



2023
Research
Report

STATE OF **LATINO** ENTREPRENEURSHIP

Dr. Isaac Rodriguez, Co-Founder & Chief Science Officer, *SweetBio*

STANFORD
BUSINESS | GRADUATE
SCHOOL OF

Latino Entrepreneurship
Initiative

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

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Acknowledgments

The authors thank Deb Whitman for her valuable feedback throughout the research process; Adam Markovitz for his support in the entrepreneur spotlights; Lauren Notarianni; BSP Research; and Humanity Communications Collective and Yanira Castro for their design and layout preparation of the report.

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Mersi Paz and Romelia Santos
Latin Goodness Food

ABOUT THIS REPORT

This is the ninth annual State of Latino Entrepreneurship report collecting data from Latino/a-owned businesses (LOBs) to provide critical insights into the fastest-growing segment of the U.S. business population. In this edition, we reached out nationally to over 10,000 Latino/a and non-Hispanic White-owned businesses (WOBs) to offer a comparative perspective. Each of the business owners surveyed, encompassing 5,102 Latino/a-owned and 5,024 White-owned businesses, generates at least \$10,000 in annual revenues and employs at least one person aside from the owner.

This year, our dataset includes oversamples of female entrepreneurs, encompassing around 43% of all survey respondents (2,196 female LOBs, 2,122 female WOBs), as well as technology-centric businesses (1,507 tech-centric LOBs, 1,427 tech-centric WOBs), which are primarily engaged in selling or developing technology or software products and related services –distinguishing them from startups or venture capital-backed companies. Our analysis delves into the current business landscape encountered by Latino/a-owned employer businesses through an intersectional approach.

This report sheds light on the intricacies of LOBs by examining three prominent subgroups: women, immigrants and tech-centric firms. In doing so, our research acknowledges and addresses the multifaceted experiences of LOBs. This perspective helps unveil systemic challenges and provides a more accurate and comprehensive understanding of LOB’s entrepreneurial ecosystem. This approach provides organizations that support businesses (e.g., chambers of commerce, economic development associations, etc.), think tanks, governmental policymakers, and corporations, with insights into the specific strengths and needs of diverse LOB communities across the country.

We contextualize our findings within the wider national landscape, applying a weighted approach to our sample to ensure it resembles national representation as closely as possible. Appendix A presents additional methodological information, including sampling techniques and weighting metrics. Additionally, Appendix B contains a glossary of terms used in this report.

ABOUT US

STANFORD LATINO ENTREPRENEURSHIP INITIATIVE (SLEI) RESEARCH PROGRAM

SLEI operates a research program (SLEI-Research) that explores and expands our knowledge of the Latino/a entrepreneurial segment of the U.S. economy through research, knowledge dissemination, and facilitated collaboration. SLEI Research conducts an annual national survey to assess the current state of U.S. Latino/a entrepreneurship. SLEI Research operates as a collaboration between The Latino Business Action Network (LBAN) and Stanford Graduate School of Business Center for Entrepreneurial Studies.

SLEI EDUCATION BUSINESS SCALING PROGRAM

SLEI also operates an education program (SLEI-Ed) focusing on business scaling for Latino/a business owners. LBAN is the key architect and driver executing this program in collaboration with Stanford GSB Executive Education. The SLEI-Ed Business Scaling Program is designed for US Latino/a business owners generating more than \$1 million in annual gross revenues or have raised at least \$500,000 of external funding. This eight-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 1,100 alumni from 36 states and Puerto Rico who collectively generate over \$7.6 billion in annual revenue.

LATINO BUSINESS ACTION NETWORK (LBAN)

LBAN is a dynamic nonprofit organization based in Silicon Valley with a big mission to strengthen the U.S. economy by empowering Latino entrepreneurship across the country. LBAN collaborates with Stanford University through the jointly supported Stanford Latino Entrepreneurship Initiative (SLEI). In addition to driving SLEI-Research and the SLEI-Education Business Scaling Program, LBAN focuses on building a national business ecosystem for Latino entrepreneurs. This State of Latino Entrepreneurship Report was made possible in part through the investment and support of LBAN's principal partners: Wells Fargo, Bank of America, JPMorgan Chase & Co., Surdna Foundation, Chavez Family Foundation, Pitch Johnson, and John Arrillaga. Learn more: www.lban.us

STANFORD GRADUATE SCHOOL OF BUSINESS (GSB)

Stanford Graduate School of Business 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: www.gsb.stanford.edu.



Bibiana Barbona, Lab Manager
Michroma

Daniel G. Guerra Jr., CEO and Founder
Altus



SECTION I

Executive Summary



Jessica Acosta, CEO and Founder
Environmental Consulting Services

The U.S. is home to more than 63 million Latino/as, making up 19% of the country's population. With a collective economic contribution of \$3.2 trillion¹ and ownership of nearly 5 million businesses generating more than \$800 billion in annual revenue,² the Latino/a community serves as a prominent consumer base and a growing force in economic development.

This year's report enhances our understanding of Latino/a entrepreneurship by embracing an inclusive approach, and delving deeper into the unique experiences of Latina-owned businesses, tech-centric firms, and immigrant entrepreneurs. We focus on employer businesses with at least one employee other than the owner generating at least \$10,000 in annual revenue. *Hereafter, all data presented in this report correspond to Latino/a-owned employer businesses (LOBs) and non-Hispanic White-owned employer businesses (WOBs) unless stated otherwise.*

Growth and Scale: Latino/a-owned employer businesses continue to contribute and strengthen the U.S. economy. The landscape of Latino/a-owned firms is sizable in number but skews towards smaller operations with a lower share of employer and scaled firms than White-owned businesses (section III). Despite these gaps, LOBs continue to accelerate their economic influence, posting higher rates of growth than WOBs in revenue and number of companies.

Industries and Innovation: Latino/a-owned businesses, typically younger in terms of firm age, show a parallel industry presence to White-owned. Despite being newer entrants to the market, Latino/a-owned firms are carving out significant industry footprints and demonstrating innovation (sections III and V). Specifically, the adoption of Artificial Intelligence (AI) emerges as a distinctive feature of scaled and tech-centric Latino/a-owned firms, positioning them ahead of their White-owned firm counterparts in implementing these technologies. Such adaptability is characteristic of the Latino/a entrepreneurial spirit, evidenced further by strategic pivots during the COVID-19 pandemic and a diverse use of marketing technologies.³ The convergence of growth and innovation highlights the integral role LOBs play in the U.S. economy.

To better understand the intricacies of Latino/a entrepreneurship, we focus on three different subgroups: female-owned businesses, tech-centric businesses, and immigrant entrepreneurs. This approach is crucial for understanding the diverse experiences and challenges within the Latino/a business community.

Latina-owned Businesses: Latina entrepreneurs are forging paths in the US entrepreneurial landscape. Latina-owned businesses represent a considerable proportion of all Latino/a-owned firms in America and showcase promising trends in terms of revenue growth and new businesses started. Nonetheless, Latina-owned firms encounter unique challenges at the crossroads of gender and ethnicity that impact their resilience and profitability. These challenges include lower revenues and profitability, and smaller contracting opportunities from governments and corporations than Latino- and White male-owned businesses (section IV). Latina-owned businesses also experience the lowest approval rates on business loans from national and local banks.

Technology-centric Businesses: In the realm of tech-centric businesses, Latino/a-owned businesses outperform their White-owned counterparts in revenue growth and adoption of Artificial Intelligence. Additionally, tech-centric Latino/a-owned firms generate similar revenues as tech-centric White-owned companies, a unique phenomenon among employer firms. Nonetheless, tech-centric Latino/a-owned firms face substantive challenges notably in liquidity, access to financing, and contracting hurdles. The banking crisis of 2023 underscored these challenges, disproportionately impacting tech-centric Latino/a-owned businesses in their quest for financial stability and growth (section V). Despite these challenges, the resilience and innovative approaches of Latino/a-owned firms signal a promising future for the incorporation of new technologies and the broader U.S. economy.

Immigrant Entrepreneurship: Latino/a immigrants over-index in business ownership, representing 52% of all Latino/a-owned employer firms, compared to just 7% of White-owned employer businesses that are immigrant-owned. Despite being important contributors to the U.S. economy, Latino/a immigrant entrepreneurs who own employer businesses often navigate steeper barriers than U.S.-born Latino/as. The results of our study show a generational increase in median annual revenues and growth rates among immigrant Latino/a entrepreneurs, entrepreneurs who are children of immigrants, and entrepreneurs of subsequent generations, indicating a potential upward mobility trend. While immigrant Latino entrepreneurs primarily operate within consumer-facing industries, children of immigrants and subsequent generations diversify into a broader range of sectors, including B2B and B2G (section VI). These trends reveal a nuanced evolution in entrepreneurial focus across generations, highlighting the importance of supporting immigrant-owned ventures to tap into broader markets for enhanced economic impact.



Rocío Medina van Nierop, Co-founder and CEO
Latinas in Tech

Margarita Womack, Owner and CEO
Latin Goodness Foods



SECTION II

Introduction

Annually, contributing more than \$800 billion to the U.S. economy on an annual basis, Latino/a-owned businesses (LOBs),⁴ of all sizes, are a prominent driving force in the growth of American businesses. There are 4.7 million LOBs in America, with 463,000 of them being employer firms generating \$664 billion in annual revenues and employing 3.5 million workers across the country (ABS 2023). This report centers on employer businesses unless noted otherwise.

Latino/a entrepreneurs in the United States navigate a landscape filled with significant successes, and promising opportunities, yet continue to face important growth limiting challenges. On the positive side, LOBs continue to grow at a faster pace than White-owned businesses (WOBs) –and American businesses in general– in terms of revenue, number of businesses, employees, and payroll.

