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RESEARCH
REPORT

STATE OF LATINO ENTREPRENEURSHIP



STANFORD GRADUATE
BUSINESS SCHOOL OF

Latino Entrepreneurship
Initiative

PUBLICATION OF STANFORD GRADUATE SCHOOL OF BUSINESS | IN COLLABORATION WITH THE LATINO BUSINESS ACTION NETWORK

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ABOUT THIS REPORT

Since 2015, the Stanford Latino Entrepreneurship Initiative (SLEI) has annually collected data on Latino business owners across the United States to provide timely updates on trends in Latino entrepreneurship. This year, we created an ongoing research panel of more than 1,000 Latino business owners so that our data collection in future years will capture the growth of established businesses over time.

This report provides academic researchers, policymakers, and business leaders with insights into Latino-owned businesses as a group and as a number of subgroups and profiles. It includes differences in growth and funding experiences by gender, nativity, region, industry, size, and other personal and business characteristics. The 2018 SLEI Survey of U.S. Latino Business Owners has a large overall sample of nearly 5,000 Latino business owners, which allows data cuts on the Latino subgroups that have statistical power.

Often, other third-party surveys on business owners are confined to relatively small samples of Latino-owned businesses and limited reporting on Latinos as a single group. Government data collected on business owners does not dig as deeply into the specific issues facing Latinos and is released on a delayed basis. More recently, research at the government level has shifted to focusing almost exclusively on employer firms, or those with paid employees, which make up only 9 percent of the Latino business ecosystem. The SLEI survey includes Latino-owned businesses of all sizes. Furthermore, our report leverages comparative data from other surveys, when available, in order to compare the experiences of Latinos to other demographic groups. Since the varied data sources use distinct terms to define their samples and measures, we provide a glossary of terms used in this report in Appendix A.

This report also includes longitudinal data on Latino entrepreneurs who have gone through the Stanford Latino Entrepreneurship Initiative-Education Scaling Program (SLEI-Ed). Making up part of the 3 percent of Latino scaled firms, this subset of entrepreneurs provides a top-line comparison group that is highly connected and motivated relative to the average Latino-owned scaled firm. At a few points throughout this report, SLEI-Ed comparisons are used to present the reality of highly successful companies and, in some cases, how their experiences are comparable to those of less successful entrepreneurs. Additional methodological information about the annual SLEI Survey of U.S. Latino Business Owners and SLEI-Ed program participant surveys can be found in Appendix B.



SECTION I EXECUTIVE SUMMARY

With this report, the Stanford Latino Entrepreneurship Initiative (SLEI) shares results from the fourth annual Survey of U.S. Latino Business Owners. We examine characteristics of U.S. Latino-owned businesses, identify business approaches that correlate with Latino business success, and highlight Latino entrepreneurs' attitudes toward and access to capital.

Previous SLEI reports have detailed growth trends in the total number of U.S. Latino-owned businesses, estimated to be around 5 million. The U.S. Census Bureau reports that while the total number of businesses in the U.S. declined from 2007 to 2012, the number of Latino-owned businesses grew by 46 percent.

Currently, most Latino-owned businesses start small and stay small, with only 3 percent of all Latino-owned companies generating at least \$1 million in annual gross revenue. In this report, we share insights into a growth framework that highlights characteristics and strategies prevalent among Latino-owned firms that have successfully scaled. The corollaries of success outlined in the growth framework may be interesting for other Latino firms seeking to grow. We also examine entrepreneurs' perspectives on barriers to growth and their attitudes about and access to outside capital. Key issues and findings are below.

Several business strategies and characteristics positively correlate to scale.

Latino-owned firms that generate \$1 million+ in annual gross revenue (i.e., scaled firms) are more likely than unscaled firms to hold Minority- and Women-owned Business Enterprise (M/WBE) business certification, to be networked with local business organizations such as chambers of commerce, to formally register their company, to operate a firm in the technology sector, and to export their products.

Business Certification

M/WBE certification programs exist to address social and economic disadvantages. Among all Latino-owned firms surveyed, 21 percent have some type of business certification. Scaled Latino-owned firms are more likely to be certified (58 percent), giving them access to contracts not available to uncertified firms.

Formal Networking

Membership in business organizations such as chambers of commerce or trade associations can develop an entrepreneur's social capital and can be related to economic returns by virtue of referrals, access to information, or other business opportunities. Scaled firms are more likely to be well-networked (77 percent) than the average Latino-owned firm (35 percent).

Business Registration

Formally registering a business with local, state, and/or federal agencies can provide personal liability protection, legal benefits, and potential tax benefits. In this study, scaled businesses are more likely to be registered than unscaled businesses (89 percent compared to 67 percent).

Technology Sector

On average, 8 percent of Latino-owned businesses operate in the technology sector. Scaled firms are more likely to be in the tech sector (24 percent) than unscaled firms (7 percent). Although being in the tech sector did correlate with revenues above \$1 million, Latino tech companies still report lack of access to capital as a major factor impacting their profitability.

Exporting Goods & Services

According to the Department of Commerce, U.S. businesses that export not only grow faster but also are nearly 8.5 percent less likely to go out of business than non-exporting businesses.¹ We found that 14 percent of all Latino-owned companies export products and services, while 30 percent of scaled Latino companies did so. Latino export businesses are more likely to be profitable, immigrant-owned, scaled, and tech companies. The top two export markets include Mexico (18 percent) and Canada (13 percent).

The majority of Latino-owned businesses did not apply for financing in the previous 12 months; among those that did, three-quarters obtained at least a portion of the financing requested.

In the 12-month period prior to taking the survey, 60 percent of Latino business owners did not apply for any financing. Among those who did apply for financing, 30 percent applied for less than \$100,000. Scaled firms had all of their funding approved at nearly twice the rate of unscaled firms (51 percent compared to 29 percent). Firms that are highly networked with formal organizations (e.g. chambers of commerce, trade associations, etc.) are also more likely to obtain all of the funding they requested (37 percent compared to 27 percent). For firms that did not apply for financing, their reasons included: funding not needed (30 percent); did not want to accrue debt (20 percent); and did not think the application would be approved (15 percent).

Previous joint research by SLEI, the Federal Reserve Bank of New York, and Interise noted that while Latino business owners apply for financing at comparable rates to white business owners, Latino entrepreneurs are more likely to experience a funding shortfall. Twenty-eight percent of Latino business owners received full funding, compared to 49 percent of white business owners.² In other words, Latino business owners are denied more often than white business owners.

Personal credit scores are utilized more frequently than business credit scores when securing capital.

Just as personal credit scores provide information to lenders when an individual seeks a mortgage or other personal loan, business scores indicate the credit risk of a business. However, 72 percent of small business owners do not know their business credit score, and 60 percent do not know how to find it.³ This leads to low rates of usage, even though owners who understand their business credit score are 41 percent more likely to be approved for a loan.⁴

Our study found that only one-third of Latino-owned employer and scaled firms use a business score to access capital. This means that many firms with proven track records continue to rely on the owner's personal credit scores when seeking funding for the business. Thus, Latino business owners with good personal credit are more likely to have higher gross business revenue and also use a wider variety of funding.

Most Latino entrepreneurs with scaled businesses were raised in lower and lower-middle income households.

As a key measure in the growth framework, scaled businesses, or those that generate more than \$1 million in annual gross revenue, serves as one benchmark of business success. Relatedly, business success may be linked to personal success (i.e., household wealth), and social mobility in entrepreneurship has become an important topic of study. In our survey, we find that a plurality of Latino business owners who have grown their company to \$1 million or more in annual gross revenue (i.e., scaled firms) report having been raised in lower to lower-middle income households, suggesting that childhood background need not be an insurmountable barrier to building a successful business.



SECTION II INTRODUCTION

Latino-owned businesses make up a substantial and growing segment of the U.S. economy, contributing 2.8 million jobs in 2016⁵ and over \$510 billion in annual sales.⁴ Previous SLEI research reports show a nearly \$1.5 trillion opportunity gap that could be contributed to the U.S. economy if the current number of all Latino-owned businesses grew to match the average revenue of their non-Latino counterparts.⁶ Considering only employer firms, if Latino-owned firms generated the average sales of white-owned firms, an additional \$405 billion in annual sales would be added the economy.⁷

Overall, Latino-owned firms are poised to contribute greatly to the economy if these gaps are closed. Currently, Latino-owned businesses start small and stay small with only 3 percent of all Latino-owned businesses generating at least \$1 million in annual gross revenue. In this report, we share insights into a growth framework that highlights areas where some Latino-owned businesses are experiencing success. The corollaries of success outlined in the growth framework may be replicated by other Latino firms seeking to grow, and these efforts can be supported by government, corporate, and financial institutions directly implicated in the framework. In this section, we briefly highlight growth trends to contextualize the most up-to-date numbers of Latino-owned businesses in relation to others, as provided by multiple data sources.

LATINO-OWNED BUSINESS GROWTH RATES ARE INCREASING, WHILE WHITE-OWNED BUSINESSES ARE DECREASING

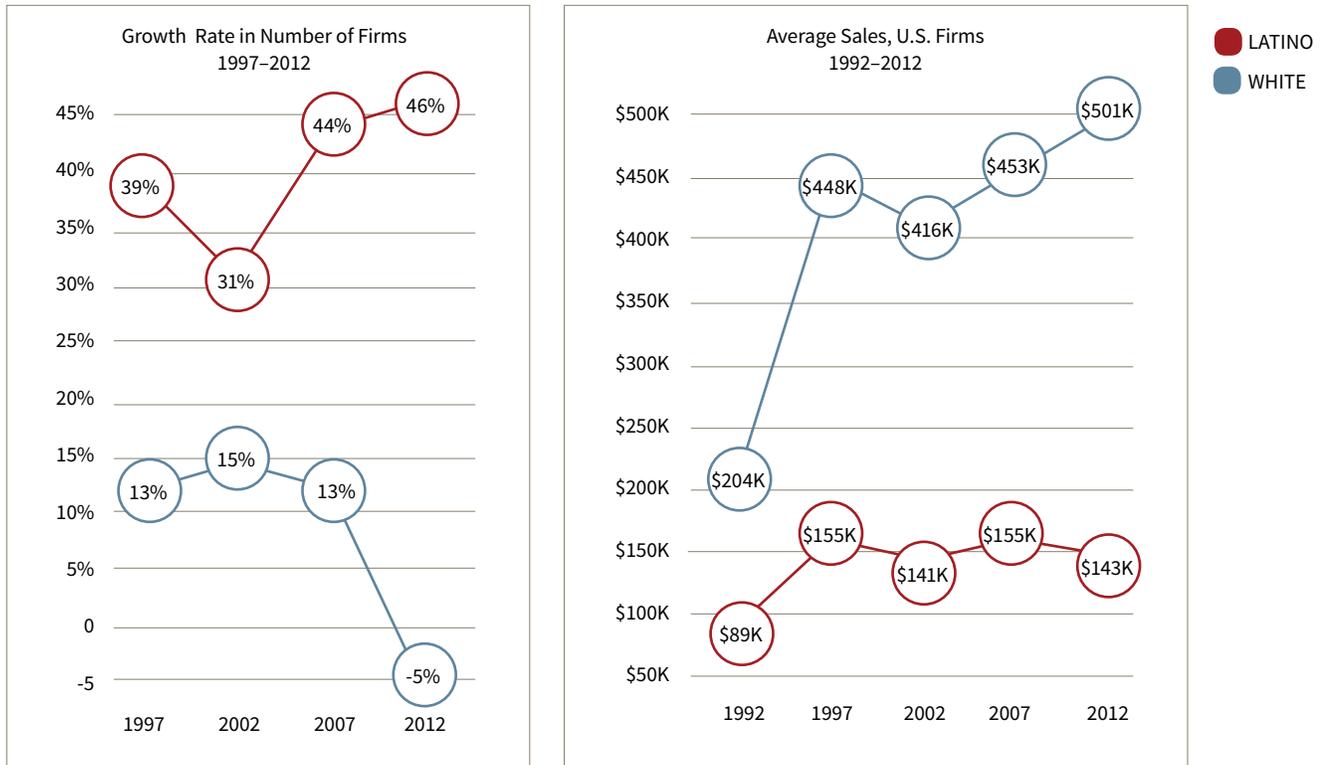
Latino-owned businesses outpace the growth rate of all other groups, including white-, Asian-, and black-owned firms.⁸ As of 2012, the latest census of all U.S. businesses available, Latino-owned firms represent 12 percent of all firms, totaling about 3.3 million firms and generating over \$473 billion in sales. Last year we estimated that in 2016 there were as many as 5 million Latino-owned businesses.⁸ Even though white-owned businesses represent the largest percent of all firms (78 percent), their growth rates have been decreasing in contrast to Latino-owned businesses, resulting in a loss of over 1 million white-owned businesses from 2007 to 2012.

