

SPOTLIGHT ON Hispanic Entrepreneurs

Latino-Owned Businesses Outpaced Revenue and Growth Rates of Other Businesses in 2022

Earlier this year, the Stanford Latino Entrepreneurship Initiative (SLEI) at Stanford Graduate School of Business (GSB), in collaboration with the Latino Business Action Network (LBAN), released the annual State of Latino Entrepreneurship (SOLE) research report, highlighting the latest trends in Latino entrepreneurship in the US. According to the report, US Latinos continue to strengthen the American economy by creating employer businesses at a faster rate than white-owned businesses and have outpaced the revenue and job creation rates of white-owned businesses and American businesses at large.

“The 8th annual SOLE report highlights the remarkable achievements of Latino entrepreneurs whose success is reflected in the rapid growth of new businesses, creation of jobs, and their ability to adapt business practices in the aftermath of the pandemic,” said Barbara Gomez-Aguinaga, PhD, associate director, SLEI. “Spotlighting the disparities between Latino and white business owners in accessing capital and government and corporate contracts provides the starting point to address these issues that prevent Latino business owners from reaching their full potential.”

The annual report is based on a national survey of more than 10,000 business owners – approximately 5,000 Latino-owned employer businesses and 5,000 non-Latino, white-owned employer businesses, which served as a benchmark comparison group.

LATINO-OWNED BUSINESSES CREATE JOBS

From 2007 - 2019, the number of Latino-owned businesses grew 34% nationally, while white-owned businesses dropped by 7%. During the same period, Latino-owned businesses outpaced white-owned businesses in revenue growth rates and their annual payroll grew over twice as fast (92% vs 42%). During the pandemic (2019-2022), the median growth rate in revenue for Latino-owned businesses was 25% vs. 9% for white-owned businesses.

Other key themes and findings from the 2022 report include:

Access to capital and financing

Although Latino-owned businesses have equal or even better business metrics than white-owned businesses at the time of application for national bank loans, Latino businesses have substantially lower approval rates when applying for larger loans (\$50k+) and higher rates of approval for small loans (<\$50k).

- Latino-owned businesses are 50% more likely to request financing than white-owned businesses.

Access to corporate and government contracts

Latino-owned businesses receive substantially smaller contracts that take longer to secure from corporations and governments than white-owned businesses.

- Corporate contracts secured by Latino-owned businesses are 3.3 times smaller on average than white-owned businesses, and state and federal government contracts are more than 30 times smaller than white-owned businesses.

- Among businesses obtaining government contracts in 2022, approximately 37% of white-owned businesses reported a negotiating period of less than six months compared to 20% among Latino-owned businesses. 37% of Latino business owners reported more than one year to close a contract compared to only 27% among white business owners.

Pandemic business recovery

- The Great Resignation has hit Latino-owned businesses harder than white-owned businesses, with more Latino business-



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es reporting challenges in employee retention and recruitment.

- Despite being more adversely impacted by COVID-19 in 2020 and 2021 when compared to white-owned businesses, Latino business owners are now more likely to say they have recovered and are doing better than before the pandemic.

“Our research offers critical insights into the impressive gains made by Latino entrepreneurs while also revealing the impact of systemic barriers facing many Latino business owners,” said Paul Oyer, senior associate dean for academic affairs

at Stanford GSB and SLEI faculty director. “The findings are a valuable tool to inform data-driven policy and programs to support Latino entrepreneurs who continue to have an extraordinary impact on the US economy.”

The US is currently home to more than 62.5 million Latinos, representing 19% of the US population. With an economic output of \$2.8 trillion, there are approximately five million Latino-owned businesses across the US, generating more than \$800 billion in annual revenue.

ABOUT STANFORD LATINO ENTREPRENEURSHIP INITIATIVE RESEARCH PROGRAM

SLEI operates a research program that explores and expands knowledge of the Latino entrepreneurial segment of the US economy through research, knowledge dissemination, and facilitated collaboration. The program, jointly supported by LBAN and Stanford GSB’s Center for Entrepreneurial Studies, conducts an annual national survey to assess the current state of US Latino entrepreneurship and is curating a significant panel of Latino entrepreneurs to enable longitudinal research to understand trends over time.

LBAN works to make America stronger by empowering Latino entrepreneurs to grow large businesses through entrepreneurship research, education, and networks. Learn more at lban.us.

