through direct consultation on funding needs, a thorough review of business plans, financial analyses, and a survey of various financing options available. Second, from an advocacy perspective, the Chamber has engaged in a constant dialogue with the institutions and decision-makers with the greatest impact on capital accessibility. The Chamber has pressured elected and appointed officials at the state, local, and federal levels to address the problem. At the same time, the Chamber’s partnerships with financial institutions, which also happen to be the region’s largest sources of capital, have put it in a position to foster confidence in lending to minority-owned businesses. While there is much to be done to correct the disparities between minority- and non-minority-owned businesses’ access to capital, the Chamber has made great strides.

LOOKING AHEAD

When the Chamber’s members celebrate the one-year anniversary of its founding in April 2010, they will do so with the knowledge that the Chamber would not have accomplished a fraction of what it has without the contributions and support of a diverse array of partners. The Chamber represents the first truly collaborative effort to promote the interests of minority-owned businesses in greater Los Angeles and, for this reason, there can be little doubt that the Chamber will be instrumental in the region’s economic recovery.

9. MINORITY BUSINESS DEVELOPMENT AGENCY, DISPARITIES IN CAPITAL ACCESS BETWEEN MINORITY AND NON-MINORITY-OWNED BUSINESSES: THE TROUBLING REALITY OF CAPITAL LIMITATION FACED BY MBES 3 (2010), available at http://www.mbda.gov/?section_id=6&bucket_id=120&content_id=6470&well=entire_page.