Latino-owned businesses tend to start small and stay small,⁹ constituting just 6 percent of all U.S. employer firms. However, the number of Latino-owned employer firms has increased at a higher yearly rate, compared to white-owned businesses. In 2016, Latino-owned employer firms generated over \$400 billion and employed almost 3 million people, which, in magnitude, is much lower compared to white-owned firms. White-owned firms generated over \$10 trillion and employed 17 times the number of people, or over 52 million people.

⁴ Authors' calculations using the 2016 Annual Survey of Entrepreneurs (ASE) and the 2012 Survey of Business Owners (SBO) for nonemployer growth rates.

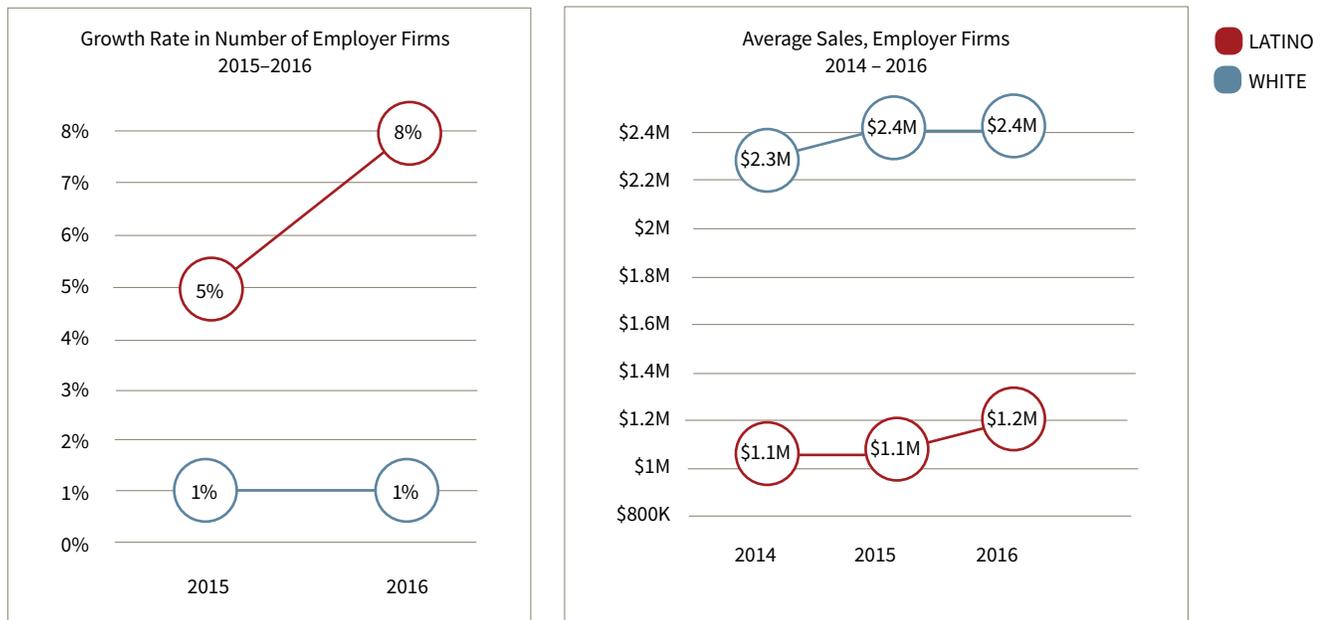
⁸ Authors' calculations using the 2016 ASE and 2012 SBO.

FIGURE 1: GROWTH RATE IN NUMBER OF FIRMS AND AVERAGE SALES, U.S. FIRMS



Source: Survey of Small Business Owners (SBO), U.S. Census Bureau

FIGURE 2: GROWTH RATE IN NUMBER OF FIRMS AND AVERAGE SALES, EMPLOYER FIRMS



Source: Annual Survey of Entrepreneurs (ASE), US Census Bureau



SECTION III ENTREPRENEURIAL PROFILES

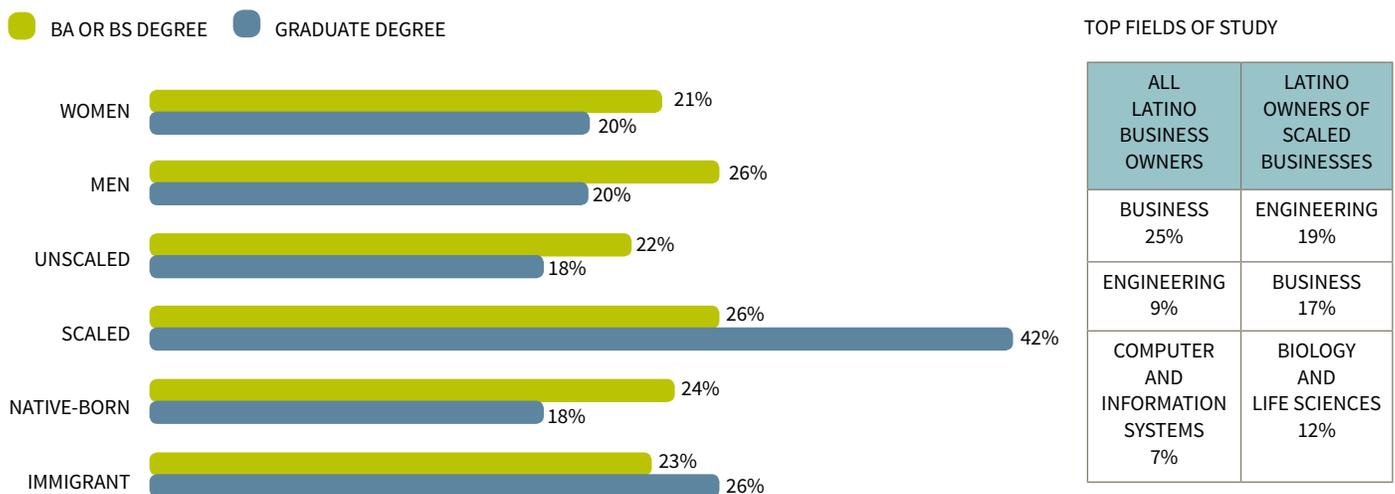
The 2018 SLEI Survey of U.S. Latino Business Owners is the most comprehensive survey to date and includes detailed questions about educational and socio-economic backgrounds, business revenue, profit and income, and funding experiences. This section provides an overview of the Latino business owner population, including differences by gender, childhood backgrounds, nativity, and ability to scale their business.

LATINO BUSINESS OWNERS ARE MORE EDUCATED THAN THE GENERAL LATINO POPULATION

Among those surveyed, 42 percent of Latino business owners hold at least a bachelor’s degree, slightly less than white-owned businesses (51 percent),¹⁰ but significantly higher than the overall Latino population (9 percent).¹¹

While there are some gender differences in educational attainment, with men holding a bachelor’s degree at a slightly higher rate than women, both have the same proportion holding master’s, doctorate, or professional degrees. Latino business owners of scaled firms have higher educational attainment than owners of unscaled businesses. The top fields of study for owners of scaled businesses are engineering, business, and biology and life sciences.

FIGURE 3: EDUCATIONAL ATTAINMENT AND FIELDS OF STUDY FOR LATINO BUSINESS OWNERS



Source: SLEI Survey of U.S. Latino Business Owners 2018

WHILE THE NUMBER OF EMPLOYER FIRMS OWNED BY LATINAS IS GROWING RAPIDLY, MOST ARE VERY SMALL BUSINESSES

Latinas own 25 percent of Latino employer businesses, which have a yearly growth rate of 10 percent, a higher growth rate than male-owned Latino businesses (6 percent).¹² Further, Latina-owned businesses employ more than 600,000 people and generate nearly \$66 billion in annual sales.¹³ However, when comparing Latino-owned businesses by gender, we see some differences in the size of the business. Women are more likely to have microbusinesses (64 percent compared to 36 percent for men), while men are more likely to have mid-size (52 percent compared to 32 percent for women) and scaled businesses (12 percent compared to 4 percent).¹⁴ Men are also more likely to have some type of certification (24 percent) compared to women (19 percent). Moreover, we see some large differences in average and mean business revenue, profit, and personal income derived from the business. Men generate three times more business revenue, almost twice as much profit, and more than twice as much in personal income, for the average and median values.

FIGURE 4: BUSINESS REVENUE, PROFIT, AND INCOME DERIVED FROM THE BUSINESS, BY GENDER



Source: SLEI Survey of U.S. Latino Business Owners 2018

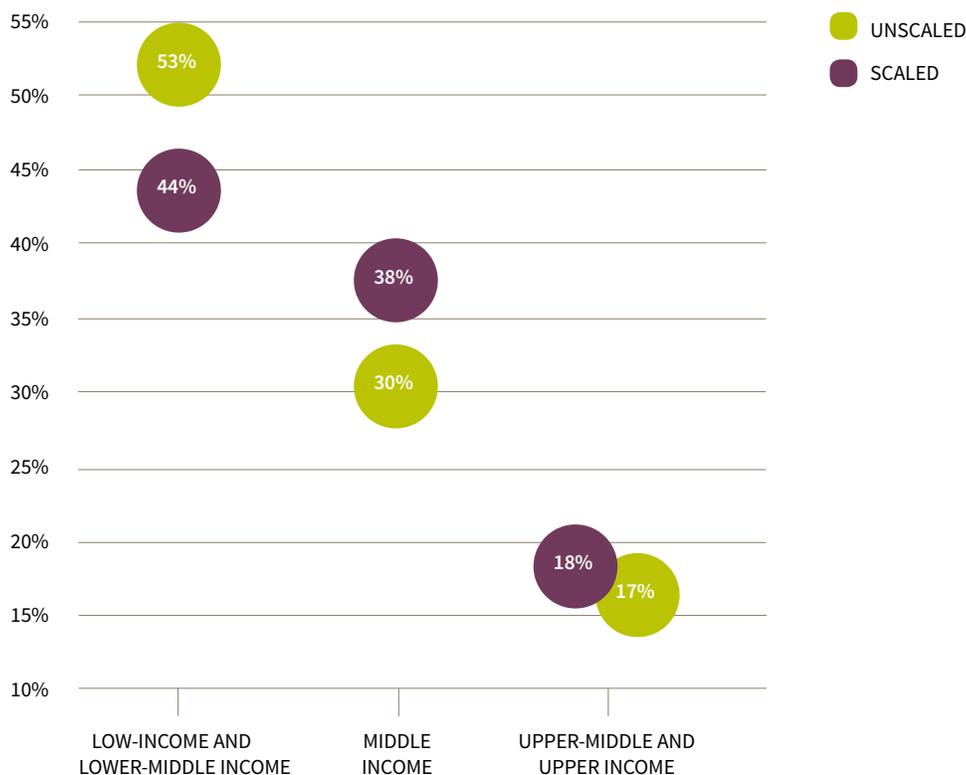
¹⁴ A microbusiness is defined as generating less than \$49k in annual gross revenue; a mid-size business is defined as generating \$50K-\$1M; and a scaled business is defined as generating \$1M or more in annual gross revenue.