Additionally, Latino/a entrepreneurs own younger firms that are in similar industries as WOBs. Several categories of LOBs tend to be more adaptable and innovative, as evidenced by the fact that scaled and tech-centric LOBs are more

likely to incorporate Artificial Intelligence (AI) technologies to enhance their business operations than their WOB counterparts.

Nonetheless, LOBs also face substantial challenges that can impede business growth and scalability such as limited access to financing, vulnerabilities in cash liquidity, and constrained access to contracting opportunities. Achieving parity is crucial not only to empower LOBs, but also to strengthen the US economy and the American workforce at large.

This year we also examine the challenges and promises of three specific sub-groups of Latino/a entrepreneurs: women, immigrants, and technology-centric firms. This approach helps uncover the unique challenges and opportunities each subgroup faces within the broader business ecosystem, and sheds light on the diverse experiences that shape Latino/a entrepreneurship in the United States.



Lamberto Miguel Avila Jr., President and CEO
Daily Views Pools LLC

4. The term “Latino/a-owned business” (LOBs) encompasses employer businesses generating at least \$10,000 in annual revenue, specifically referring to firms owned by both men and women with Hispanic or Latin American descent.



SECTION III

Firmographics and AI Trends



Arianna Barrios, Owner and CEO
Communications LAB

The United States is home to 4.7 million Latino/a-owned firms and 19 million White-owned firms, most of which are run by solo-preneurs. Among these businesses, White entrepreneurs show a higher inclination toward establishing employer firms with larger annual revenues. As **Figure 3.1** shows, 23% of White entrepreneurs own employer businesses, compared to 10% among Latino/a entrepreneurs. Only 7% of White entrepreneurs are currently employer businesses generating \$1M or more in annual revenue, compared to less than 3% among Latino/a entrepreneurs. This gap highlights a significant opportunity for growth among Latino/a entrepreneurs in the United States, along with the pressing need to support and amplify the success of Latino/a entrepreneurs in reaching higher economic tiers.

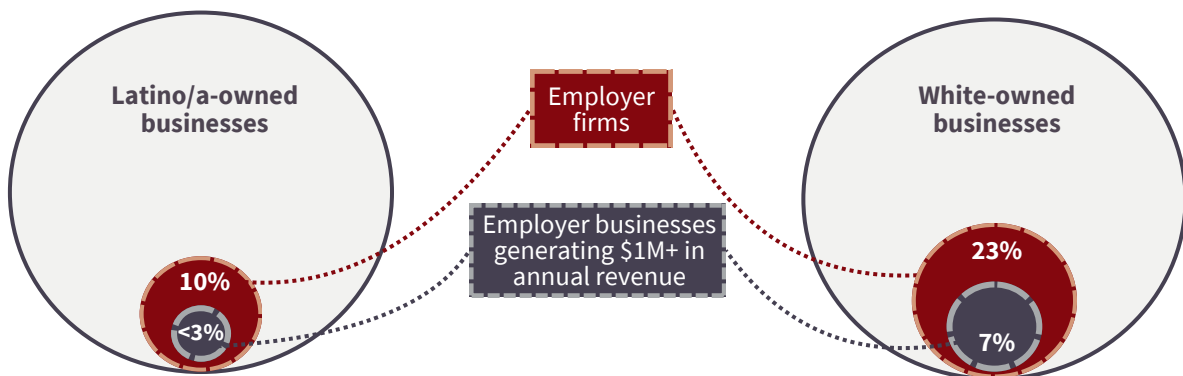
3.1 Faster growth

Despite existing gaps in employer and revenue status, Latino/a-owned employer businesses (LOBs) continue to grow at a faster pace than White-owned employers businesses (WOBs) in

terms of revenue, number of businesses, employees, and payroll. Between 2007 and 2022, the United States experienced a 57% growth in the number of LOBs, substantially surpassing the 5% increase in the number of WOBs during the same period. The number of employer LOBs surged from 295,000 in 2007 to 463,000 in 2022, whereas the number of employer WOBs modestly increased from 4.1 million to 4.3 million in the same timeframe.

Similarly, LOBs employ 3.5 million workers, up from 2.3 million in 2007, with \$146 billion in annual payroll. Between 2007 and 2022, the annual payroll of LOBs more than doubled (123% increase). Although the U.S. has experienced modest growth of employer firms and the labor force participation rate has remained stable in the past decades,⁵ LOBs have consistently shown higher growth rates in creating new businesses and jobs.⁶

Figure 3.1
Proportion of Employer Businesses and Scaled Firms



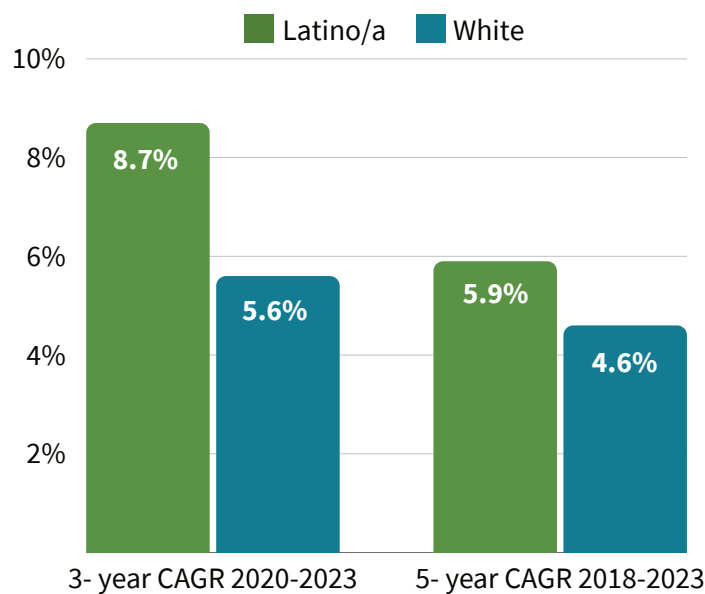
Source: American Business Survey, 2023; Nonemployer Statistics by Demographics, 2020.

Latino/a-owned employer businesses continue to grow at a faster pace than White-owned employer businesses in terms of revenue, number of businesses, employees, and payroll.

Our data reveal that LOBs continue to outpace the revenue growth of WOBs. As shown in **Figure 3.2**, the 3-year (2020-2023) median compound annual growth rate (CAGR) was 8.7% for LOBs versus 5.6% for WOBs, whereas the 5-year CAGR was 5.9% for LOBs and 4.6% for WOBs.

Figure 3.2

Compound Annual Growth Rates (CAGR) Among Employer Businesses



Source: SLEI Survey of U.S. Business Owners, 2023

3.2 Younger firms in similar industries

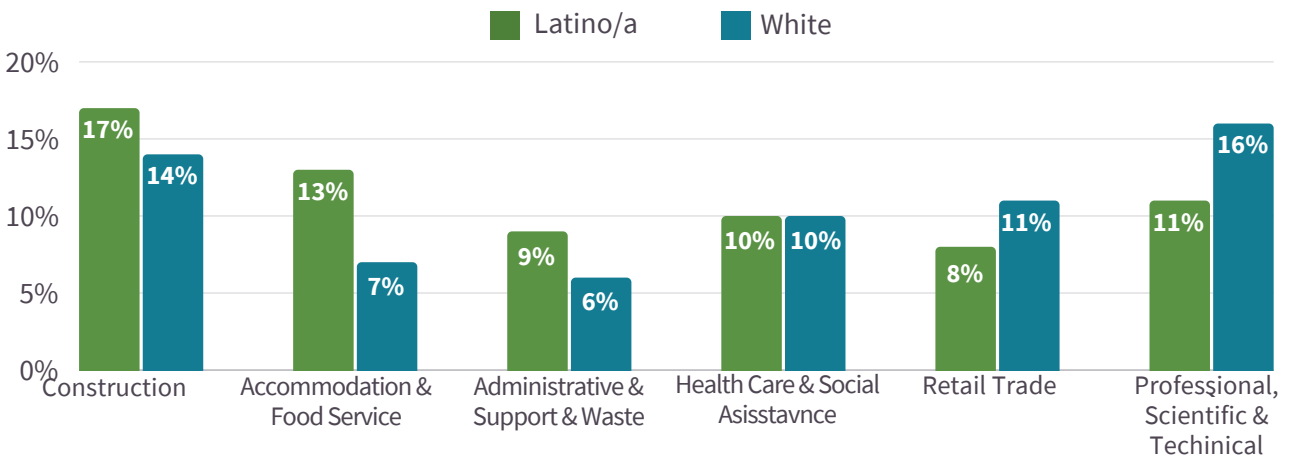
Although LOBs own younger firms than WOBs, LOBs and WOBs are in similar industries. A typical LOB has been in business for 6 years and was founded in 2017. On the other hand, a typical WOB has been around for 10 years and was established in 2013.

The top 6 industries overlap among LOBs and WOBs, with LOBs over-indexing in accommodation & food services, and WOBs in professional, scientific, & technical services.

As shown in **Figure 3.3**, the top three industries among LOBs include construction; accommodation & food services; and professional, scientific, & technical services. The top industries across WOBs are professional, scientific & technical services; construction; and retail trade (**Figure 3.3**).

Figure 3.3

Top Industries Across Employer Businesses



Source: US Census Annual Business Survey, 2022

Scaled Latino/a-owned businesses –those generating \$1M or more in annual revenue– are leading the implementation of AI technologies.

