

Re-educating Hispanic Business Owners for Entrepreneurial Leadership in a Post-pandemic Era

R. R. Rojas

PRISM Leadership Consulting Group, Tampa Florida, USA.

Corresponding author's e-mail: ronrojas@aol.com

Submitted August 28, 2020 / Accepted November 25, 2020 / Available online March 06, 2021

DOI: doi.org/10.5281/zenodo.4587175

ABSTRACT

The devastation in the wake of the pandemic upon Hispanic business owners in the United States has triggered a sense of immediacy that poses a substantial threat to long term operational viability. The primary forces initiated by the pandemic, causing havoc in these businesses are low volume of sales, supply chain disruptions, and employee health concerns. Many Hispanic small businesses remain in survival mode as they continue to seek immediate relief from loans and subsidies mainly from government sources. A graduate student examination of 24 businesses under pandemic stresses in the Southeastern region of the US shows the leadership attributes of inspiration, innovation, and vision lacking among many of business owners. A re-education of entrepreneurial leadership concepts proved valuable as a continuing education topic for members of a statewide Hispanic Chamber of Commerce. Providing entrepreneurial leadership training is recommended to salvage the viability of Hispanic businesses as we enter the post-pandemic era.

Keywords: *Small business, Leadership, Post-pandemic.*

1. Introduction

The impact of small business owners during the first months of the pandemic across the United States was devastating. Multiple polls conducted during this timeframe showed the level of devastation. A survey by the National Federation of Independent Business survey of its 300,000 membership database and 1172 responses found that 92% of small businesses were negatively impacted by the pandemic, primarily driven by low sales, supply chain disruptions, and employee health concerns [1]. In another survey of 500 small businesses, 90% indicated the coronavirus impacted their business, and 43% reported a severe negative impact [2]. A third survey administered to 224 Latino-owned businesses (mostly scaled to \$1 million in revenues) found that 86% of Latino small business owners reported a significant negative impact on their operations, with 66% saying they will very likely have to close operations if current conditions continue beyond six months [3]. In all cases surveyed, the industry sectors most affected were accommodations and food services, arts, entertainment and recreation, and educational services [3] caused by low sales, supply chain disruptions, and employee health concerns [4].

Ironically, before the pandemic, the demographic sector of small businesses in the United States with the highest growth rate were Hispanics. In fact, during the 2007-2009 recession, the number of Hispanic businesses continued growing, then becoming one of the most substantial contributors to restarting the US economy [5]. Since 2012, Hispanic businesses became the sector with the highest number of startups resulting in close to 40% of all minority businesses [6]. Before the pandemic, Hispanic businesses employed over 3 million people with average revenues of \$479,413 in 2019, showing a bright future. Various financial institutions noticed a 23% increase in credit applications [7]. Sadly, the growth of Hispanic businesses that was a strong sector of the growing US economy became one of the most damaged by the pandemic.

Unsurprisingly, the distribution of Hispanic businesses highly correlates with the geographical locations of dense Hispanic communities. For example, most Mexican-owned businesses are in the Southwestern regions of the United States, whereas a significant number of Cuban businesses are in Florida. Puerto Rican owned businesses were abundant in Florida, New York, and Illinois, whereas Dominican

owned businesses were strong in New York. Almost a third of all Hispanic businesses are in the major metropolitan areas, such as Miami, Los Angeles, New York City, Houston, and San Antonio [8]. Interestingly, these same locations where Hispanic businesses are most concentrated, were also within the States most affected by the pandemic [9].

As the pandemic expanded throughout Latin America, the devastation to small businesses continues. The pandemic has already affected small businesses in Brazil, which accounts for 99% of Brazil's business sector [10]. Likewise, in Mexico where small business represents 80% of the nation's economic activity employing around 1.5 million, an estimated 250,000 small businesses are expected to close [11]. Some preliminary surveys in Colombia have already reported a drop of more than 70% in volume of sales and suggest that 20% of these businesses will close [12]. Ecuador is considered one of the Latin American countries most impacted by the pandemic [13]. As the pandemic continues to propagate throughout Latin America, countries will continue efforts to salvage small businesses from its damaging economic consequences [14].