LATINO ENTREPRENEURS HAVE DIFFERENT STARTING POINTS AND ARE ABLE TO SCALE

This year, we asked respondents to indicate their childhood class background.^A Owners of Latino scaled firms are only slightly less likely to have come from low-income/working class backgrounds and lower-middle-income (44 percent vs. 53 percent). However, they are almost equally as likely to have come from upper-middle- and upper-income backgrounds as are owners of unscaled Latino-owned firms.

In comparison, nearly half of the SLEI-Ed alumni who responded to the 2018 program participant survey came from low-income, lower-middle class backgrounds and are clustered in the less-than \$3 million revenue category. These insights reinforce the continued need for educational and training programs that support businesses at different points of the business cycle and scalability journey. Just as first-generation college students are supported by programming that acknowledges differences in starting points and social capital, first-generation and low-income Latino entrepreneurs, even when their businesses are scaled, still require business education and networks.

FIGURE 5: LATINO BUSINESS OWNER'S CHILDHOOD BACKGROUND, BY BUSINESS SIZE



Source: SLEI Survey of U.S. Latino Business Owners, 2018

LATINO-OWNED TECHNOLOGY COMPANIES ARE MORE LIKELY TO BE SCALED

On average, 8 percent of Latino-owned businesses surveyed are technology companies (i.e., firms that develop and sell technology or software). Compared to non-tech Latino-owned firms, Latino tech companies are more likely to be scaled (22 percent vs. 6 percent). Latino tech company owners are just as likely to be U.S.-born as immigrant. Their companies are mostly concentrated in a few states, with 27 percent in California, 14 percent in New York, 11 percent in Florida, and 9 percent in Texas.

^AChildhood class background is a subjective measure. Respondents were asked to indicate their childhood class background from the following list: Low-income/working class; Lower-middle income; Middle class; Upper-middle class; Upper class; Don't know/prefer not to answer. For purposes of simplicity, we collapse the categories in the report.

SCALED COMPANIES ARE MORE LIKELY TO BE OWNED BY MEN AND IMMIGRANTS

Seven percent of Latino businesses are scaled, generating at least \$1 million in annual gross revenue. These firms are more likely to be owned by men (65 percent) than women (35 percent). Among all male-owned firms surveyed, 12 percent are scaled, compared to 4 percent among all Latina-owned firms. Among all immigrant-owned firms surveyed, 9 percent are scaled, compared to 6 percent among U.S.-born Latinos. Scaled Latino firms are also more likely to be certified (58 percent vs. 18 percent), tech companies (24 vs. 7 percent), and in the construction (47 percent) and education and health services (22 percent) industries. Scaled Latino firms are mostly concentrated in California (31 percent), Texas (14 percent), New York (13 percent), and Florida (10 percent).

IMMIGRANT-OWNED LATINO BUSINESSES ARE MORE LIKELY TO BE SCALED, IN THE TECH INDUSTRY, AND CERTIFIED

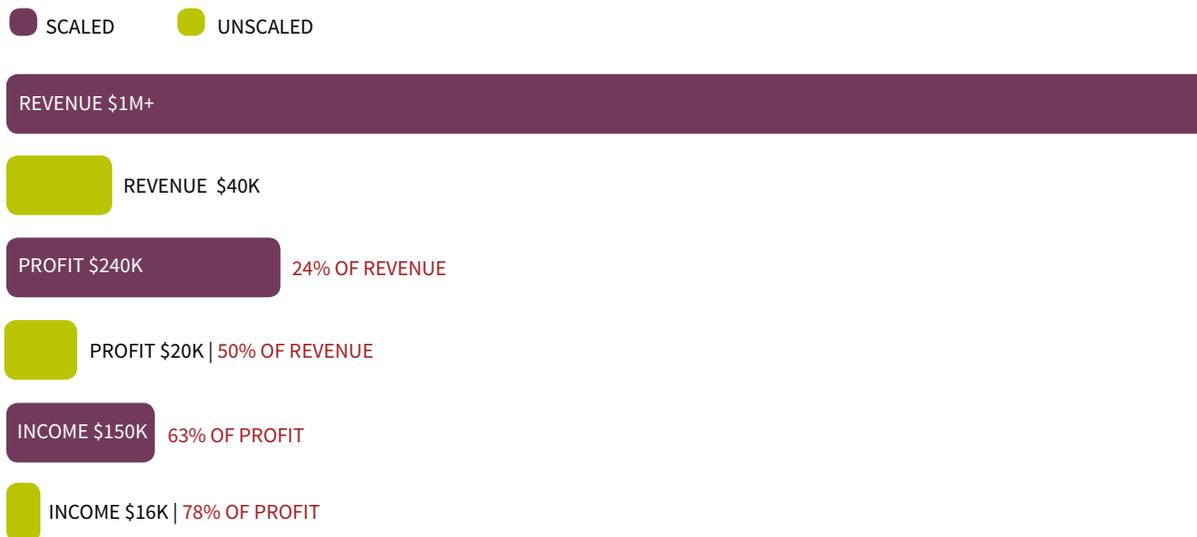
About half of employer Latino firms are owned by immigrants,¹⁴ and almost three quarters of the Latino self-employed population is estimated to be immigrant, both naturalized and undocumented.¹⁵ While undocumented immigrants face significant barriers to pursuing employment in the United States due to lack of work authorization, any immigrant, regardless of status, can earn a living through self-employment or a business.¹⁶ Of the self-employed Latino population, approximately 26 percent are undocumented immigrants, translating to an estimated 635,000 undocumented, self-employed Latino immigrants.^A

Immigrant Latino-owned businesses are more likely to be in the tech industry (10 percent vs. 5 percent), and certified (27 percent vs. 17 percent). Immigrant-owned businesses have higher average and median revenues, profits, and personal income, compared to native-owned businesses.

UNSCALED LATINO-OWNED FIRMS HAVE HIGHER PROFIT RATES AND PERSONAL INCOME AS A PERCENTAGE OF REVENUE

Scaled Latino firms have much higher revenue, profits, and personal income derived from the business, compared to non-scaled firms. However, when looking at profit as both a percentage of revenue and as a percentage of personal income derived from the business, non-scaled firms see higher percentages in both areas. Fully half of their revenue is profit, compared to 24 percent for scaled firms, and almost all the profit (80 percent) is personal income, compared to 63 percent for scaled firms. This may be because, unlike scaled firms, unscaled firms are likely to have few or no employees, and therefore they have lower costs.

FIGURE 6: REVENUE, PROFIT, AND INCOME DERIVED FROM THE BUSINESS, SCALED VS. UNSCALED



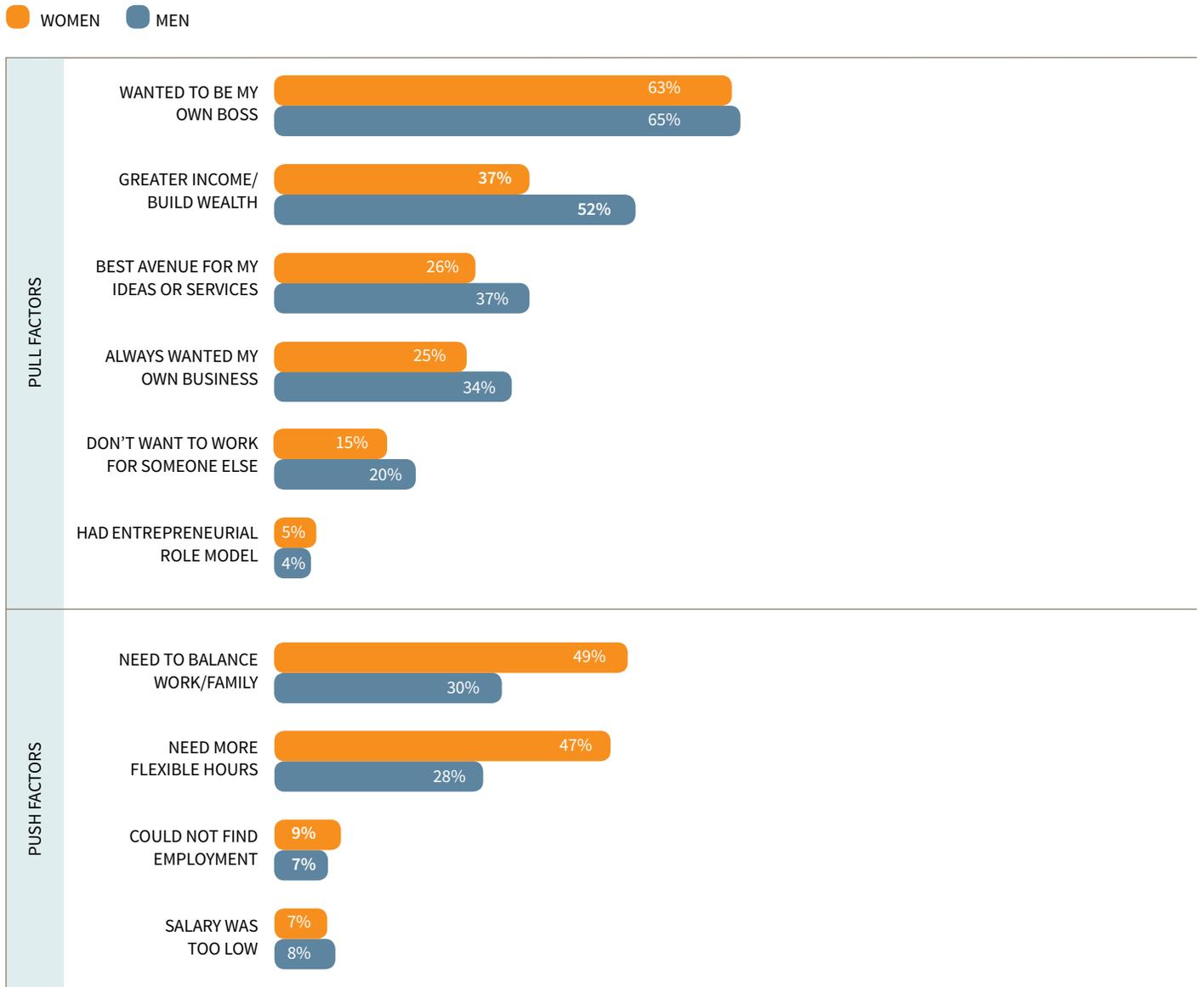
Source: SLEI Survey of U.S. Latino Business Owners 2018

^A Authors' calculations using the 2015 American Community Survey (ACS).

WOMEN ARE MORE MOTIVATED BY “PUSH” FACTORS AND MEN ARE MORE MOTIVATED BY “PULL” FACTORS

The top three reasons for Latino business owners to start a business—to be their own boss, have greater income and wealth opportunities, and achieve work/life balance—are the same top reasons for white-owned firms.¹⁷ And while the chief reason for business ownership for both men and women is to be their own boss, disparities surface when looking at their underlying motivations. Women are more likely to be motivated by “push” factors, such as flexible hours, work/life balance, and the inability to find employment. Men are more likely to be motivated by “pull” factors, such as greater income opportunities, better avenues to realize ideas and services, a desire to not work for someone else, and a long-term desire to start a business.