3.3 Incorporation of AI technologies

With rapid technological changes and evolving market needs, adaptability and innovation are crucial for the growth and sustainability of American businesses.⁷ One of the biggest technological disruptions of our lifetime is Artificial Intelligence (AI), which fosters innovation by enabling businesses to explore new ideas and develop cutting-edge products and services.⁸ AI-powered technologies can enable businesses to provide personalized and responsive customer interactions. Additionally, these technologies have the potential to enhance workforce productivity, improve supply chain management, assist with data analytics and insights to optimize business operations and reduce business expenses.⁹ However, AI

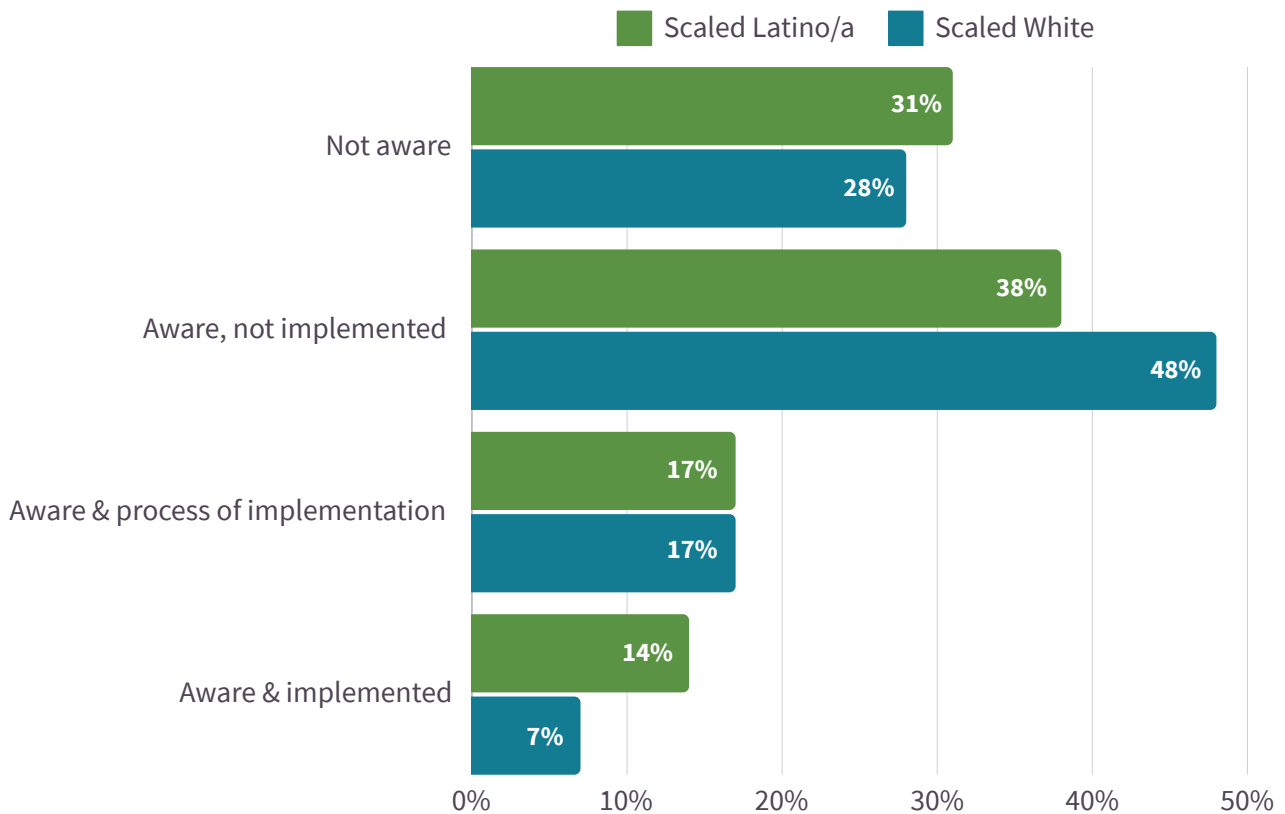
technologies are still relatively new and only a small minority of American businesses have implemented them.¹⁰

Our analyses reveal that while LOBs and WOBs track closely in their awareness of AI technologies to enhance their business operations, scaled LOBs –those generating \$1M or more in annual revenue– are leading at the implementation of AI technologies. As **Figure 3.4** shows, 14% of scaled LOBs currently utilize AI technologies to enhance their business operations, compared to 7% of scaled WOBs, and only 6% and 5% among all LOBs and WOBs in general.

11. We define scaled firms as employer businesses generating \$1M or more in annual revenue. See more information in A.2 Glossary of Terms.

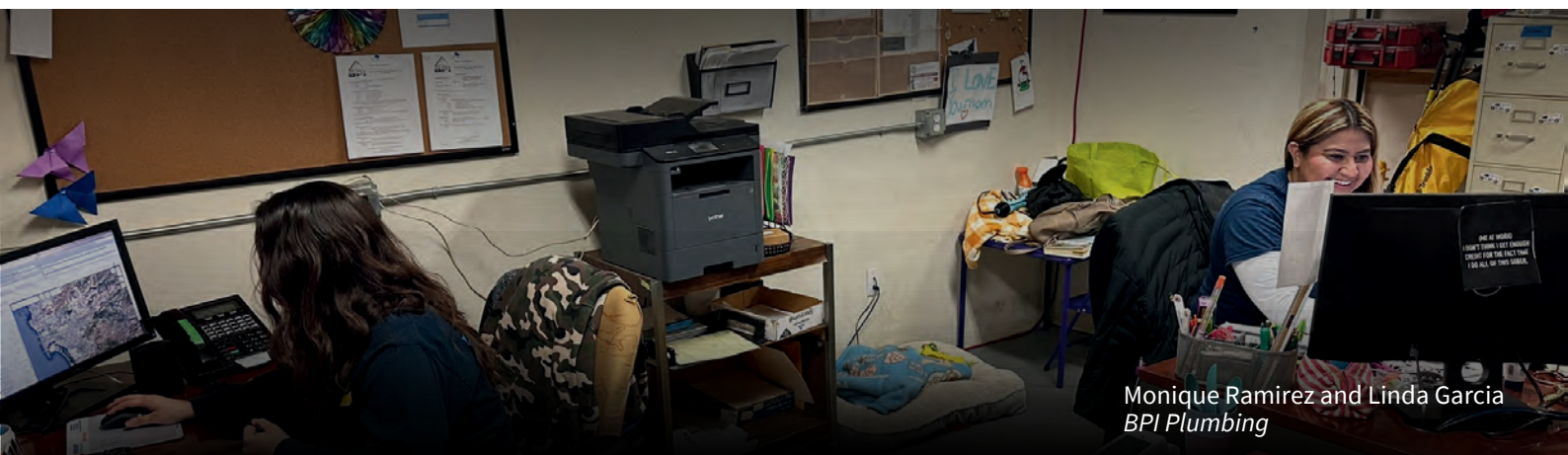
Figure 3.4

Awareness and Implementation of AI Technologies by Business Size



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Beyond AI technologies, adaptability and innovation are well-established among LOBs. Prior research indicates that LOBs were more likely to make strategic changes to overcome the challenges posed by the pandemic than WOBs.¹² Furthermore, LOBs use a wider array of marketing technologies than WOBs to sell their services and products, including social media, email marketing, and search engine optimization.¹³ These trends show that the incorporation of technologies and adaptable business strategies among LOBs go beyond AI technologies.



Shaira Frias and Mabel Frias, Co-Owners, *Luna Magic*;
Brianna Fountain-Fennell, Sr. Brand Marketing Manager, *Luna Magic*



SECTION IV

Latina-owned Businesses



Rocío Medina van Nierop, Co-founder and CEO, *Latinas in Tech*
Dr. Ellen Ochoa, former Director, *NASA's Johnson Space Center*

There are 1.3 million female-owned employer businesses in the United States, representing 22% of all American-based employer firms (ABS 2023). Women make up a larger proportion of Latino/a entrepreneurs than White entrepreneurs. Latinas own 104,00 employer businesses representing 27% of all employer firms owned by LOBs, whereas White women are owners of 21% of all WOBs in the country (ABS 2023).

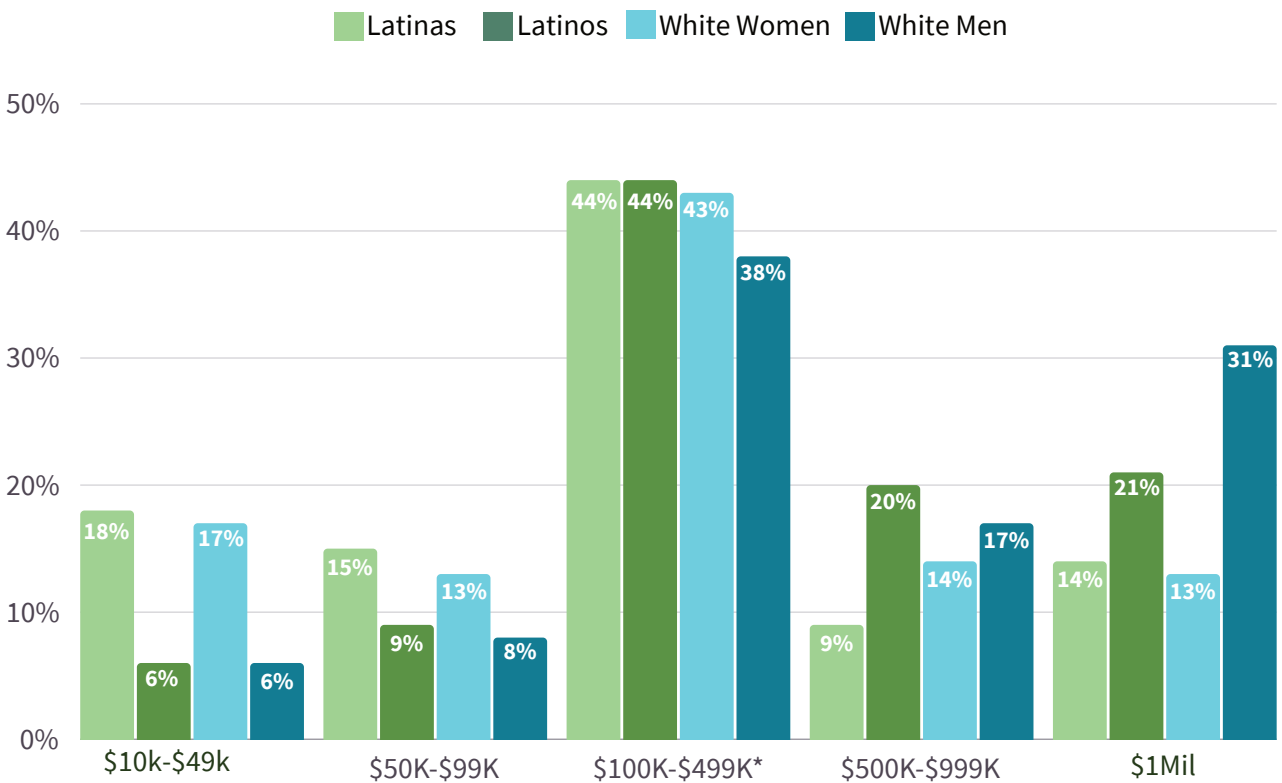
The findings of our research reveal that while Latina-owned businesses (female LOBs) are starting employer businesses at a faster rate than Latino-owned businesses (male LOBs), White female-owned businesses (female WOBs) and White male-owned businesses (male WOBs), female LOBs face unique challenges and opportunities at the intersection of gender and ethnicity. Female LOBs have outstanding growth rates in terms of new businesses started and revenue; however, female LOBs face hurdles that impact their ability to grow and sustain successful firms such as lower business health metrics, lack of access to financing from local and national banks, and substantive gaps in government contracts.