Understandably, small business owners' immediate reaction focused on the crisis at hand. Without the volume of sales or customers, with pending expenses such as the rent, utilities, suppliers, and unable to fulfill payroll, become the top immediate challenges. Planning for this level of a crisis was not something contemplated in most business plans, so many were caught without contingency options. The dependency on loans, grants, and other bailouts became a priority. A few were able to cope with the crisis, albeit haphazardly, but the immediacy of the focus has kept business owners trapped within a limited view of their opportunities.

In times of crisis, people look for leadership. Yet during informal consultation with distressed small businesses, it became evident that an unintended consequence of the pandemic was overlooking a pathway out of the immediate crisis that would lead to not only survivability of the business but also is long term viability. Business owners became aware that some of their short-term solutions in becoming part of the new normal could potentially lead the operations away from its initially envisioned track. Hence the urgency to re-visit entrepreneurial leadership.

Although the literature has multiple definitions of entrepreneurial leadership, the one that most adequately fits current crisis is defined by Harrison *et al.* [15], which is “the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary.” In preliminary teleconference discussions with other small business

consultants, the consensus was to modify the understanding of the entrepreneurship leadership attributes to account for the current mood. Accordingly, the “ability to empower others” was modified to “ability to communicate empathy to employees and customers” and “maintain flexibility” was changed to “fostering innovation”. The “envisioning” attribute remained since that would help entrepreneurs see beyond the immediate crisis.

To obtain a broader impression beyond just a few anecdotal responses, a study was designed to assess the relevance of these three entrepreneurial leadership attributes on Hispanic businesses using a sample of 24 employees during their administrative internship and offering the ensuing results as a continuing education webinar for a Hispanic Chamber of Commerce of a mid-eastern US state. Details of the study are presented in the next section.

2. Methodology

Impressions were collected during a graduate course on administrative processes where 24 internship students working in small business settings were asked to post two discussion board assignments, one describing the effects of the pandemic on the small business they represent and another one on their observations on the organization's ability to innovate and visualize its post-pandemic future. These small businesses had a minimal of 6 and a maximum of 22 with an average of 12 employees, where 14 of them were bilingual (English-Spanish). The discussion board postings were collected in a CANVAS Learning Platform over two-weeks during April 2020.

The main assignment postings for each student were analyzed against the modified attributes stemming from the Harrison *et al.* [15] definition of entrepreneurial leadership. Hence the “ability to empower others” was changed to “ability to communicate empathy to employees and customers” and “maintain flexibility” was changed to “fostering innovation”. The “envisioning” attribute remained since that was deemed essential as a path to post-pandemic viability. The immediacy of the attribute “communicate empathy to employees and customers” was driven by fears and ensuing precautions from the pandemic and was intended to acquiesce and encourage a returning of employees and customers to the business under the “new normal” [16]. Activities to facilitate this attribute include the availability of Personal Protective Equipment (PPE), visible signs of proper physical distancing, additional hand-washing stations, employee training in sanitizing protocols, and visible signs that the business was open with the enhanced sanitizing procedures.

In “maintaining flexibility,” the entrepreneurial leader demonstrates the strength and drive to continue operations despite the setbacks, [17], in this case, obstacles caused by the pandemic. The analogy used to illustrate this condition is akin to a marathon, but with hurdles. This attribute requires openness to adapt, a lively and contagious attitude, and the wisdom to recognize unproductive activities that drain valuable emotional energy.

Finally, the entrepreneurial leadership attribute called “fostering innovations” ensures a path towards viability [18] since pandemic conditions may have altered the business’ original nature. Innovation may very well take the form of an operational conversion, such as from manufacturing clothing to facemasks, from alcoholic beverages to sanitizers, from home offices to home studios, and from sit-in restaurants to take-outs, just to mention a few. Some of these innovations are achieved with minimal expense and, although may not necessarily be profitable, at least it keeps the business alive and suggests new prospects. Networking and dialogue are also recommended as sources of innovation [19].

From the combined narratives of two weeks of assignments (i.e., 48 written data points), a word search analysis was conducted using “empathy”, “innovation”, and “vision” and their synonyms. Examples of synonyms for the “empathy” attribute included “affinity”, “rapport”, “sensitive”, “understanding”, “compassion”, “responsiveness”, and “identification”. For “innovation”, words such as “creative”, “imaginative”, “ingenious”, “innovational”, “inventive” and “original” were used. Finally, for the “vision” attribute, terms used were “visualize”, “imagine”, “picture”, “long term”, “intention” and “foresee”.