FIGURE 7: MOTIVATIONS TO START A BUSINESS, BY GENDER



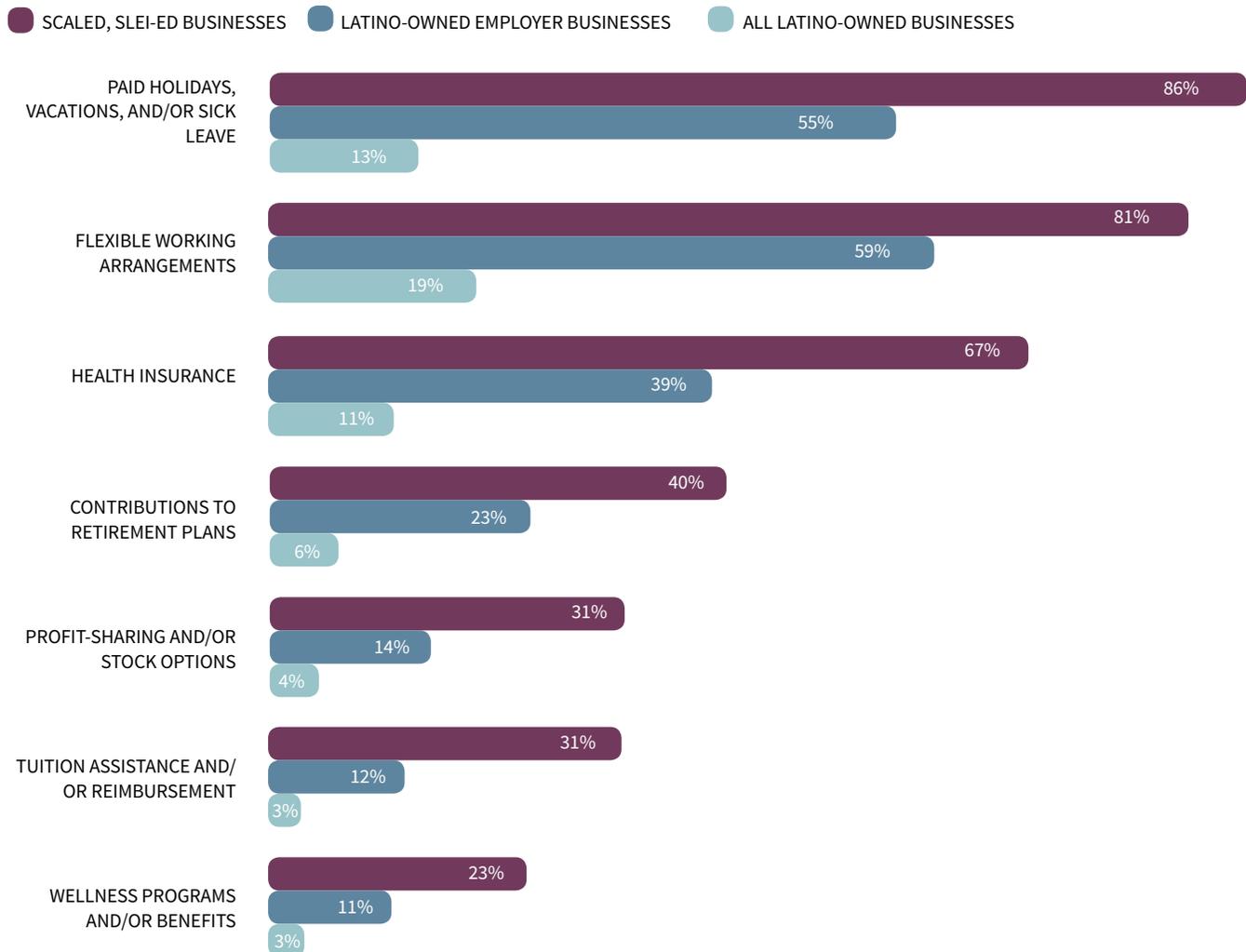
Source: SLEI Survey of U.S. Latino Business Owners 2018

COMPARED TO OTHER GROUPS, SCALED LATINO-OWNED BUSINESSES ARE HIGHLY ORIENTED TOWARD EMPLOYEE BENEFITS

Compared to white-owned businesses, Latino-owned employer businesses in our sample offer more employee benefits,¹⁸ such as paid holidays, vacation, and/or sick leave (55 percent and 48 percent). Latino-owned employer firms are also more than twice as likely to offer profit-sharing and/or stock options, compared to white-owned firms (14 percent and 6 percent) and are more than twice as likely to offer tuition assistance and/or reimbursement (12 and 5 percent). Although Latino-owned employer firms generate less average revenue than white-owned businesses, they more readily reinvest in their employees.

Scaled Latino-owned businesses, especially, provide a wide range of benefits to their employees at higher rates than the average employer Latino-owned business; this is particularly evident among SLEI-Ed participants.

FIGURE 8: EMPLOYEE BENEFITS AMONG LATINO-OWNED SCALED AND EMPLOYER BUSINESSES



Source: SLEI Survey of U.S. Latino Business Owners

LATINO BUSINESS OWNERS PLAN TO CONTINUE TO LEAD THEIR COMPANIES IN THE FUTURE

Eighty-four percent of all Latino business owners in our survey indicated wanting to continue to lead their companies for the indefinite future. The vast majority of Latino-owned scaled firms in our survey have an exit strategy (96 percent). However, Latino-owned employer businesses are less likely to have an exit strategy compared to white-owned employer businesses (61 percent vs. 70 percent).¹⁹ Their top exit strategies are to sell or merge the business with another firm (20 percent) and to walk away from the business (14 percent). In contrast, the top three strategies for white-owned employer businesses are: sell the business to another individual (32 percent), walk away from the business (15 percent), and sell or merge the business with another firm (13 percent).²⁰ Thus, Latinos may be less inclined to be serial entrepreneurs, but may be lifelong entrepreneurs.



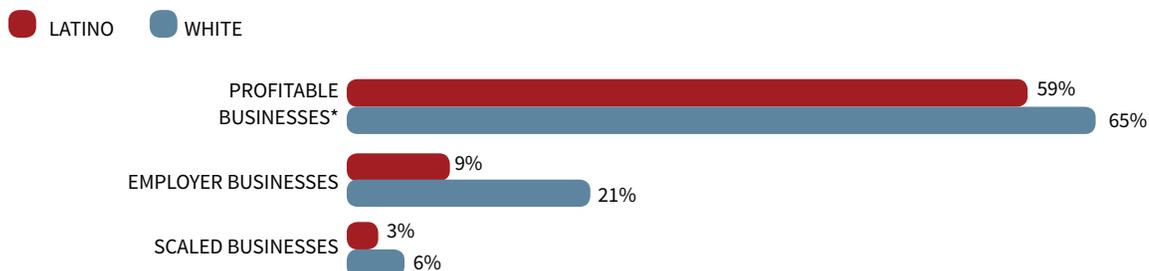
SECTION IV GROWTH FRAMEWORK

Common measures of growth include scale, profit, and number of employees. Scaled firms are those that are generating at least \$1 million in annual gross revenue and represent a high benchmark of success. Only 3 percent of Latino-owned businesses are scaled, compared to 6 percent for non-Latino-owned businesses. The factors that are related to scalability are noteworthy, as the experiences of scaled firms compared to unscaled firms indicate a distinct measure of economic success.

Another measure of growth includes profitable businesses, depicted in this report as those that experienced profit in the last 12 months, compared to unprofitable businesses which experienced profit loss or no profit (i.e., broke even). While scaled firms are measured on the basis of revenue, revenue does not equate to profit. As noted in Figure 6, there is a tapering relationship between business revenue, profit, and personal income derived from a business. Overall, 61 percent of Latino-owned businesses in our survey generated profit. Among employer firms, white-owned businesses generated greater shares of profit in 2016, 65 percent compared to 59 percent among Latino-owned businesses.²¹ It should be further noted that while business success is associated with both profitability and growth, growth does not necessarily indicate profitability.²²

The number of employees at a firm is another measure of growth. For purposes of simplicity, we report the experiences of employer firms compared to non-employer firms (those with no paid employees other than the owner). Among all Latino-owned businesses, 9 percent are employer firms, which generate 80 percent of Latino-owned business receipts. Among all non-Latino-owned businesses, 21 percent are employer firms. Even though there is a smaller percentage of Latino businesses that are scaled compared to those that are employer firms, SLEI’s previous research has demonstrated that the main hurdle to scaling is crossing the “employment threshold” or going from a “soloprenuer” (an entrepreneur without employees) to becoming an employer firm.²³ Thus, the Latino entrepreneurship gap (i.e., the gap between the rate of business ownership between Latino and non-Latino populations) is found in going from a nonemployer firm to an employer firm and not necessarily from an unscaled firm to a scaled firm. Taken together, Figure 9 represents the measures that are considered in the growth framework, comparing Latino-owned businesses and white-owned businesses.

FIGURE 9: GROWTH MEASURES, LATINO- AND WHITE-OWNED BUSINESSES



*Data available only for employer firms. Source: ASE 2016 and Author’s Calculations using 2012 SBO

GROWTH STRATEGIES: THE GROWTH FRAMEWORK

Expanding on the three growth categories detailed above (scaled, profitable, and employer businesses), we create a growth framework of five comparison groups (see Figure 10) and seven business strategies that are positively correlated^a to these categories. These strategies include expanding to international markets through exporting, purchasing office space, and obtaining certification to compete for set-aside government and corporate contracts, among others. The strategies are represented by the colored lines in Figure 10. The points on each line mark the proportion of each type of business strategy engaged in by each category of Latino business noted on the outer lines. A discussion on each of these business strategies follows.

FIGURE 10: GROWTH FRAMEWORK ACROSS BUSINESS STRATEGIES



Source: SLEI Survey of U.S. Latino Business Owners 2018

^aIt should be noted that the discussion on business strategies does not ascribe a causal relationship. That is, engaging in X business strategy does not necessarily cause business growth. However, we measure the difference in the means of each growth measure compared to its counter growth group to determine a statistically significant difference in the means.

Formalizing a Business Through Registration

Formally registering a business with local, state, and/or federal agencies can provide personal liability protection, legal benefits, and potential tax benefits.²⁴ For undocumented immigrants, registering a business serves as an added layer of protection by creating a divide between the individual and the business because it allows tax filing and access to financial capital under the business name, rather than the individual. Latino immigrant business owners are more likely to register their business than U.S. native-born Latinos (81 percent compared to 61 percent).

According to the Small Business Administration (SBA), geographic location and business structure determine the type of registration needed, and in some cases, individuals may not need to register if conducting business as themselves with their legal name.²⁵ The way in which businesses register varies by state, as some allow for online registration and others require filing paperwork in person or by mail with the secretary of state's office, a business bureau, or a business agency. While seemingly complex on the surface, formally registering a business is positively associated with the growth measures of being scaled and an employer firm. There is no statistically significant difference in business registration among profitable and non-profitable businesses. However, some financial institutions verify if a business is formally registered as part of their approval process.

Developing or Selling Technology

Information technology and construction companies are among the fastest-growing industries in the United States.²⁶ In particular, businesses in computer system design (i.e., companies that provide software, IT infrastructure, and computer systems design and management) experienced 18 percent sales growth in 2016, which is double the average growth rate for all industries during the same period.²⁷ Technology software and development can span multiple industries. With that in mind, we specifically asked survey respondents if their business develops and sells technology or software. We found that, given the fast growing potential, Latino-owned tech companies are more likely to be scaled rather than unscaled, whereby 24 percent of all scaled firms are in tech compared to only 7 percent of all unscaled firms are in tech. However, there are no differences in tech companies across the other growth measures, profit and employer firms, and across gender. Latino-owned technology companies are slightly more likely to be immigrant-owned. This relates to immigrants and technology in the Silicon Valley, where nearly three-quarters of the tech workforce is comprised of immigrants.²⁸

Owning Office Space

Real estate in the form of homeownership has historically been touted as a pathway to amassing wealth²⁹ although more recent accounts have debated these merits during the housing recovery.³⁰ Still, homeownership is more often than not found to be an effective means of building wealth for low-income and minority households,³¹ and real estate is still generally a good investment. For the business owner, office space is a similar investment for a myriad of reasons, including a fixed overhead made possible by knowing future costs, stability in the allocation of specialized equipment, and the use of the physical building as an asset for collateral in debt and equity financing.³² We find that on average, 35 percent of Latino-owned businesses own their office space. Not surprisingly, profitable Latino-owned businesses are more likely to own office space compared to unprofitable businesses (39 percent compared to 29 percent). Additionally, 56 percent of scaled businesses and 45 percent of employer firms own office space and are more likely to own their own offices than unscaled and nonemployer businesses. We find no discernable differences in the rate of office ownership across gender and nativity.