Bridging the Gap: How Empowering Latino-Owned Businesses Can Help Shape the Future

By VERONICA QUINTANA

A meteoric ascent of Latino enterprises is reshaping the US economic landscape, and the figures are there to prove it. According to a recent study by the Stanford Business School, the United States is home to over 62.5 million Latinos, with an economic output of \$2.8 trillion. There are nearly five million Latino-owned businesses generating over \$800 billion in annual revenue. Those stats are growing by the day.

Yet, beneath these robust numbers lies a deeper narrative — a saga of relentless determination and grit amidst an environment rife with challenges. Every budding entrepreneur anticipates setbacks, but the gauntlet can be particularly daunting for the Latino business community. Language barriers often form the first hurdle, swiftly followed by the elusive search for appropriate financing. Add to this the void of mentorship and a maze of US tax incentives and strategies that often confound even the most experienced business owner.

As if that wasn't enough, there's the navigation of laws, real estate intricacies, business operations, and the complex factors painting the current economic landscape, such as inflation, high interest rates and a talent shortage. It's a shared journey, and yet it can feel like a very isolating one.

Recognizing these distinct challenges faced

by the Latino business community, CBIZ, a respected player in financial services, established the Latino-Owned Business Service Team. Our bilingual team, well-versed in Latino customs and business needs, aids owners and executives in maneuvering through complexities to achieve their goals.

Leveraging our expertise tailored to the Latino community, we've empowered clients to surmount cultural, linguistic and economic challenges. A case in point is a client who transitioned from a produce business to real estate investments, recently culminating in an event center. We provided pivotal support through tax guidance, cost segregation studies, and succession planning, turning around a business on the cusp of failure into a thriving venture.

As a director and CPA with a 27-year career with CBIZ, it was an honor to help develop and launch the Latino-Owned Business Service Team. For a significant period, I was the sole Latina in my office, and it was disheartening to witness my community's needs being overlooked and underserved. The rise of Spanish-speaking professionals in accounting is exciting, as it ensures we have an increasing number of Latino staff to cater to the burgeoning Latino business demographic in the US. The vast scope of work underscores that one individual can't shoulder everything; this evolution allows us to broaden our reach. Above all, my team's prime goal remains to provide top-notch service to our

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clients.

While the Latino-Owned Business Service Team's initial emphasis is on Southern California, our aspirations span well beyond these confines. In partnership with Kreston Global, we aim to assist Latin American clients eager to grow in the US and internationally. This alliance amplifies the resources at the disposal of Latino entrepreneurs and fosters cross-border commercial expansion, fortifying the economic bond between Latin America and the US.

We also plan to expand the Latino-Owned Business Service Team to the entire CBIZ footprint. By expanding geographically to cover more regions across the United States and by collaborating extensively with industry professionals, we aim to serve as a catalyst for the success and prosperity of Latino-owned businesses

throughout the United States and beyond.

ENCOURAGING THE NEXT GENERATION

The need for more Latino accountants and finance professionals is growing daily, especially as the Latino business population grows. I was the first in my family to graduate from college, and when I started my accounting career, I struggled to find professional mentors.

I hope the current generation of Latino students will face fewer challenges in their professional journeys than before. There is a growing recognition of the need for recruitment and mentorship to increase Latino representation in accounting and finance roles. This is even more crucial now, as the retirement of Baby Boomers is leading to their positions being filled by Millennials and Gen Z. Notably, these two generations boast a significant Latino presence; the Pew Research Center has highlighted that 60% of Latinos belong to the Millennial generation or younger.

As companies like CBIZ actively engage with the Latino business community, they also foster and support the growth of Latino professionals, enhancing individual businesses and fueling the broader economy.

Veronica Quintana is a director at CBIZ. She can be reached at VQuintana@CBIZ.com. Learn more at cbiz.com.

De la comunidad

OF THE COMMUNITY FOR THE COMMUNITY

YOUR TRUSTED Financial Partner for Latino-Owned Businesses

At CBIZ & MHM, we know that connecting cultures is vital to the future of business. That's why we founded our Latino-Owned Business Service Team. We're not just serving the Latino community, we're of the community— with fully bilingual and culturally diverse experts who have a deep understanding of the challenges and opportunities Latino business owners face.