The objective of the word-search method was to determine how many of these 48 responses displayed all three of the entrepreneurial leadership attributes. Having one or two of the attributes was deemed insufficient to meet the full intent of entrepreneurial leadership. The results were expected to establish to what degree exercising entrepreneurial leadership was effective or deficient in handling the pandemic effects.

3. Results and discussion

The word-search analysis from the 48 data clusters resulted in finding only three small businesses that had addressed all three of the entrepreneurial leadership attributes. As expected, the results showed that most of the businesses were deeply focused on the immediate, business’s short-term survivability. In only 3 of the 24 businesses was there a semblance of entrepreneurial leadership, meaning that all three attributes were present albeit in different ways.

The severity of the crisis resulted in many small businesses unprepared to relate the circumstances to the attributes of entrepreneurial leadership, as evidenced by the small businesses surveyed for this research project. Under normal conditions, small businesses tend to follow the path of their original business plan, which addresses all aspects of the operations including its opportunities, place in the market in relation to competition, suppliers, financials, employee planning, facility layout, and may even include a 5-year outlook with contingency responses. However, the speed and intensity of the current global crisis initiated by the pandemic is comparable to the Great Depression era and, in many ways, had made obsolete prior written business plans [20]. In the era before this pandemic, predicting the impact of a global crisis on a small business operation and preparing accordingly would have been considered an exercise in futility.

One of the outcomes of exercising entrepreneurial leadership is creativity and innovation [21]. Research shows that businesses that foster innovation have higher probabilities of surviving a crisis [22]. The long-term outcome of strategic leadership seems to have a positive effect on innovation and employment during difficult times [23].

Relevant to the findings of the present study is the impact on Hispanic businesses, which prior to the pandemic was a strong sector of the growing US economy, and now remains one of the most damaged. The significance of this sector resides on its overall impact to a growing national economy and the scarcity of educational resources at their disposal. Prior to the pandemic, the demographic sector of small businesses in the United States with the highest growth rate was Hispanics [5]. Hispanic businesses became the sector with the highest number of startups resulting in close to 40% of all minority businesses [6] and employed over 3 million people with average entity revenues of \$479,413 in 2019 [7]. To make matters worse and even before the pandemic, there was a shut down in many of the resources available to Hispanic Small businesses, leaving many of them at that time without ideas on what to do and where to go for educational and training opportunities [24]. These factors, the lack of a strategic focus characteristic of entrepreneurial leadership and the already lack of training resources, compounded the situation of Hispanic businesses. Hence, by late March 2020, one survey noted that about 86 percent of Hispanic business owners reported a substantial negative impact on their businesses by the pandemic and nearly two-thirds said they will not be able to continue operating beyond six months if the prevalent pandemic conditions continued [25].

In further assessing this lack of entrepreneurial leadership and the urgency to restore long-term thinking and innovation for Hispanic entrepreneurs, a continuing education webinar was prepared and delivered to small business owners. In coordination with the Center for Business Development of a major university in the State of Virginia, the State’s Hispanic Chamber of Commerce was contacted and were persuaded of the need. Accordingly, a 40-minute webinar on entrepreneurial leadership was prepared in Spanish and delivered to this 350-member network. The outcome of this event reinforced the data from the present study, which emphasizes the need for education and training of entrepreneurial leadership in the aftermath of the 2019-2020 pandemic. Participants were grateful for learning the tenets of entrepreneurial leadership and the urgency of considering a long-term perspective in their recovery and re-inventing endeavors.

4. Conclusion

In the wake of a global pandemic, small businesses throughout North, Central, and South America have frenetically sought to survive, as customers, employees, and suppliers disrupt their financial stability and growth plans. During times of unforeseen crisis, it seems that long-term thinking naturally succumbs to the pressures of survivability. Anecdotal, interview, and secondary data sources such as those provided in the present study indicate this phenomenon’s prevalence. Although this immediate reaction is understandable, there is evidence that short-term financial urgencies are overshadowing long-term expectations. This trend must be reversed if businesses are expected to endure and develop in a post-pandemic era. Consequently, leadership education and training efforts that offer realistic solutions to an unexpected financial crisis are needed to restore endurance and viability.