As a potential motivating factor, the SBA 504 Loan Program is specially designed to help small businesses purchase real estate and equipment.³³ Furthermore, an SBA loan of any type can serve as a gateway to additional funding from other sources.

FIGURE 11: INVESTING IN OFFICE SPACE



Source: SLEI Survey of U.S. Latino Business Owners 2018

Forming Business Networks Through Participation in Formal Organizations

Membership in business organizations such as chambers of commerce or trade associations can develop an entrepreneur's social capital and can be related to economic returns by virtue of referrals, access to information, or other business opportunities. On average, 3.5 out of every 10 Latino business owners participate in a formal organization and are categorized here as networked firms. Networked firms are more likely to be profitable (39 percent), male-owned (41 percent), immigrant-owned (41 percent), scaled (76 percent), and employers (52 percent).

FIGURE 12: PROFILE OF NETWORKED LATINO-OWNED BUSINESSES

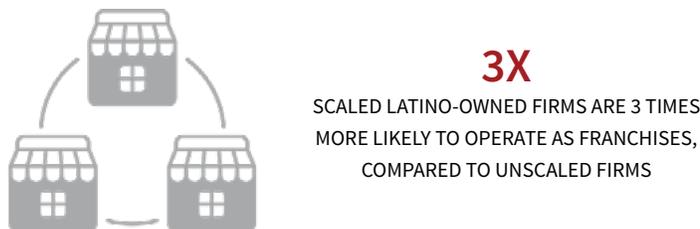


Source: SLEI Survey of U.S. Latino Business Owners 2018

Expansion Through Franchising

Franchising allows business owners to leverage brand benefits, cost sharing, standard operating procedures, and marketing strategies. The franchisor often provides training and other assistance in return for a monetary exchange and an ongoing business relationship. Franchising is most commonly associated with large corporations and is less well known among small businesses. Among U.S. employer firms, including Latino-owned, 5 percent of all businesses operate as a franchise.³⁴ Of the businesses surveyed, 7 percent of Latino-owned businesses operate as a franchise, more likely as a franchisee than as a franchisor. Franchising is folded into the growth framework as scaled firms are more likely to operate as franchises (19 percent) than unscaled firms (6 percent). Other comparison groups experience similar rates of franchise operations.

FIGURE 13: EXPANSION THROUGH FRANCHISING



Source: SLEI Survey of U.S. Latino Business Owners 2018

Global Business Through Exporting

The 2017 State of Latino Entrepreneurship report found that Latino-owned businesses are international in reach.³⁵ Among all employer firms, Latino firms have the highest rate of business clients outside the United States (4.5 percent vs. 4 percent for Asian-, 2 percent for white-, and 1.9 percent for black-owned firms).³⁶ However, having international clients is not a proxy for exporting. In fact, export rates are high across all employer firms. Among employer firms, 14 percent of Latino-owned businesses export, whereas 12 percent of all employer businesses export. Other research has found that export businesses are more likely to report higher sales, employ more people, and pay higher wages.³⁷ According to the Department of Commerce, U.S. businesses that export not only grow faster but are nearly 8.5 percent less likely to go out of business than non-exporting businesses.³⁸

Among all Latino-owned businesses surveyed, those that export are more likely to be profitable (15 percent), immigrant-owned (15 percent), and scaled (30 percent). The top export markets among survey respondents were Mexico (18 percent) and Canada (13 percent).

Business Certification and Procurement Opportunities

Most small businesses operate as business-to-consumer (B2C) companies, selling primarily to individual consumers. Other small businesses sell their products and services as business-to-business (B2B). Least common are business-to-government (B2G) firms, which sell goods or services to government agencies at the local, state, or federal level. Businesses can span multiple types as B2C, B2B, and/or B2G businesses. Nearly three out of every four businesses are B2C among Latino- and non-Latino-owned employer firms alike.³⁹ Among employer firms, 1 out of every 3 businesses operate as B2B, with Latino-owned businesses operating as B2B at slightly lower rates, 28 percent compared to 33 percent for white-owned firms.⁴⁰

Unlike the others, B2G businesses respond to proposals in a structured process and are awarded contracts. In 2016, businesses that contracted at the federal level through SBA 8(a) were awarded more than \$27 billion in federal contracts,⁴¹ with only 5 percent of Latino employer firms accessing those awards, compared to 4 percent among white-owned and 9 percent among black-owned employer firms. The dollar amount awarded to Latino-owned businesses is unknown, because the government does not report these figures. Still, procurement opportunities at the government and corporate level abound, and certification is the first step toward qualifying for procurement opportunities. Thus, certification is a prominent strategy in the growth framework.

In order to ensure that more minority-owned businesses become B2G, business certifications exist to address social and economic disadvantages among minority-owned firms and encourage bidding through designated contracts. Among Latino-owned businesses surveyed, 12 percent are certified Minority-owned Businesses or Minority Business Enterprises (MBE), 7 percent are Women-owned Business Enterprises (WBE), and 1 percent are Veteran-owned Business Enterprises. Taken together, among all Latino-owned firms, 21 percent are certified as one or more of the aforementioned types.

Among Latino employer firms, 44 percent are certified. However, among all employer firms, Latinos have government clients at a lower volume than white business owners. White entrepreneurs own employer businesses at three times the rate of Latinos, yet have government clients at fairly similar rates to Latinos — 11 percent compared to 13 percent, respectively.⁴²

FIGURE 14: BUSINESS CERTIFICATION AMONG LATINO-OWNED BUSINESSES



Source: SLEI Survey of U.S. Latino Business Owners 2018

BARRIERS TO GROWTH

For some of the business strategies outlined in the growth framework, the most common barriers concern access to information and capital, and obstacles to market entry. Business networks and education programs can help alleviate lack of knowledge. However, there are also several barriers to growth in the external environment. Factors that can negatively impact profitability include access to capital, cost of capital, labor, taxes, government regulations, slow business, late-paying clients, market unpredictability, and changes in technology.

The profitability of unscaled businesses is impacted the most by slow business. Among scaled businesses, 35 percent report taxes as impacting their profitability. The next greatest factor impacting profitability for scaled businesses is that, compared to unscaled businesses, they are more likely to have a hard time finding qualified labor (32 percent compared to 12 percent). This is likely because scaled firms need more labor than unscaled firms, but scaled firms are also in different industries. Two out of four scaled Latino-owned firms are in the construction industry, while one out of three unscaled firms are in the “other services” industry.

Surprisingly, scaled and unscaled businesses report no difference in access to capital as impacting profitability. This could mean that other external factors are more salient or that accessing capital is attributed to internal rather than external factors by Latino entrepreneurs. Nonetheless, financing experiences and access to funding shape the growth trajectory of a business and remain a pivotal barrier to growth.



SECTION V FINANCING AND FUNDING

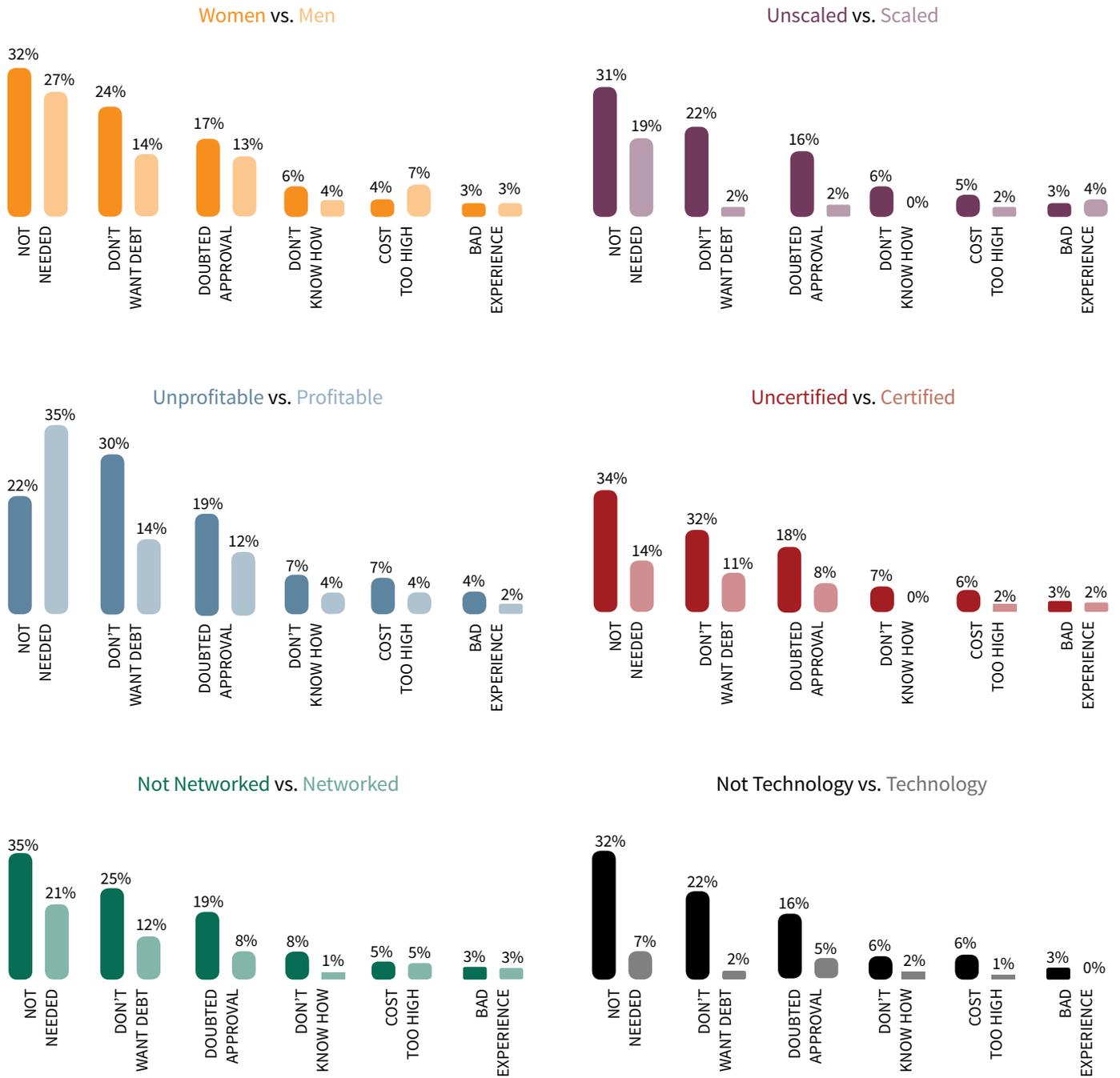
While Latino-owned businesses, and small businesses more generally, primarily rely on internal sources of funds such as personal savings, external sources of funding are positively correlated to the growth framework. Access to capital has often been cited as impeding the growth of Latino-owned businesses. Previous SOLE reports have found that Latino entrepreneurs are under-prepared in having the necessary materials to secure funding, including business plans, cash flow projections, and balance sheets.⁴³ Given the very low rates of external funding access across the Latino subgroups, with most sources of funding in the single digits, financial institutions may not be willing to take the risk on Latino-owned businesses or offer funding at costly terms. In this section, we explore the financing experiences of Latino-owned businesses, starting with their reasons for not applying.

REASONS FOR NOT APPLYING FOR FINANCING

Among all Latino entrepreneurs surveyed, six out of 10 indicated they were not currently applying for funding. The top reasons included no need for funding, reluctance to accrue debt, and low expectation that the application would be approved. Among the businesses highlighted in the growth framework, scaled firms, tech firms, networked firms, and certified firms are less likely than others to report “not needing” or “having sufficient funding.” Among these businesses, there appears to be an understanding that funding is necessary for continued growth.