Our team provides comprehensive financial services, including tax, audit, and advisory. We're here to open a conversation about who you are and how your business works. That way, when you look to grow, innovate, or pass on your business to the next generation, you can do it with help that is de la comunidad.

En CBIZ & MHM, sabemos que conectar culturas es vital para el futuro de los negocios. Es por eso que fundamos nuestro Equipo de Servicio a Negocios de Propiedad Latina. No solo estamos sirviendo a la comunidad latina, somos de la comunidad, con expertos totalmente bilingües y culturalmente diversos que tienen una comprensión profunda de los desafíos y oportunidades que enfrentan los dueños de negocios latinos.

Nuestro equipo brinda servicios financieros integrales, que incluyen impuestos, auditoría y asesoría. Estamos aquí para iniciar una conversación sobre quién es usted y cómo funciona su negocio. De esa manera, cuando busque crecer, innovar o transmitir su negocio a la próxima generación, puede hacerlo con la ayuda de la comunidad.



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Celebrating National Hispanic Heritage Month

We're proud to recognize and support the outstanding contributions of the Hispanic businesses and leaders that help our community thrive.



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HISPANIC ENTREPRENEURS

Hispanic Small Businesses Face Unique Challenges and Opportunities

Last year, Hello Alice and Square unveiled a new study to outline the challenges and opportunities faced by Hispanic-owned small businesses and to provide resources to meet their needs. Hello Alice, the free platform helping over one million small businesses grow, released the survey report in honor of Hispanic Heritage Month. The survey was conducted in partnership with Square, the technology company helping sellers of all sizes run and grow their businesses, and The United States Hispanic Chamber of Commerce (USHCC).

The survey of 2,700 Hispanic small business owners across the United States on the Hello Alice platform revealed the largest challenges facing the Hispanic demographic: raising capital through funding or credit building opportunities, obtaining raw materials or inventory, acquiring customers, growing their staff, and effectively marketing to new and returning customers. Expanding access to financial education, grants, loans, credit cards, and other types of capital continues to be one of the best ways to address these challenges and help Hispanic owners further grow their companies and contribute to the overall global economy.

Key findings from the survey include:

- **Inflation drives demand for additional capital:** When surveyed on their greatest business challenges, Hispanic owners most commonly cited two related areas: raising capital (30%), with the primary difficulty being finding



funding opportunities (86%); and growing the business (24%). Much of this difficulty reflects a need for greater financial literacy and education.

- **Future business outlook hinges on customer acquisition and hiring:** At the time of the survey late last year, 81% of Hispanic owners said they're confident their business will grow in 2023, but the factors Hispanic business owners say will most determine their potential success include two categories: acquiring new customers and hiring a team. Hispanic owners cited acquiring new customers (33%) as a determining factor nearly as often as the ability to secure funding (35%).

- **Hispanic owners see marketing as a challenge and opportunity:** Related to their focus on customer acquisition, Hispanic owners are more likely than the overall population to cite marketing as a significant challenge (11% vs 7.6%). In particular, Hispanic owners identify paid advertising (57%) and social media (54%) as potential growth areas.

- **Owners seek software solutions to address operational challenges:** About half (48%) of all Hello Alice business owners say they are always on the lookout for the latest technology solutions for their business, and another 48% say they are open to new tech-

nology solutions — provided they significantly improve processes.

“Minority-led small businesses have been historically underrepresented and often face a unique set of challenges when trying to grow their businesses,” said Elizabeth Gore and Carolyn Rodz, co-founders of Hello Alice. “However, minority-led small businesses, including Hispanic owners, have been growing in economic power, as part of the emerging New Majority. They represent an increasingly powerful segment of the economy, full of potential if provided the right assistance to overcome growth challenges. This survey helps us better understand these specific challenges of Hispanic small business owners so that we can uncover more effective solutions to help their businesses become more successful.”

“The United States Hispanic Chamber of Commerce supports our five million Latino-owned businesses in America to overcome challenges in obtaining capital, capacity, and contracts,” said Ramiro A. Cavazos, president & CEO of USHCC. “We are proud to serve along with our business partners at Hello Alice by providing more comprehensive invaluable resources and effective programs to implement our \$5 million SBA Community Navigator Pilot grant program.”

To learn more about Hello Alice, visit helloalice.com. For more information on Square, visit squareup.com.

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