Even before the pandemic and its aftermath, leadership was considered an attribute lacking in most entrepreneurs [26]. Under pre-pandemic conditions, education and training efforts for small businesses would be considered what the military calls a “force multiplier”, meaning a factor or combination of factors that provide the ability to achieve greater accomplishments than without it or them. Training and education enhance operational effectiveness and affords the sustainability of the business over time.

Making the time for training and education is difficult when entrepreneurs dedicate between 12-14 hours a day to business operations. Networking with other small businesses can heighten a need for education and training, especially during a post-pandemic world, but daily operational demands tend to

push them as a lower priority [19]. Nevertheless, both the long-term thinking inherent to entrepreneurial leadership and the short-term survivability of the business are essential in responding to a time of crisis [27].

More now than ever, training and re-education programs for entrepreneurial leadership will play a key role in re-building, stabilizing, and developing a small business under the New Normal. The hope is that the results of this study inspire educational institutions in the US and Latin America to create “Centers of Entrepreneurship Development”—or equivalents—that encourage close collaboration, research on post-pandemic small business needs, and provide much-needed training and educational resources, particularly to Hispanic small businesses.

References

- [1] *NFIB Study: Coronavirus Impact on Small Businesses*. NFIB Research Center, March 13, 2020. <https://www.nfib.com/content/news/coronavirus-state/nfib-study-coronavirus-impact-on-small-businesses-2/>
- [2] Small business owners report devastating impacts of COVID-19, need immediate cash assistance to survive. April 14, 2020. <https://smallbusinessmajority.org/our-research/entrepreneurship/small-business-owners-report-devastating-impacts-covid-19-need-immediate-cash-assistance>
- [3] Small Business Pulse Survey. *The United States Census Bureau*. May, 2020. <https://portal.census.gov/pulse/data/#data>
- [4] Rogers, K. Small businesses say coronavirus is starting to cause supply-chain squeezes and lost sales. *CNBC*. March 13, 2020. <https://www.cnn.com/2020/03/13/nfib-says-coronavirus-is-starting-to-cause-supply-chain-squeezes-lost-sales.html>
- [5] Dávila, A., Mora, A., & Marek, A. How Hispanic entrepreneurs are beating expectations and bolstering the US economy. *Partnership for a new American economy*. (2014). <https://www.newamericaneconomy.org/wp-content/uploads/2014/04/hispanic-entrepreneurs-final.pdf>
- [6] Toussaint, J. The state of Hispanic business in the U.S. *Al Día Business*. November 13, 2019. <https://aldianews.com/articles/leaders/business/state-hispanic-business-us/56840>
- [7] Cimini, K. ‘Puro cash’: Latinos are opening more small businesses than anyone else in the US. *USA Today*. May 23, 2020. <https://www.usatoday.com/in-depth/news/nation/2020/02/24/latino-small-business-owners-becoming-economic-force-us/4748786002/>