Latina-owned businesses face unique challenges and opportunities at the intersection of gender and ethnicity.

4.1 Business health

In general, annual revenues from female-owned employer businesses –both LOBs and WOBs– trail substantially behind the revenues of businesses owned by men. As **Figure 4.1** shows, 18% of female LOBs and 17% of female WOBs generate between \$10,000 and \$50,000 in annual revenue, compared to only 6% of male LOBs and male WOBs. Conversely, only 14% of female LOBs and 13% of female WOBs are scaled businesses generating \$1M or more in annual revenue, compared to 21% among male LOBs and 31% among male WOBs.

Figure 4.1
Median Revenue by Ethnicity and Gender, 2023



NOTE: *Asterisk denotes no statistically significant difference between Latina-owned businesses and White female-owned firms in a given category.

SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Our analyses also reveal that a typical male WOB generates 90% more revenue than a female LOB. Similarly, a typical male LOB generates 51% more revenue than a female LOB. Nonetheless, female LOBs surpass the median revenue of female WOBs by about 18%.

Female-owned firms, both Latina and White, also report less profitability and cash in hand to cover business operations. Sixty six percent of both female LOBs and female WOBs report operating a profit, compared to 78% of male LOBs and 74% of male WOBs. Similarly, over a third of female LOBs (34%) report operating with less than one month of cash reserves, followed by 32% among female WOBs and 25% among both male LOBs and male WOBs. These trends indicate potential financial vulnerability among female-owned businesses.

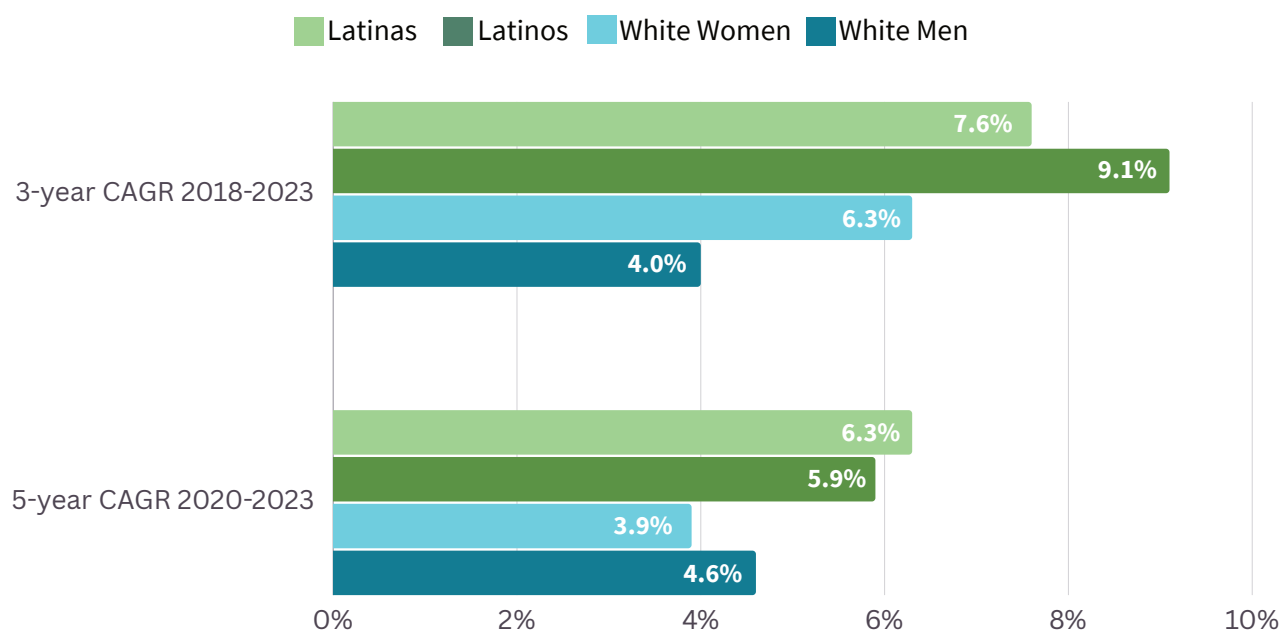
Regardless of the challenges that female LOBs face, they demonstrate robust revenue growth, outpacing female WOBs and male WOBs, as **Figure 4.2** shows. The growth of female LOBs, however, slightly lags behind male LOBs over the past 3 years with a compound annual growth rate (CAGR) of 9.1% among male LOBs and 7.6% among female LOBs; however, female LOBs marginally surpass the 5-year CAGR of male LOBs with 5.9% among male LOBs and 6.3% female LOBs, as **Figure 4.2** shows.

Annual revenues from female-owned employer businesses –both Latinas and White women– trail substantially behind the revenues of businesses owned by men.

Regardless of the challenges that Latina-owned businesses face, they demonstrate robust revenue growth, outpacing White female- and White male-owned businesses.

Figure 4.2

Median Compound Annual Growth Rates (CAGR) by Ethnicity and Gender

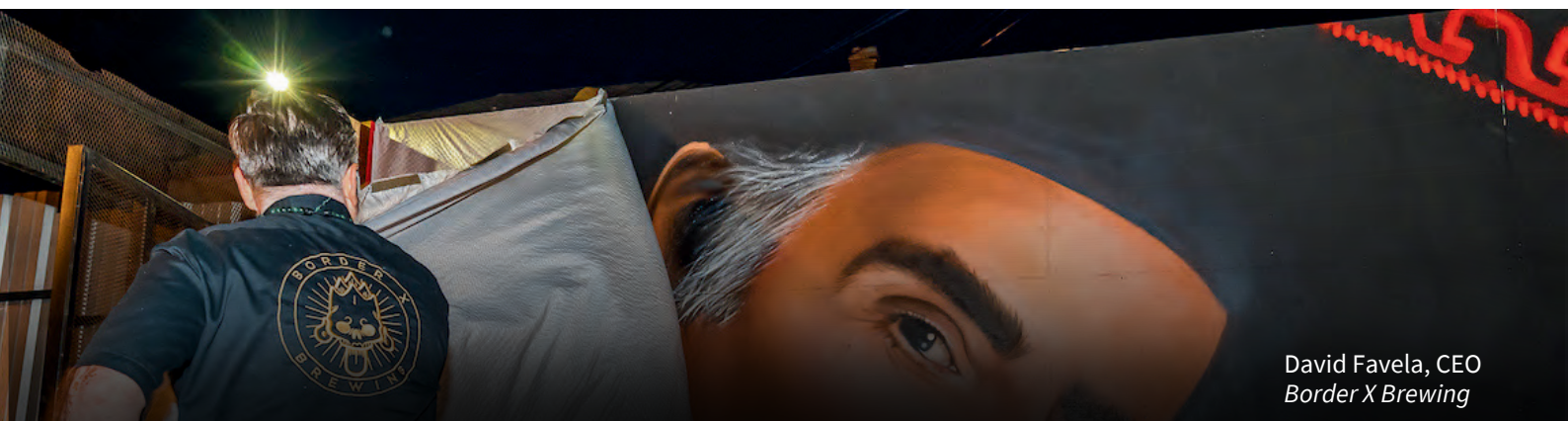


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

4.2 Access to financing

One of the top challenges facing Latina entrepreneurs is access to financing. In fact, 1 in 6 female LOBs (17%) reports access to credit or loans as a major challenge. This is in sharp contrast to 1 in 11 of female WOBs and male LOBs (9%), and 1 in 14 male WOBs (7%).

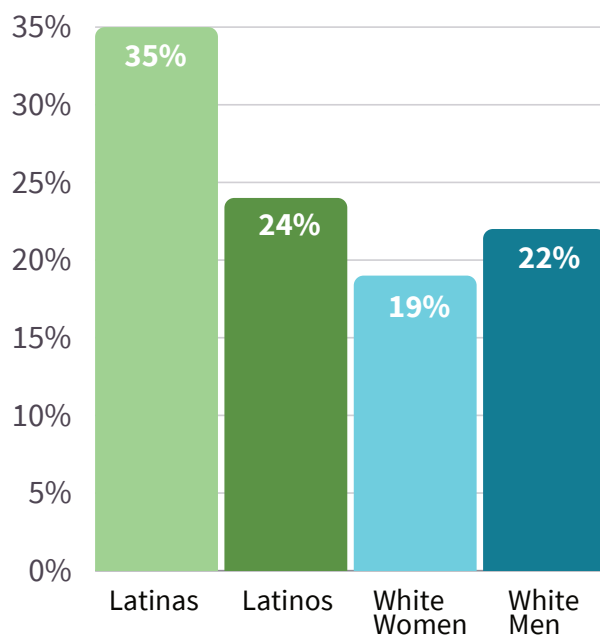
Furthermore, female LOBs are the most proactive in seeking financing. In 2023, over a third (35%) female LOBs requested financing for their businesses. This rate surpasses their counterparts: 24% of male LOBs, 22% of male WOBs, and 19% of female WOBs (**Figure 4.3**). These trends confirm a greater need or desire for financial support among Latina entrepreneurs.