The data suggest a slightly different financing mindset among firms that are less likely to be part of the growth framework. There is an evident aversion to debt among unprofitable firms, unscaled firms, non-employer firms, women-owned firms, and non-tech firms; all are more likely to report a reluctance to accrue debt as the reason why funding was not sought. It is also notable that 15 percent of those who did not apply for funding assumed they would not be approved anyway. Essentially, they are counting themselves out of the process. Nonetheless, it should be noted that the decision to apply for funding varies by type of business. For example, an unprofitable business may be making a good business decision by not taking on debt. Relatedly, some business owners choose to grow organically and invest their profits rather than take outside money.

FIGURE 15: REASONS FOR NOT APPLYING FOR FINANCING ACROSS LATINO ENTREPRENEUR PROFILES



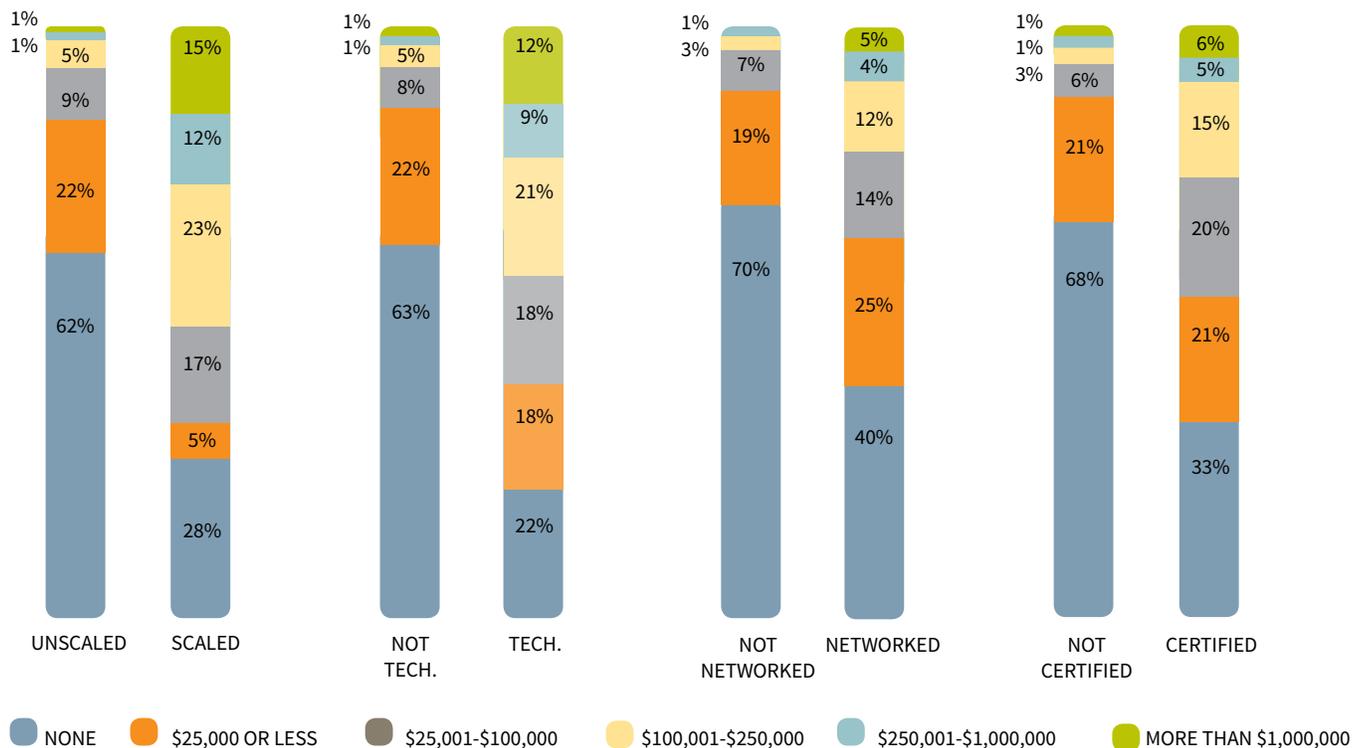
Source: SLEI Survey of U.S. Latino Business Owners 2018

FINANCING APPLICATIONS

Among all Latino business owners in our survey, 40 percent applied for financing and, among those who applied, 30 percent sought less than \$100,000 in the 12 months prior to completing the survey. Among those who applied for financing, scaled firms had all of their funding approved at nearly twice the rate of unscaled firms (51 percent compared to 29 percent). Firms that are networked are also more likely to obtain all of the funding they requested (37 percent), compared to non-networked firms (27 percent).

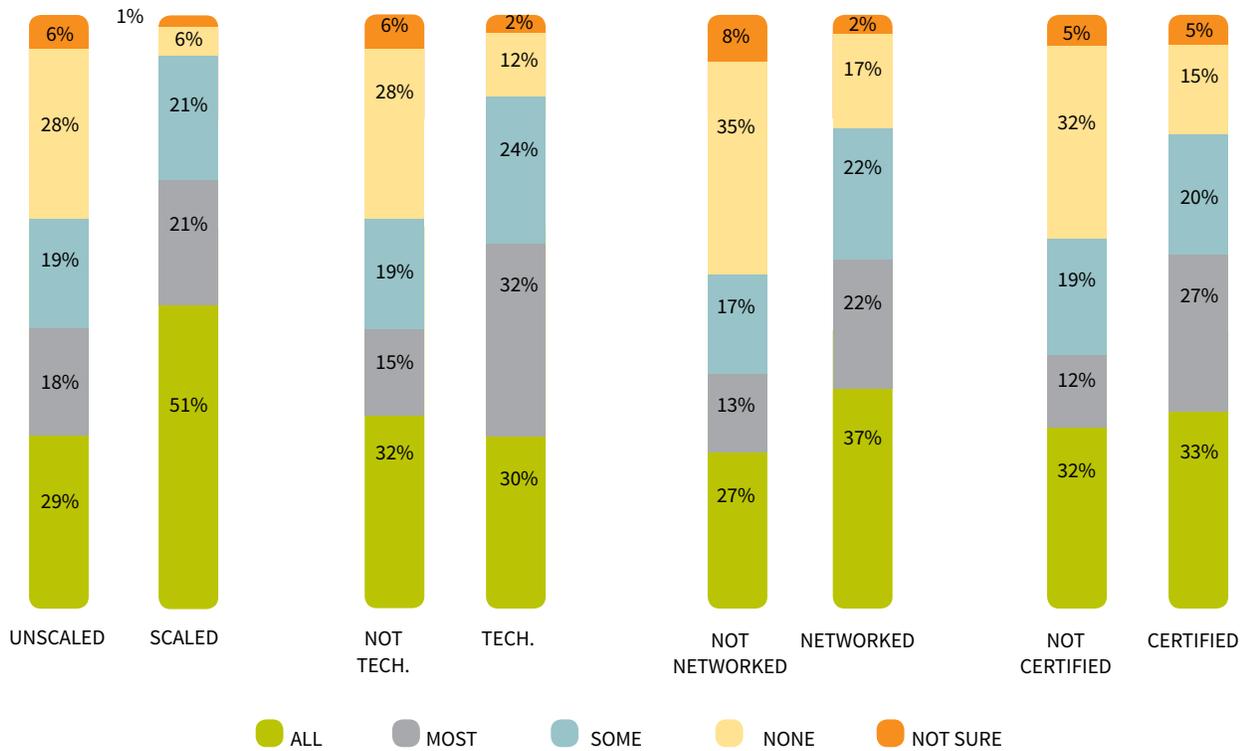
Unscaled firms report having low credit scores as the likely reason their funding was not fully approved, and scaled firms report having insufficient collateral as the likely reason their funding was not fully approved. Credit availability is an issue among both scaled and unscaled Latino-owned firms. However, scaled Latino-owned firms are more likely to report credit availability issues than unscaled white-owned businesses.⁴⁴ On the whole, it would appear that scaled Latino firms fare better in the financing landscape, as they are more likely to obtain funding, compared to unscaled Latino firms. Thus, it appears a proven business record can go a long way. However, previous SLEI research, in collaboration with the Federal Reserve Bank of New York and Interise, finds that Latino business owners face significant financial challenges compared to white business owners, even when their businesses are scaled. For example, although Latino business owners apply for financing at comparable rates to white business owners, they are more likely to experience a funding shortfall. At the aggregate, 28 percent of Latino business owners received full funding compared to 49 percent of white business owners.⁴⁵

FIGURE 16: FINANCING APPLIED FOR IN THE LARGEST APPLICATION IN THE PAST 12 MONTHS



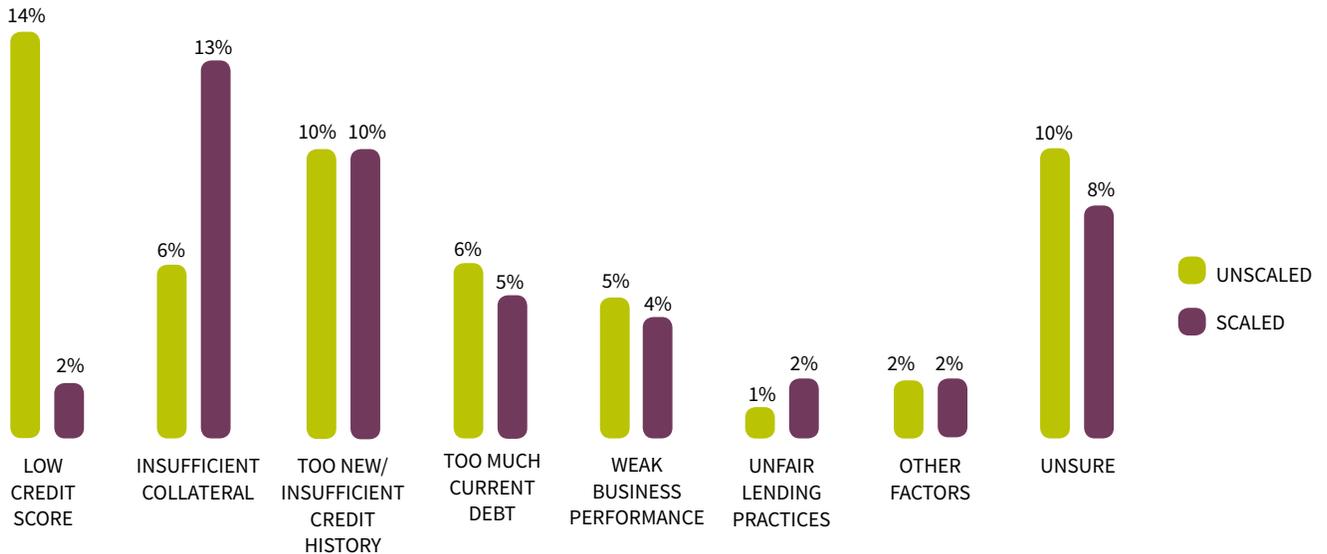
Source: SLEI Survey of U.S. Latino Business Owners 2018