- [8] Oberle, A. Latino business landscapes and the Hispanic ethnic economy. *Landscapes of the Ethnic Economy*, 56(1), 149-64 (2006).
- [9] Ettliger, M. & Hensley, J. COVID-19 Economic crisis: By state. *Carsey School of Public Policy, University of New Hampshire*. 2020.
<https://carsey.unh.edu/COVID-19-Economic-Impact-By-State>
- [10] Daniel, I. Pandemic impacts small businesses, some still export. *ArabBrazilian News Agency*. April 5, 2020.
<https://anba.com.br/en/pandemic-impacts-small-businesses-some-still-export/>
- [11] Mendez, E. En riesgo de cerrar 250 mil pequeños negocios en México por Covid-19. *Excelsior*. April 10, 2020.
<https://www.excelsior.com.mx/nacional/en-riesgo-de-cerrar-250-mil-pequenos-negocios-en-mexico-por-covid-19/1375352>
- [12] Gomez, N. Ley de salvamento, el camino que les espera a muchas empresas: Acopi asegura que el 20 % de las empresas en Bogotá y Cundinamarca tendrían que cerrar. *El Tiempo*. April 3, 2020.
<https://www.eltiempo.com/economia/empresas/coronavirus-ley-de-salvamento-el-unico-camino-que-les-espera-a-muchas-empresas-480460>
- [13] BBC News Mundo. Coronavirus en Ecuador | El inédito y cuestionado plan de emergencia económica del país contra la crisis del covid-19. April 14, 2020.
<https://es-us.noticias.yahoo.com/coronavirus-ecuador-empresas-empresas-inédito-231204238.html>
- [14] Business Insider-Mexico, «Se cerró todo»: pymes de México y América Latina intentan sobrevivir a la pandemia de coronavirus. April 17, 2020.
<https://businessinsider.mx/se-cerro-todo-pymes-de-mexico-y-america-latina-intentan-sobrevivir-a-la-pandemia-de-coronavirus/>
- [15] Harrison, J. S., Hitt, M. A., Hoskisson, R. E., & Ireland, R. D. Resource complementarity in business combinations: Extending the logic to organizational alliances. *Journal of management*, 27(6), 679-690, (2001).
<https://doi.org/10.1177/014920630102700605>
- [16] Taherian, S. Employees need to feel connected: Leaders have to be human. *Forbes*. June 4, 2020.
<https://www.forbes.com/sites/suzytaherian/2020/06/04/employees-need-to-feel-connected-leaders-have-to-humanize/#53243afce82e>
- [17] Pradhan, N. How small businesses can grow during the Coronavirus (COVID-19) Pandemic. *MarTech Advisor*. April 8, 2020.
<https://www.martechadvisor.com/interviews/customer-experience-2/birdeye-how-small-businesses-can-grow/>
- [18] Roman, E. Coronavirus: Small businesses finding innovative ways to survive and serve customers during the pandemic. *MassLive*. April 6, 2020.
<https://www.masslive.com/business/2020/04/coronavirus-small-businesses-find-innovative-ways-to-serve-customers.html>
- [19] Lang, C. How small business owners are banding together to adapt during the Coronavirus Pandemic. *Time*. May 20, 2020.
<https://time.com/5838289/coronavirus-business-support>
- [20] Davis, M. L. “Managing a business crisis during a Global Crisis: Top takeaways.” *JD Supra*. May 20, 2020.
<https://www.jdsupra.com/legalnews/managing-a-business-crisis-during-a-78623/>
- [21] Cai, W., Lysova, E. I., Khapova, S. N., & Bossink, B. A. Does Entrepreneurial Leadership Foster Creativity Among Employees and Teams? The Mediating Role of Creative Efficacy Beliefs. *Journal of Business and Psychology*, 34(2), 203-217, (2019).
<https://doi.org/10.1007/s10869-018-9536-y>
- [22] Cefis, E., Bartoloni, E., & Bonati, M. Show me how to live: Firms' financial conditions and innovation during the crisis. *Structural Change and Economic Dynamics*, 52, 63-81 (2020).
<https://doi.org/10.1016/j.strueco.2019.10.001>
- [23] Díaz, G. A., Barge-Gil, A., & Heijs, J. The effect of innovation on skilled and unskilled workers during bad times. *Structural Change and Economic Dynamics*, 52, 141-158 (2020).
<https://doi.org/10.1016/j.strueco.2019.09.012>
- [24] Jimenez, A. ‘All the resources were in downtown’: Chicago’s Latino entrepreneurs struggle to find help, but business groups are stepping up”. *Chicago Tribune*. July 8, 2019.
<https://www.chicagotribune.com/business/ct-biz-latino-business-programs-remain-unused-20190708-ylihffstf5aexkiaqdwu7y6ha-story.html>
- [25] SLEI Research. The impact of COVID-19 on Latino Owned Businesses. Latino Entrepreneurship Initiative 2020 Survey Results. Publication of Stanford Graduate School of Businesses in collaboration with the Latino Business Action Network, March, 2020.
https://www.gsb.stanford.edu/sites/gsb/files/2020_slei_first_covid_survey_results.pdf
- [26] Bonnstetter, B. The skills most entrepreneurs lack. *Harvard Business Review*. April 1, 2013.
<https://hbr.org/2013/04/the-much-needed-skills-most-en>
- [27] Meristö, T. Scenarios will help SMEs out of corona crisis and beyond. In *Proceedings of the 2020 ISPIM Innovation Conference (Virtual) Event* "Innovating in Times of Crisis" held on 7 to 10 June 2020. LUT Scientific and Expertise Publications.