

FROM RESEARCH TO ACTION:

EMPOWERING LATINA ENTREPRENEURS IN MINNESOTA

Legal Foundations/Research and Evaluation Findings

What we did

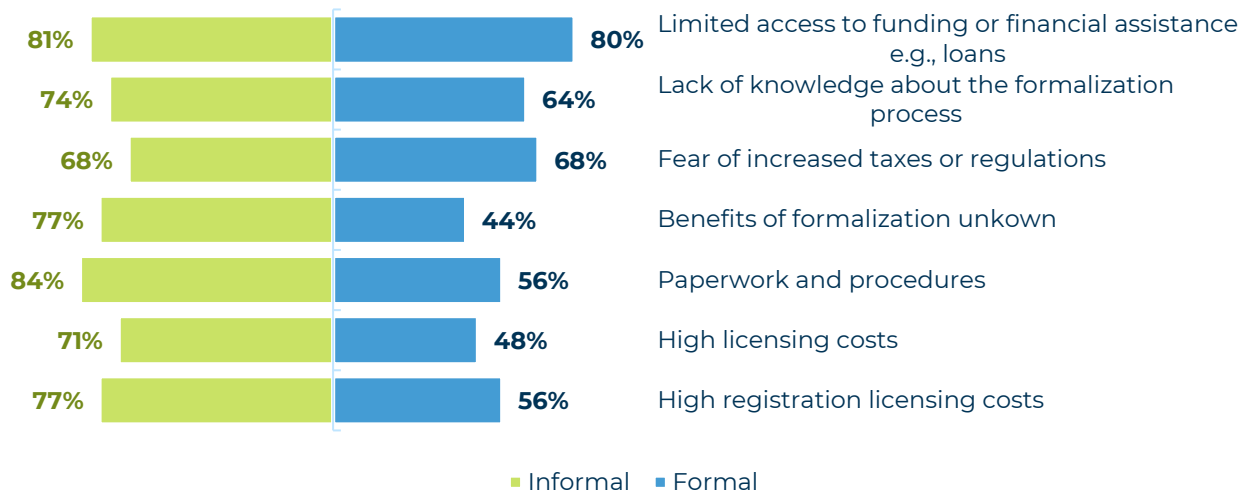
HACER conducted a survey of Latina entrepreneurs in Minnesota who at one point had an informal business. Half the respondents currently had an informal business while the other half had been informal in the past but have since successfully formalized their business. Additionally, HACER interviewed entrepreneurs and experts in the field to learn about the major barriers to formalization from the legal standpoint, uncover information gaps regarding licenses, and contracts, and the difficulties early entrepreneurs face regarding legal matters.

What we learned

According to survey responses from both formalized and non-formalized business owners, the fear of increased taxes or business regulations is a major barrier to formalization. For businesses that are not registered yet, paperwork and procedures were also reported as a barrier, likely increasing the fear of increased taxes and business regulations. Furthermore, unregistered business owners also reported lack of knowledge about the formalization process and unknown benefits of formalization as barriers to formalization more often than formalized business owners. Combined, these responses underscore the prevalence of lack of understanding of the legal requirements and where to start the process of business formalization as a major barrier to business formalization.

Expert interviews also highlight the importance of understanding and following legal requirements of businesses, noting that “I did not know” does not protect business owners from the consequences of not following the law.

Barriers to business formalization (N=56)



“I understand that this might be sound scary to some undocumented business owners. But we need to do some education. They’re penalties for those who don’t report.”

– Expert

Community-informed workshops

Workshop Content

| Aims | Objectives |
|--|---|
| <p>The workshop aimed to equip participants with practical and applicable legal foundations knowledge to start the process of formalization and legal requirements for their business.</p> <p>It also sought to increase participants' level of comfort with the process, where to start and accessing resources to support their business in the earlier stages for later success. It also addressed cultural issues.</p> | Understand legal requirements and process for business registration processes |
| | Be aware of laws and regulations governing their industry (certifications, licensing, etc.) |
| | Understand the basics of contracts and negotiation. |
| | Becoming bankable. |
| | Be able to identify when the business owner needs to consult with a lawyer |

The workshops highlighted the advantages of owning a business, its challenges, and its responsibilities. Presenters explained the **responsibilities** that business owners have with their employees (legally, financially, and humanely), taxes, third parties, and obtaining licenses to operate in specific industries

The workshops also highlighted the **benefits of registering** a business, mainly separating the individual and the business and protecting each from the risks of the other (financially and legally). They clarified that immigration status is NOT a barrier to running and registering a business in Minnesota (a business can be registered using an SSN or ITIN).