David Favela, CEO
Border X Brewing

Figure 4.3

Financing Sought In 2023 by Ethnicity and Gender



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

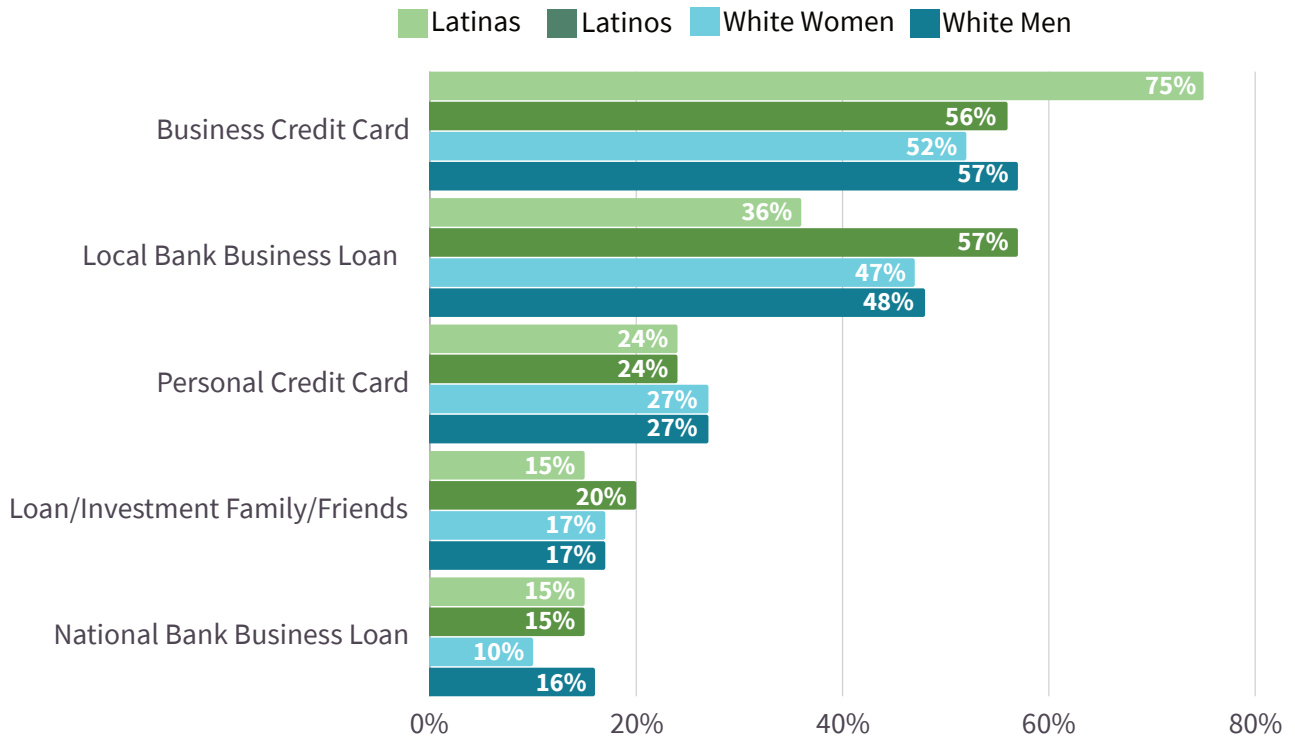
Among those who sought financing in 2023, the top sources of financing include business credit cards, business loans from local banks, and personal credit cards, as **Figure 4.4** shows. Among financing seekers, female LOBs were by far the most likely to have sought financing from business credit cards (75%), whereas male LOBs were the most likely to have sought business loans from local banks (57%).



Oscar Casillas, CEO
BEPC Inc.

Figure 4.4

Top Forms of Financing Requested Among Seekers



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Lowest Approval Rates from National & Local Banks

Despite their needs and efforts in actively pursuing financing for their business, female LOBs have the lowest approval rates for business loans from local and national banks, with only 39% approval on average from both local and national banks. In contrast, female WOBs receive on average 55% of the amount originally requested from local banks and 65% from national banks,

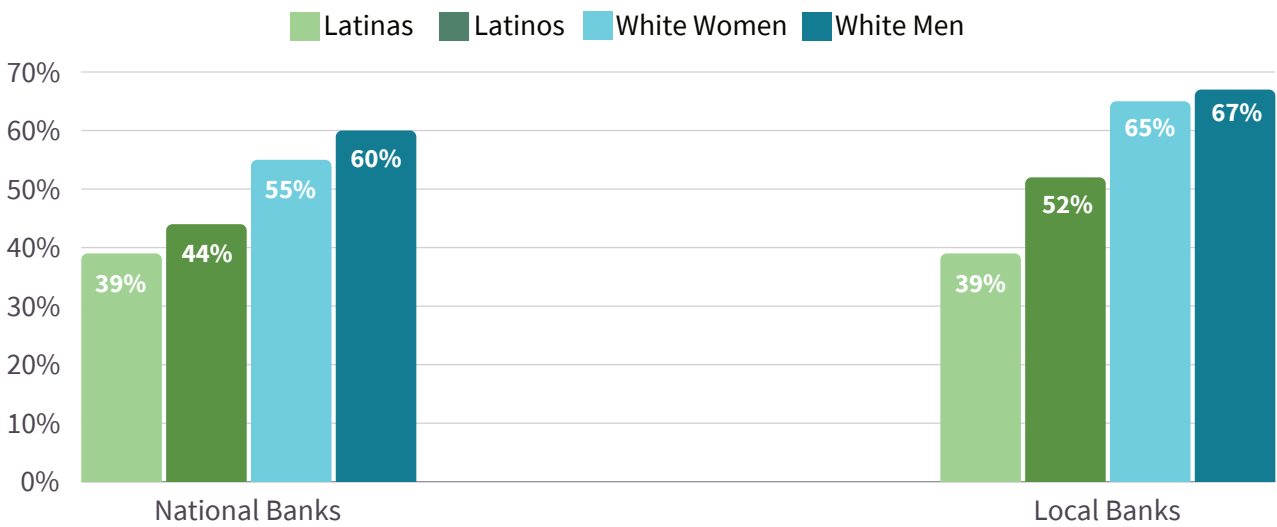
whereas White men receive 60% approval from national banks and 67% from local banks.

These trends indicate a significant disparity in the financial support system for female LOBs, emphasizing the need for more equitable lending practices.



Figure 4.5

Approval Rates on Business Loans from National and Local Banks



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Latina-owned businesses have the lowest approval rates for business loans from national and local banks.

4.3 Breaking into government contracts

Procurement opportunities from governments and corporations can have significant implications for the success and expansion of many American businesses.¹⁴ Nonetheless, our data suggest that government and corporate contracts represent untapped markets for Latina entrepreneurs, who have significant room to increase their presence and capitalize on these opportunities for business growth.

Female LOBs seek government contracts at lower rates than their peer businesses, with only 7% of female LOBs actively pursuing government contracts, compared to 13% for male WOBs, 12% for male LOBs, and 9% for female WOBs.

When female LOBs do seek contracts, they face considerable hurdles. Among firms that seek procurement opportunities, female LOBs are the least likely to secure contracts. Female LOBs are almost 3x less likely to secure government and/or corporate contracts than their male WOB counterparts. Similarly, female LOBs are 1.7x less likely to secure contracts than male LOBs and female WOBs, as **Figure 4.6** shows.

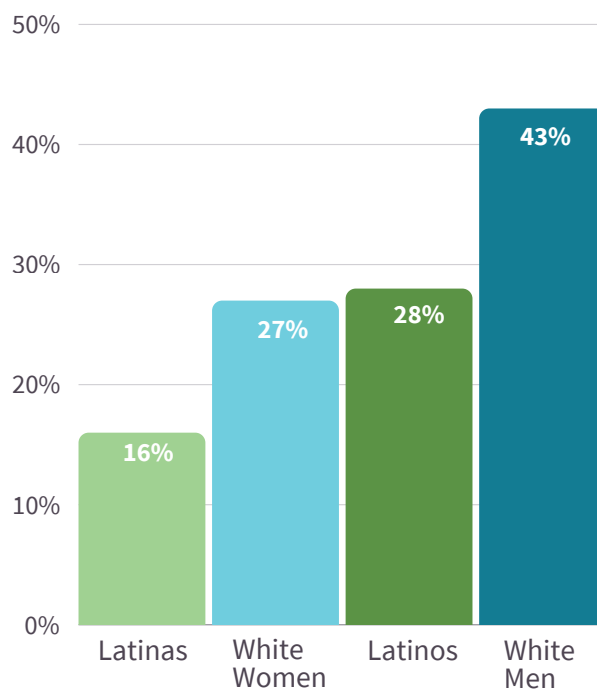


Lucas Gorganchian, CEO
Prisma

Government and corporate contracts represent untapped markets for Latina entrepreneurs, who have significant room to increase their presence and capitalize on these opportunities for business growth.