FIGURE 17: PERCENT OF FINANCING APPROVED



Source: SLEI Survey of U.S. Latino Business Owners 2018

FIGURE 18: REASONS FOR FUNDING NOT BEING FULLY APPROVED, UNSCALED VS. SCALED BUSINESSES

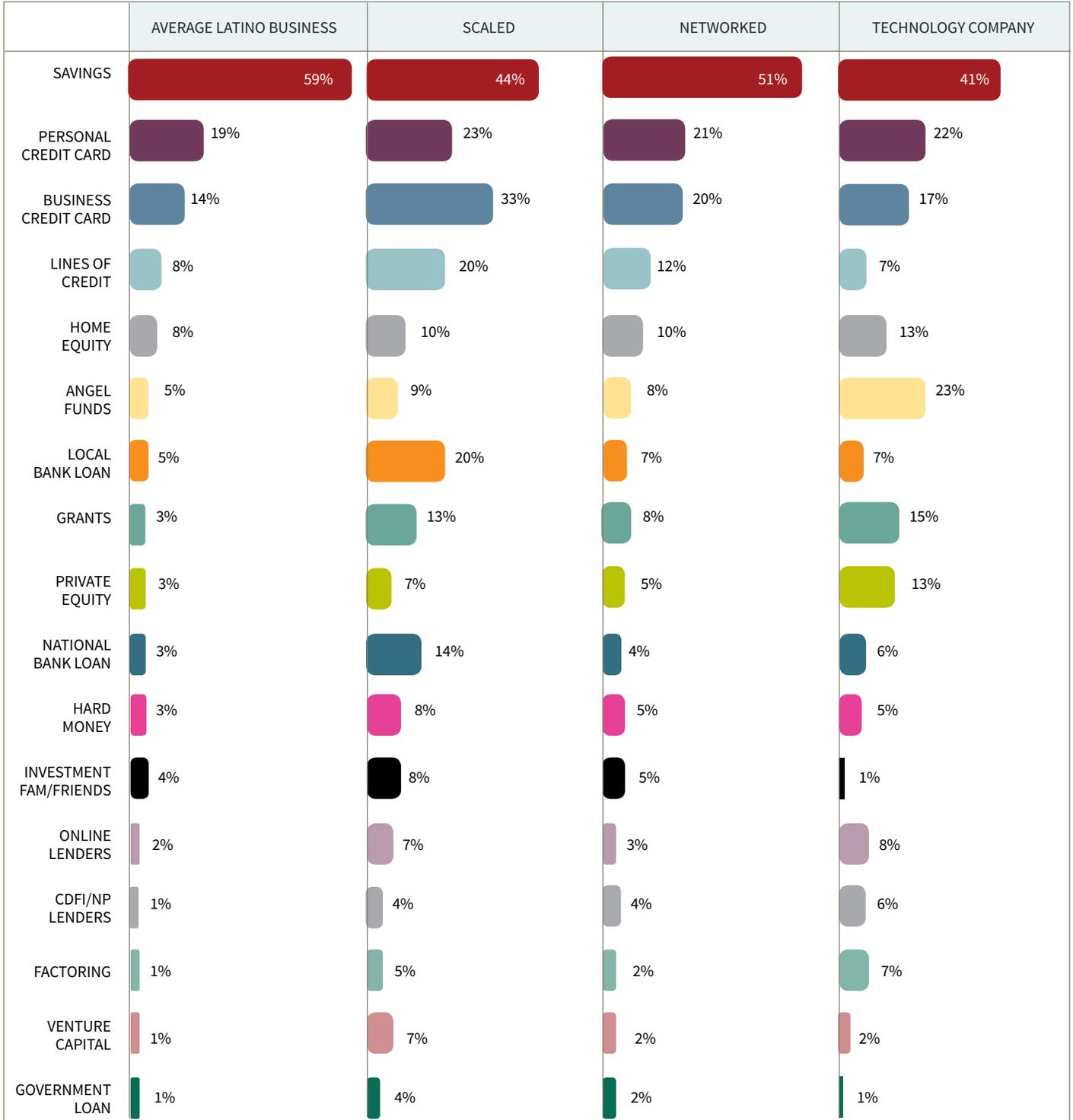


Source: SLEI Survey of U.S. Latino Business Owners 2018

FUNDING SOURCES

Latino-owned businesses use various types of financing to grow their business. These include internal sources such as personal savings, loans from family and friends, and external sources such as bank loans, venture capital, private equity, and online lenders. As shown in Figure 19, most Latino-owned businesses use personal funds, but those firms that are scaled, networked, male-owned, or in technology are less likely to use personal savings to fund their business growth. While it may be the case that these firms tend to be larger, they may also be less debt-averse. Furthermore, scaled firms are more likely to use business credit cards and thus are more protected from personal risk. Tech companies and networked firms have the most diversified funding streams and are more likely to have angel funds, private equity deals, and grants.

FIGURE 19: FINANCING RECEIVED TO GROW BUSINESS



Source: SLEI Survey of U.S. Latino Business Owners 2018

FUNDING BARRIERS BY FUNDING TYPE

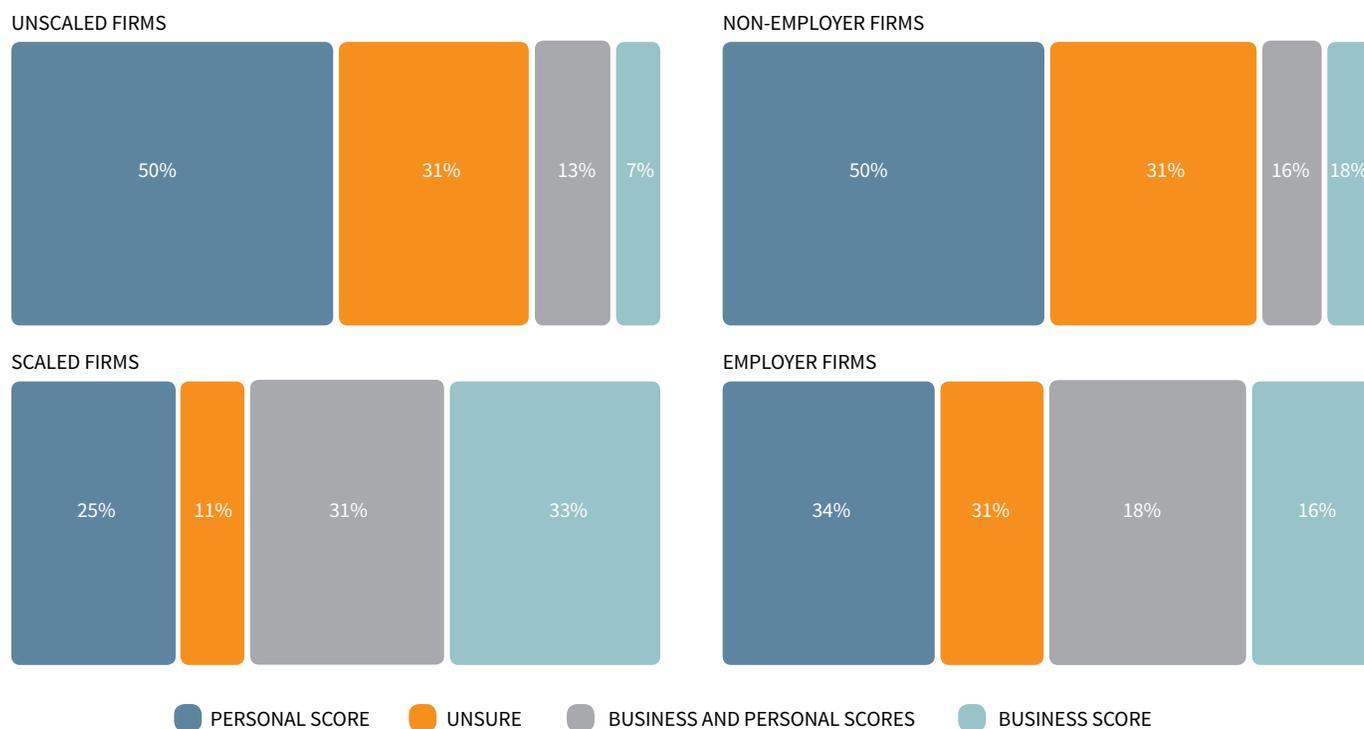
Those who would like access to funding report barriers across a variety of funding sources. Some Latino business owners report not having a relationship or contact to secure private equity funding — this is especially true of Latino business owners from low-income backgrounds, who report this barrier at twice the rate of middle class Latino owners. Some Latino owners report not knowing how to access angel funding. Among those who would like venture capital, tech companies report having a “bad experience” as their primary barrier at 17 times the rate of non-tech companies. Additionally, Latino business owners from low-income backgrounds report not having a relationship or contact as the primary barrier to accessing venture capital at twice the rate of middle class Latino business owners.

THE ROLE OF CREDIT

With the advent of the credit score, financing institutions have relied heavily on numerical data as an indicator of credit risk. Similar to a personal credit score used when seeking a personal loan, business credit scores indicate to lenders the credit risk of a business. Moreover, good credit is associated with higher gross business revenue.

Owners who understand their business credit score are 41 percent more likely to get approved.⁴⁶ However, 72 percent of small business owners do not know their business credit score and 60 percent do not know how to find it.⁴⁷ Only one-third of employer firms and scaled firms use a business score to access capital. This means that even among the firms in the growth framework, personal credit scores are relied on more heavily. Furthermore, one-fourth of scaled firms compared to half of unscaled firms indicated using only a personal credit score. The rest use a combination of both personal and business credit scores.

FIGURE 20: FIRMS’ USE OF CREDIT SCORES TO APPLY FOR FUNDING



Source: SLEI Survey of U.S. Latino Business Owners 2018

Personal credit scores can be ranked from low credit risk (scores above 720) to high credit risk (scores below 620). Latino business owners with low credit risk are more likely to receive different types of financial capital than those with high credit risk. They range from business credit cards to local or government bank loans.



SECTION VI CONCLUSION

The growth framework and funding experiences outlined in this report provide Latino-owned businesses in industries with high potential for scalability, and those who work with Latino-owned businesses, insights into possible ways to grow revenue through:

- Corporate supplier diversity programs and government contracting opportunities
- Improved operations and marketing through training, better ecosystems, and mentorship in formal business organizations
- Capital through existing financing solutions that can be expanded through improved public policies, specifically with the SBA and bank regulators under the Community Reinvestment Act (CRA)

Such strategies have potential to support some Latino businesses in making progress towards closing the \$1.5 trillion opportunity gap between Latino- and non-Latino-owned businesses and generate an additional 5.3 million jobs. Unscaled Latino-owned businesses have room for improvement through tech and financial assistance.

Furthermore, it should be noted that the experiences of Latinos are not uniform and as such, we consider various Latino subgroups throughout this report. For instance, we find that Latinas experience vastly different motivations for entering into entrepreneurship, which are largely characterized by “push” factors, whereas men experience more “pull” or opportunity-driven factors. These findings speak to potential programmatic support that understands the various pathways to entrepreneurship. As another example, we find immigrant-owned companies are slightly more likely to be tech companies and are also likely to be export companies. As such, future immigration policies have the potential to curb these positive growth trends.

This year, the SLEI Survey of U.S. Latino Business Owners dug deep into the funding experiences of Latino business owners to uncover the multi-layered barriers along the funding pipeline, from the reasons for not applying to the amounts of funding received when funding was sought. Additionally, we examine a framework on the factors related to growth measures. In future longitudinal surveys, we will be able to capture experiences over time within individual businesses. That is, we will be able to tease apart specific internal and external factors and attribute them to rates of growth, determine the rates of business failure and changes in business ownership, and uncover barriers at various stages of business development. This research direction will provide valuable insights in the years to come.

KEY FINDINGS IN OUR REPORT INCLUDE:

- Possible pathways to success for unscaled firms as exemplified by scaled firms
- Diversified funding streams among Latino-owned tech firms
- Growth potential among Latino-owned firms that obtain certification or operate as franchises
- Global business opportunities in export markets
- Expanded business success among those who participate in formal business organizations
- Stability in business registration and ownership of office space

APPENDIX A | GLOSSARY

BUSINESS CERTIFICATION (CERTIFIED)

Business certification exists to address social and economic disadvantages among minority-owned firms. Business certifications that are considered include: Minority-owned Business or Minority Business Enterprise (MBE); Woman-owned Business Enterprise (WBE); Small Business Administration Program 8(a); and Veteran-owned Business Enterprise.

CREDIT RISK

A measure of credit risk derived from personal credit scores and classified as low, medium, or high risk. A low credit risk is a business owner with a personal credit score of 720 and above. A medium credit risk is a business owner with a personal credit score between 620 and 719. A high credit risk is a business owner with a personal credit score lower than 620.