Presenters also discussed business structures and recommended the use of LLC for starting small businesses: protection, flexibility, and efficiency; explained and demonstrated the **steps and cost of registering a business**; talked about the business owner's responsibility to know licensing requirements and obtain and maintain licenses and operations permits for their stores, and also talked about fines for operating without them.

Other topics discussed include:

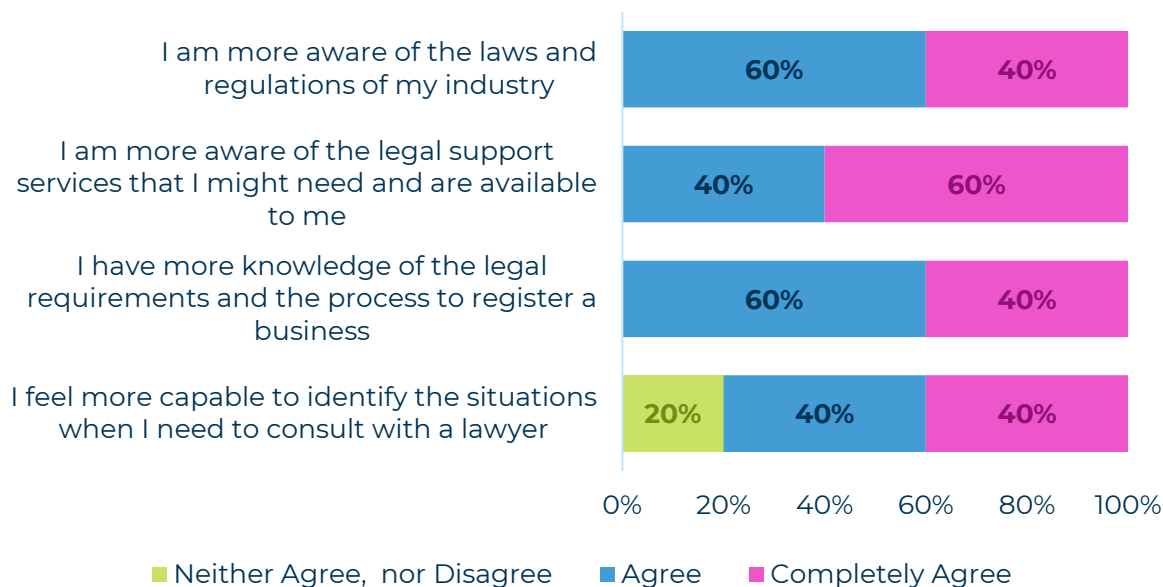
- Different types of insurance to protect the business, the owner, and its employees, and the risk of not having insurance
- Obligations as business owners to their employees
- Key parts of contracts (offer, acceptance and consideration) and negotiations, and provided tools and structure to negotiate and practiced negotiation skills
- How banks evaluate a loan request from a business: **Character** (of the owner), **Capacity** of the business (Cash Flow), **Capital, Conditions**, and **Collateral**
- Highlighted some cultural differences that relate to owning businesses, such as the importance of being informed about the laws and regulations that impact the business and changing the mindset to “do the right thing”
- Explained the importance of consulting a lawyer before signing any contract, especially before leasing a location, as well as **guidance on how to hire a lawyer**

Outcomes from participating in the workshops

When evaluating the workshop, participants were asked about their awareness and knowledge of the legal aspects of formalizing and running their business. The workshops appeared to be highly effective in increasing the participants' awareness of the requirements and process, awareness of resources along the way, and overall confidence.

As a result of participating in the workshop and advisory session, 100% of participants reported an increased level of knowledge and awareness of legal requirements and resources. 80% of participants felt more capable of identifying when to consult a lawyer because of the workshop.

Effectiveness of workshops in enhancing participant awareness and confidence (N=5)



Open-ended questions addressed participants' prior perceptions about the formalization process, mainly that the process was complicated or out of reach for them.

Qualitative responses show an increased confidence and improved perception of the ability to formalize a business and navigate the legal requirements. Additionally, responses showed participant empowerment to negotiate and find support and resources.

One participant said, ***"I didn't know it was so easy to register a business"***,

highlighting the importance of sharing knowledge and resources related to business registration to change perceptions of feasibility for Latina entrepreneurs.