Figure 4.6

Success Rate in Securing Contracts Among Active Seekers



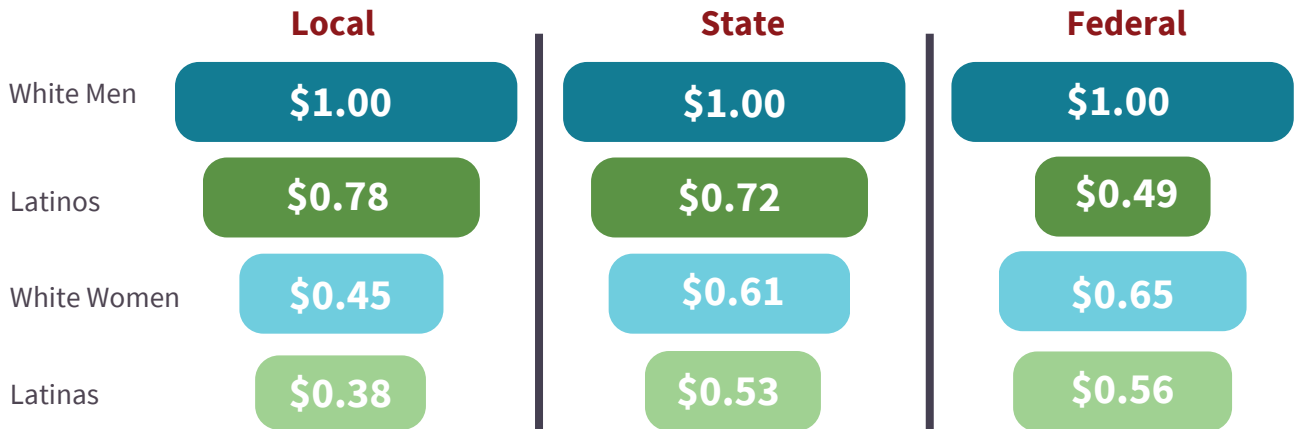
SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Furthermore, the disparity in contract sizes is a critical issue for the handful of female LOBs that successfully secure contracts. For every dollar male WOBs earned in contracts in 2023, a female LOB earned only \$0.38 to \$0.56 in contract revenue, as **Figure 4.7** shows.

The disparity in contract sizes is a critical issue for the handful of Latina-owned businesses that successfully secure contracts.

Figure 4.7

Government Contracting Gap by Ethnicity and Gender, 2023



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

The stark discrepancies, ranging from securing contracts to dollars earned, underscore the challenges female LOBs face in the scale and profitability of businesses actively seeking procurement opportunities. These disparities mirror larger systemic challenges that US Latinas face, including wage gaps and lack of representation in government offices.¹⁵



Francisco Cornejo, CEO, *Storybook App*;
 Rodrigo Sajoux, VP of Product, *Storybook App*;
 Andy Arevalo, VP of Growth, *Storybook App*;
 Tornu Prynce, CMO, *ConnectCareHero*;
 Osvaldo Montelongo, CEO, *ConnectCareHero*

Entrepreneur Spotlight: Mari Borrero, AAD

On May 7th, 2023, Hurricane Ridge Day Lodge, the historic visitor center in Washington State's Olympic National Park, burned to the ground while closed for renovations. The cause of the fire was unknown, but the result—over 12,000 square feet of destruction—would have to be removed quickly to reopen the area for the fall ski season.

With a budget of \$815,000 and a tight 30-day timeline, the National Park Service turned to Mari Borrero, CEO of American Abatement and Demo (AAD). "The NPS said, 'Hey, can you do this demo?' And my answer was 'Yes.' And then after I hung up the phone, I was like, 'Oh, shoot. How do I figure this out?'" Borrero recalls, laughing.

Borrero is no stranger to solving problems on the fly. Since starting her business with her husband in 2017, she's increased revenue from \$500,000 to approximately \$3 million and built a team of 12 to 14 employees in Washington State—many of whom, like Borrero's husband, were formerly incarcerated. What's more, she did it all without a traditional business background. "It's like I'm building this plane in the air," she says of her company. "I have to learn how to navigate the system and not be apologetic about my passion for what I do."

The NPS contract was a win for Borrero, but it led to a familiar hurdle: financing. Research shows that Latina-owned businesses like AAD have the lowest loan approval rates from local and national banks, despite being the most likely to seek financing. In Borrero's experience, big banks focus too much on algorithms and "running the numbers through a machine" instead of getting to know applicants. And when she does manage to get face-to-face meetings, Borrero rarely finds herself in a room with anyone who looks like her. "The people I come across are white, older men," she says. "I have to constantly remind myself: I belong in this space just as much as anyone else."

As a result, Borrero has struggled to convince banks that AAD is ready to take on more lucrative projects, putting millions of dollars worth of contracts out of reach. "I've done the work to be at this level and play the game, but I feel like I'm benched," says Borrero. "I have to watch from the sidelines because I don't have this access to money." Unable to secure a traditional loan for the Hurricane Ridge project, Borrero got help from a fellow Latina entrepreneur,



the award-winning founder of a successful healthcare business—who also happens to be Borrero's mother. "I had to call my mom and ask for money," recalls Borrero. "But it shouldn't be like that. At this level, I should be able to finance a project like this."

Luckily, giving up isn't in Borrero's playbook. She honed her perseverance and grit during four years of service as a Marine. Afterward, she worked as a hospice administrator before becoming a kindergarten teacher. While teaching a child with an incarcerated parent, Borrero was inspired to write a book ('Daddy Has a New Home, not a New Heart') for kids in similar situations. That experience, among others, led her to start AAD with a mission of creating opportunities—and second chances—within her community. "I have one employee who was incarcerated for almost 30 years. And now he's a supervisor for us," says Borrero. "Things like that remind me why I'm in this fight. We're changing lives."

As for Hurricane Ridge, AAD partnered with Washington-based firm Saybr & Dickson Company to finish the massive project on time and on budget. "That was a real pop-the-cork moment for us," says Borrero, who's hopeful there will be many more celebrations to come. "Because once we get in there, and we have the opportunity—we can do the work. And then they'll keep calling us back."

Frank Antezana, CEO
iTech AG



SECTION V

Tech-centric Firms



María José Toledo and team
TeamFicient

In the dynamic landscape of the technology sector, Latino/a-owned businesses (LOBs) are redefining the narrative and infusing innovation into the American business ecosystem. This section focuses on technology-centric businesses, which we define as firms that are primarily engaged in selling or developing technology or software products and related services. While our definition of tech-centric businesses includes those commonly recognized as tech startups or those eligible for venture capital investment, it also encompasses a broader range of firms engaged in technology and software product sales or development, and related services.

LOBs operate tech-centric firms at higher rates than WOBs,¹⁶ and tech-centric firms –both LOBs and WOBs– generate larger revenues than non-tech firms. Tech-centric LOBs outpace tech-centric WOBs in revenue growth and AI technology adoption. However, tech-centric LOBs report challenging business realities: they have lower cash reserves to weather challenging business climates, have lower approval rates on business loans from national and local banks, and face more strenuous procurement opportunities than tech-centric WOBs.

5.1 Revenue, growth, and industries

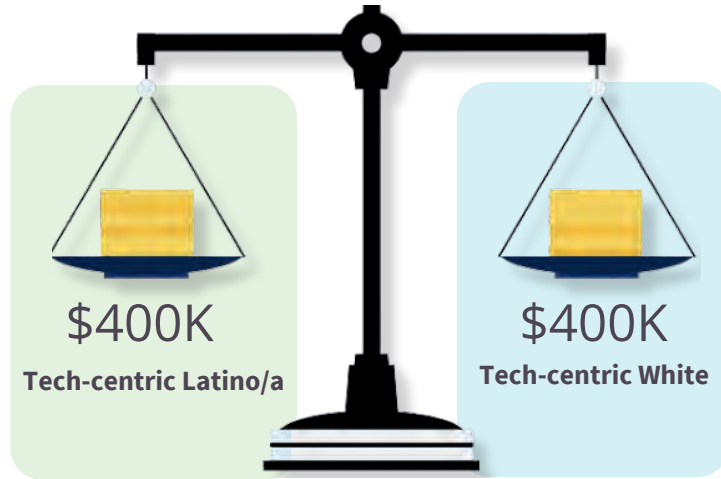
Revenue trends among tech-centric firms showcase an important economic phenomenon among the employer business ecosystem: tech-centric LOBs generate similar annual revenues as tech-centric WOBs. Additionally, tech-centric LOBs report faster revenue growth than tech-centric WOBs, similar to the revenue growth trends seen among all LOBs and WOBs.

Tech-centric Latino/a-owned businesses are more likely to face challenges with their contracts than tech-centric White-owned businesses.

On average, tech-centric firms generate about 60% more revenue than their non-tech-centric counterparts. Nonetheless, median revenues for Latino/a- and White-owned tech-centric firms are remarkably similar, both landing at \$400,000 as **Figure 5.1** shows.