EMPLOYER FIRM

A firm that has employee(s) on payroll. These firms are poised to have the greatest impact on the economy and job creation compared to nonemployer firms.

EXTERNAL FUNDING

Funding used to start or grow a business that comes from sources outside of the business owner's personal network. This includes loans from financial institutions and government, venture capital, and angel investments.

INTERNAL FUNDING

Funding used to start or grow a business that comes directly from the business owner's personal savings, family, and/or friends. This includes personal loans and credit cards.

MICROBUSINESS

A business generating less than \$49,000 in annual gross revenue.

MID-SIZE BUSINESS

A business generating less than \$50,000 – \$1 million in annual gross revenue.

NON-EMPLOYER FIRM

Firms with no paid employees, annual business receipts of \$1,000 or more (\$1 or more in construction industry), and subject to federal income taxes. These firms make up three-quarters of all U.S. businesses but account for only about 3 percent of business receipts, according to the SBA.

NETWORKED FIRM

A firm whose owner participates in formal business organizations such as chambers of commerce or trade associations.

NON-CERTIFIED BUSINESS

A business that does not have certification of any type (e.g., MBE, WBE, etc.).

NON-TECH COMPANY

A company that does not develop or sell technology or software.

PROFITABLE BUSINESS

A business that experienced profit in the last 12 months.

SCALED FIRM

A firm that is generating at least \$1 million in annual gross revenue.

TECHNOLOGY (TECH) COMPANY

A company that develops and sells technology or software in any business industry.

UNPROFITABLE BUSINESS

A business that experienced profit loss or no profit (i.e., broke even) in the last 12 months.

UNSCALED FIRM

A firm that is not yet generating at least \$1 million in annual revenue.

APPENDIX B | METHODOLOGY

OVERVIEW OF THE SLEI SURVEY OF U.S. LATINO BUSINESS OWNERS

Since 2015, the Stanford Latino Entrepreneurship Initiative (SLEI) has collected national survey data on Latino-owned businesses across the country and Puerto Rico on a yearly basis. To be considered for the survey, respondents must answer affirmative to 1) are you a business owner and 2) are you of Latino or Hispanic origin (if yes, they simultaneously specify country/ancestry); otherwise, they are screened out from survey completion. These two parameters present an expansive view of business ownership in that it considers self-employed individuals and those whose business ownership may not be the primary means of livelihood. The survey instrument is an online questionnaire administered through the Qualtrics platform that typically takes 10 to 15 minutes to complete. Respondents are sampled through proprietary business panels and internal outreach.

DATA PREVIOUSLY COLLECTED

The SLEI Survey of U.S. Latino Business Owners uses proprietary business panels from Qualtrics and internal outreach efforts, such as Hispanic chambers of commerce (HCC), social media, and previous survey respondents. Respondents are current business owners who self-identify as Latino. We obtained sample sizes of 1,664 in 2015, 4,910 in 2016, 5,026 in 2017, and 4,781 in 2018. In 2016-2018, the majority of responses were collected using the Qualtrics platform. In 2015, the majority of responses were obtained through a phone survey.

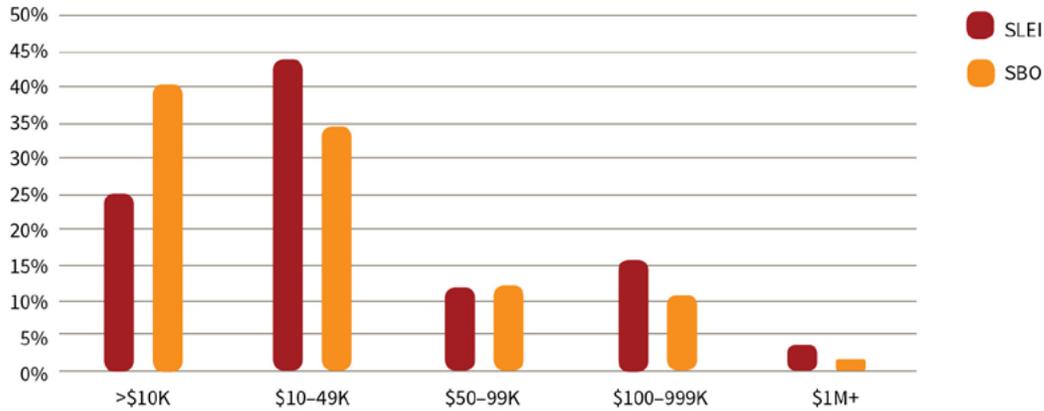
2018 METHODOLOGY

In 2018, 61 percent of responses were collected through Qualtrics and 39 percent of responses were collected through internal outreach efforts that included partnerships with seven HCCs from across the country, the USHCC, local community-based organizations in new entrepreneurial gateways and hard-to-reach places (e.g. microbusinesses in Georgia and business owners in Puerto Rico), and social media outreach. While the outreach methodology for Qualtrics is not shared with us, we know Qualtrics uses multiple proprietary panels, and they are able to reach Latino business owners across the country. We also know there is panel engagement through the use of financial incentives, but the monetary amounts are unknown. Nearly 21 percent of all responses were collected from a Spanish-language questionnaire primarily from Qualtrics (63 percent) and from internal outreach efforts (37 percent). In 2018, we also began the creation of a panel of U.S. Latino business owners in order to commence longitudinal surveys of a national business owner population. With support from EurekaFacts, a market research and analysis firm, we registered 1,124 business owners for the panel, and an additional 1,701 survey respondents indicated they would be interested in participating in future surveys.

In addition to the 2018 survey, we supplement our data with the 2012 U.S. Census Bureau's Survey of Business Owners (SBO), the 2016 Annual Survey of Entrepreneurs (ASE), and the 2016 American Community Survey (ACS). Overall, our survey respondents are generally representative of Latino business owners at large, in terms of industry, geography, and age of business. Figure 21 below compares business revenue between the 2018 unweighted SLEI Survey to 2012 SBO, which shows that we oversampled the \$10-49K businesses and the larger businesses, but undersampled the small businesses which generate less than \$10K. Figure 22 compares personal income as reported on the 2018 unweighted SLEI Survey and 2016 ACS and shows that we undersampled people with business income less than \$49K and oversampled people with business income greater than or equal to \$50K. We adjust for these sample differences by weighting to population targets estimated from U.S. Census data.

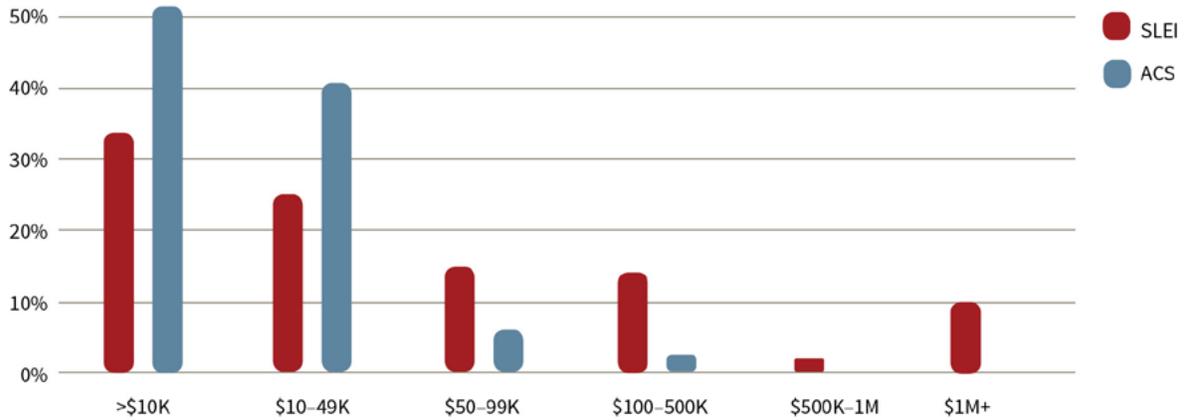
To more closely match the population of Latino-owned firms in the United States, we weight by revenues and number of employees, based on SBO 2007 and 2012, and industry and region, based on ACS 2016. We use a statistical technique known as "raking," which uses iterative post-stratification weights to match the marginal distributions of each survey sample to known population margins. We stratify based upon industry, region, and firm size (in terms of both employees and revenue). We then compare the group of businesses in each stratum to the comparable population of businesses in the nation. Many of the calculations in the report account for firm industry and age by using fixed effects—holding industry and age constant—to ensure that differences in firm-level characteristics cannot explain other differences we observe. Additionally, we report findings based on statistically significant differences in means when comparing two groups.

FIGURE 21: 2018 UNWEIGHTED SLEI SURVEY COMPARED TO 2012 SBO (BUSINESS REVENUE)



Source: SLEI Survey of U.S. Latino Business Owners 2018

FIGURE 22: 2018 UNWEIGHTED SLEI SURVEY COMPARED TO 2016 ACS (PERSONAL INCOME)



Source: SLEI Survey of U.S. Latino Business Owners 2018

SLEI-ED SURVEY METHODOLOGY

Longitudinal research efforts focus on Latino entrepreneurs who go through the Stanford Latino Entrepreneurship Initiative-Education Scaling Program (SLEI-Ed). SLEI-Ed is a collaboration between Stanford Graduate School of Business Executive Education and the Latino Business Action Network (LBAN). SLEI-Ed participants generate at least \$1 million in annual revenue. Although they are not a representative group, we learn about their continued scaling needs through annual surveys. Since the start of the SLEI-Ed program in October 2015, all SLEI-Ed participants have taken a baseline survey prior to the beginning of the program. Additionally, SLEI-Ed alumni from cohorts 1-3 were re-surveyed in the summer of 2017, and SLEI-Ed alumni from cohorts 1-5 were re-surveyed in the summer of 2018. The overall response rate in 2017 was 78 percent, and the response rate in 2018 was 68 percent.

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ABOUT US

Stanford Latino Entrepreneurship Initiative (SLEI) is a research and education collaboration between Stanford Graduate School of Business (GSB) and the Latino Business Action Network (LBAN), a 501(c)(3) not-for-profit organization. To learn more about SLEI, visit www.gsb.stanford.edu/slei.

SLEI RESEARCH PROGRAM

SLEI Research explores and expands our knowledge of the Latino entrepreneurial segment of the U.S. economy through research, knowledge dissemination, and facilitated collaboration. The program, jointly supported by LBAN and Stanford GSB, conducts an annual national survey to assess the current state of U.S. Latino entrepreneurship, and is curating a significant panel of Latino entrepreneurs to enable longitudinal research to understand trends over time.

SLEI EDUCATION SCALING PROGRAM

SLEI also operates an education program (SLEI-Ed) as a collaboration between Stanford Graduate School of Business Executive Education and the Latino Business Action Network (LBAN). It is an opportunity designed for U.S. Latino business owners who generate more than \$1 million in annual gross revenues or have raised at least \$500,000 of external funding. This 7-week immersive program provides business owners with education, enhanced networks, personal mentorship, and a better understanding of how to access and manage capital to scale their businesses. The program has more than 430 alumni from 30 states and Puerto Rico who collectively generate over \$1.6 billion in annual revenue.

LATINO BUSINESS ACTION NETWORK

This survey was made possible in part thanks to support for the Latino Business Action Network (LBAN) from principal partners 21st Century Fox and Wells Fargo Bank, John Arrillaga, Pitch Johnson, and the Chavez Family Foundation.

LBAN works to make America stronger by empowering Latino entrepreneurs to grow large businesses through entrepreneurship research, education, and networks. LBAN's goal is to double the number of \$10 million, \$100 million, and \$1 billion Latino-owned businesses by 2025. To learn more, visit www.lban.us.

STANFORD GRADUATE SCHOOL OF BUSINESS

Stanford Graduate School of Business (GSB) has established itself as a global leader in management education through educational programs designed to develop insightful, principled, global leaders. Stanford GSB supports faculty research, curriculum development, and interaction among academic disciplines. Learn more at www.gsb.stanford.edu.

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BUSINESS