Figure 5.1

Median Revenue Among Tech-centric Businesses, 2023



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

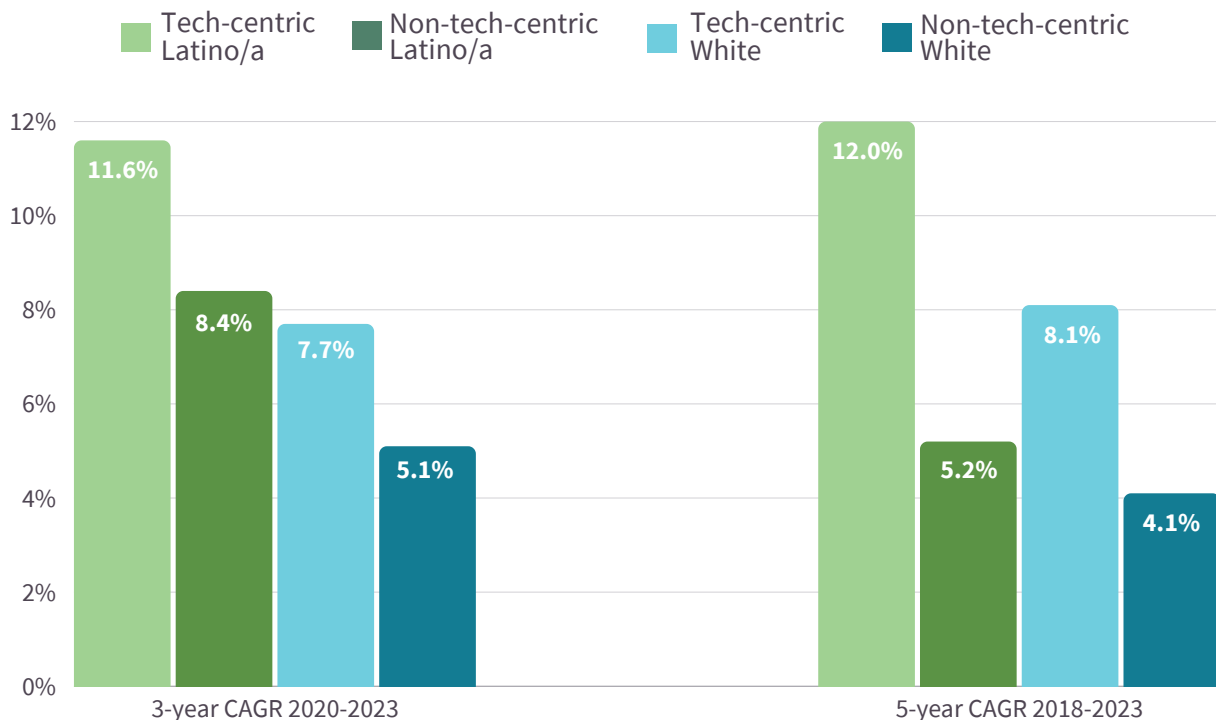
Median revenues for Latino/a and White-owned tech-centric firms are remarkably similar.

Our research reveals that tech-centric LOBs have generated the strongest revenue growth over the past few years, despite the challenges of the COVID-19 pandemic and recent periods of economic uncertainty.¹⁷

As **Figure 5.2** shows, over a 3-year period (2020-2023) and a 5-year period (2018-2023), tech-centric LOBs demonstrate the largest median compound annual growth rates (CAGR) among tech-centric and non-tech-centric firms.

Figure 5.2

Compound Annual Growth Rates (CAGR) Across Tech-Centric and Non-Tech-Centric Firms



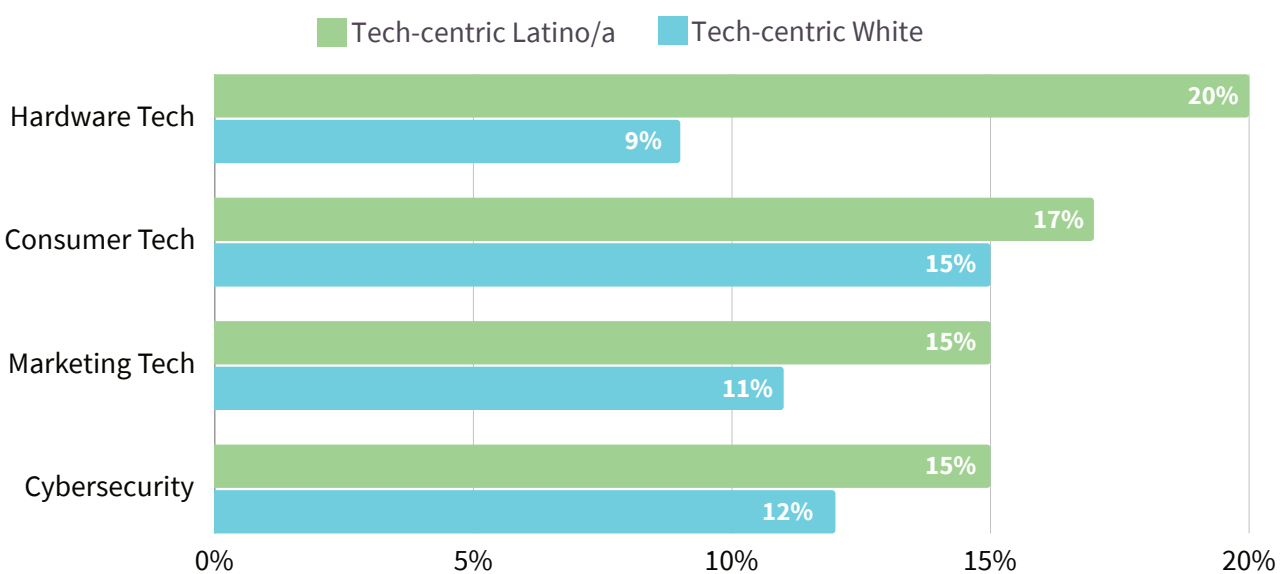
SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Tech-centric Latino/a owned -businesses outpace tech-centric White-owned businesses in revenue growth and AI technology adoption. However, tech-centric Latino/a-owned firms report challenging business realities.

The industry distribution among tech-centric businesses highlights both commonalities and distinctive characteristics among LOBs and WOBs. While the top four industries among tech-centric LOBs and tech-centric WOBs are the same, tech-centric LOBs significantly over-index in hardware tech, with 20% of tech-centric LOBs and 9% of tech-centric WOBs in this industry, as **Figure 5.3** shows.

Figure 5.3

Top Industries Among Tech-Centric Firms



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

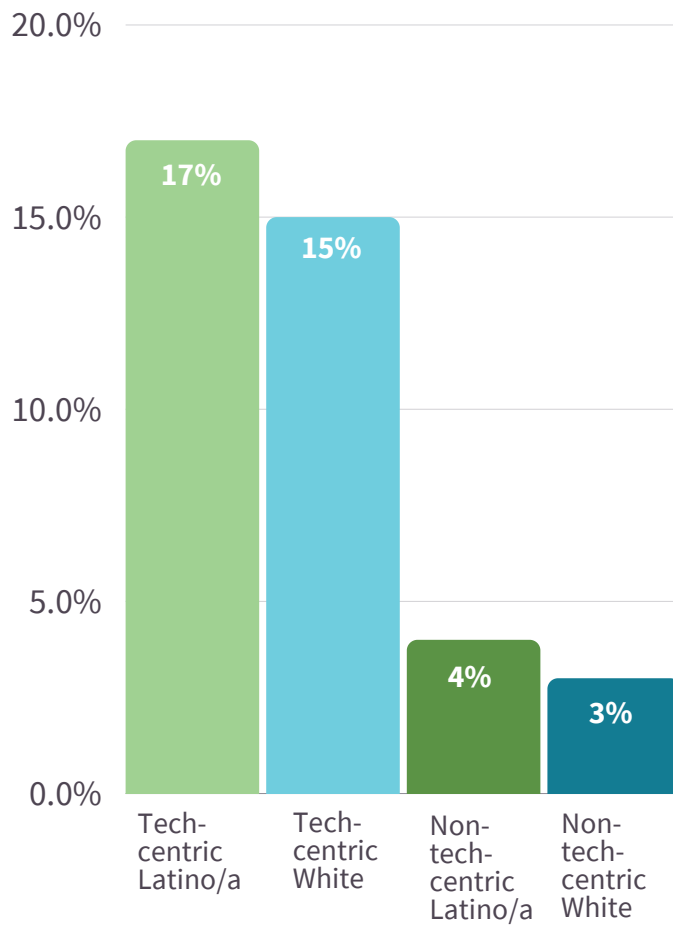
5.2 Implementation of AI technologies

Studies have shown that Artificial Intelligence (AI) technologies have the potential to serve as transformative tools for American businesses.¹⁸ From complex data analyses that improve operational efficiency to personalization of tools that improve customer experience, AI technologies have the potential to enhance productivity and improve profitability –among many other potential benefits– across American businesses.¹⁹

The results of our analyses reveal that tech-centric LOBs lead on adoption rates of AI technologies, as **Figure 5.4** shows. Tech-centric LOBs are 4x more likely to have implemented AI technologies than non-tech-centric LOBs; similarly, tech-centric WOBs are 5x more likely to have incorporated AI technologies into their businesses than non-tech-centric WOBs.

Figure 5.4

Proportion of Businesses That Have Implemented AI Technologies



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

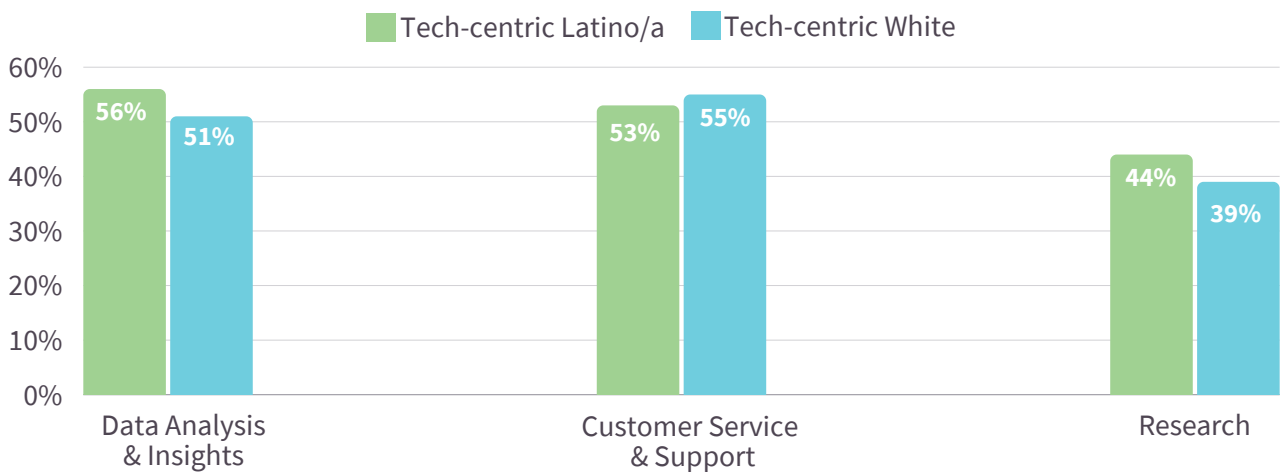


Patricia Thompson, Director, *iTech University*; Frank Antezana, CEO, *iTech AG*; Laura Stash, Executive Vice President of Solutions Architecture, *iTech AG*

Tech-centric businesses are using AI technologies to (1) enhance data analysis and insights, (2) better serve customers, and (3) support research efforts. As shown in **Figure 5.5**, tech-centric LOBs are slightly more likely to use AI for data analysis and research than tech-centric WOBs; conversely, tech-centric WOBs are more likely to leverage AI technologies to enhance customer service than tech-centric LOBs. These trends underscore shared priorities in leveraging AI for data-driven insights and customer-centered applications while highlighting the stronger emphasis on data analysis and research from tech-centric LOBs.

Figure 5.5

Purpose of Incorporating AI Technologies among Tech-Centric Businesses

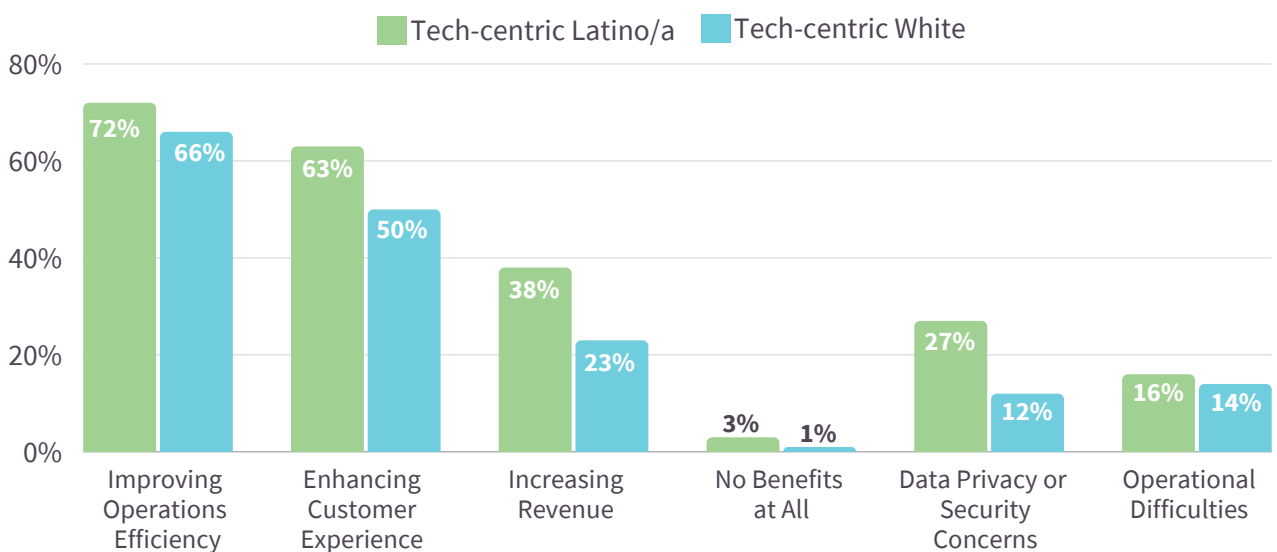


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Among tech-centric businesses that have incorporated AI technologies, the vast majority of them reported positive impacts, whereas only a small minority reports no benefits at all or some challenges with AI technologies, as shown in **Figure 5.7**.

Figure 5.6

Top Benefits and Challenges of Incorporation of AI Technologies



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Tech-centric Latino/a-owned businesses lead on adoption rates of AI technologies.

While these trends come from the early implementation stages of AI technologies, they provide a preliminary understanding of the use, as well as benefits and challenges, of the incorporation of AI technologies among American businesses.

5.3 Contracting hurdles

As mentioned in Section III, access to government and corporate contracts is critical for American businesses as it has the potential to facilitate entry into larger markets, fostering growth, scalability, and economic resilience.²⁰ For tech-centric businesses, these opportunities are particularly important as they can increase revenue and further drive innovation and industry leadership.²¹

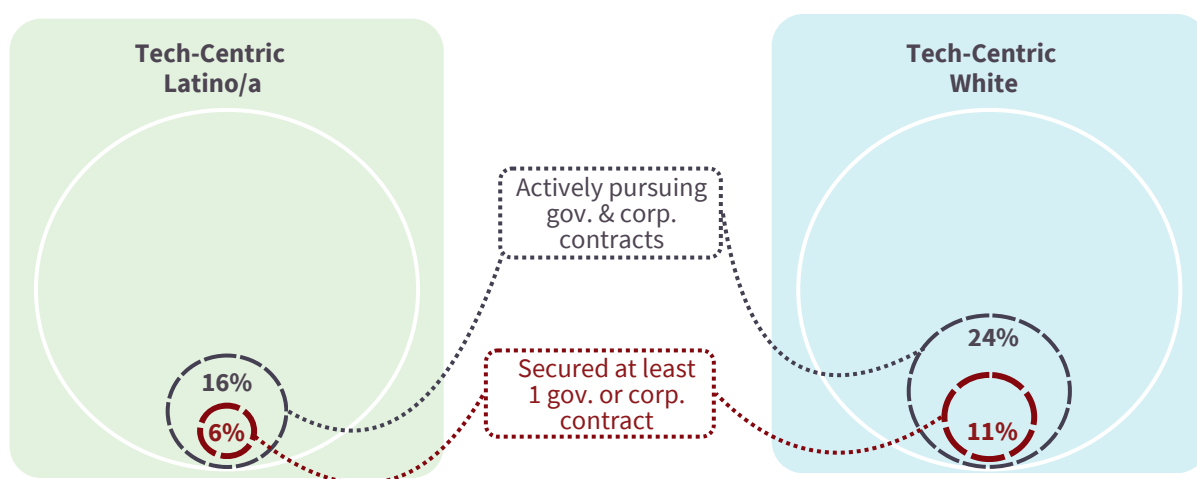
Our research finds that tech-centric firms are more likely to pursue contracting opportunities than non-tech companies regardless of racial ownership. Among tech-centric businesses, about 1 in 6 LOBs (16%) and 1 in 4 WOBs (24%) actively pursue government or corporate contracts, as shown in **Figure 4.6**. Conversely, only 10% of non-tech-centric LOBs and 9% of non-tech-centric WOBs actively pursue procurement opportunities.

Our research shows that among all tech-centric firms, a smaller proportion of LOBs (6%) secure corporate or government contracts than WOBs (11%) (**Figure 5.7**).

These contracts, at the same time, are smaller for tech-centric LOBs than tech-centric WOBs. As **Figure 5.8** shows, for every dollar in contract revenue a tech-centric WOB made in 2023, a tech-centric LOB earned between \$0.73 and \$0.98 cents in contract revenue. Contracting gaps are substantially larger among non-tech-centric firms, with LOBs making between \$0.24 and \$0.88 for every dollar a non-tech-centric WOB company earns in contract revenue (**Figure 5.8**).

Figure 5.7

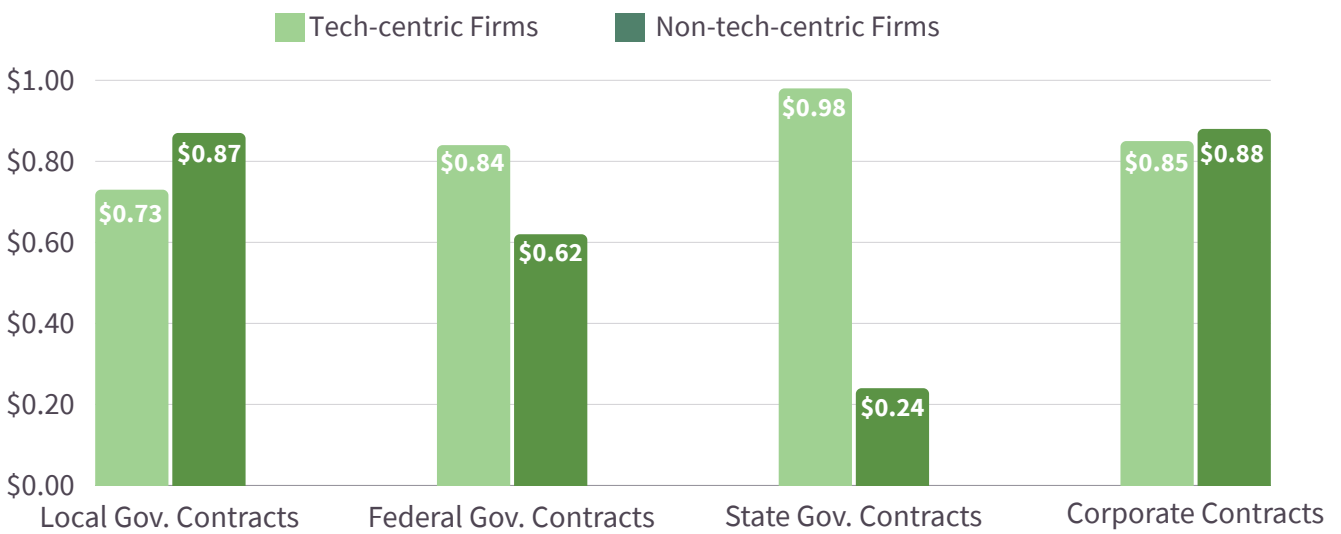
Government and Corporate Contracts Among Tech-Centric Businesses



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Figure 5.8

Contracting Gaps: Size of Latino/a-owned business Contracts as a Fraction of White-owned Business Contracts



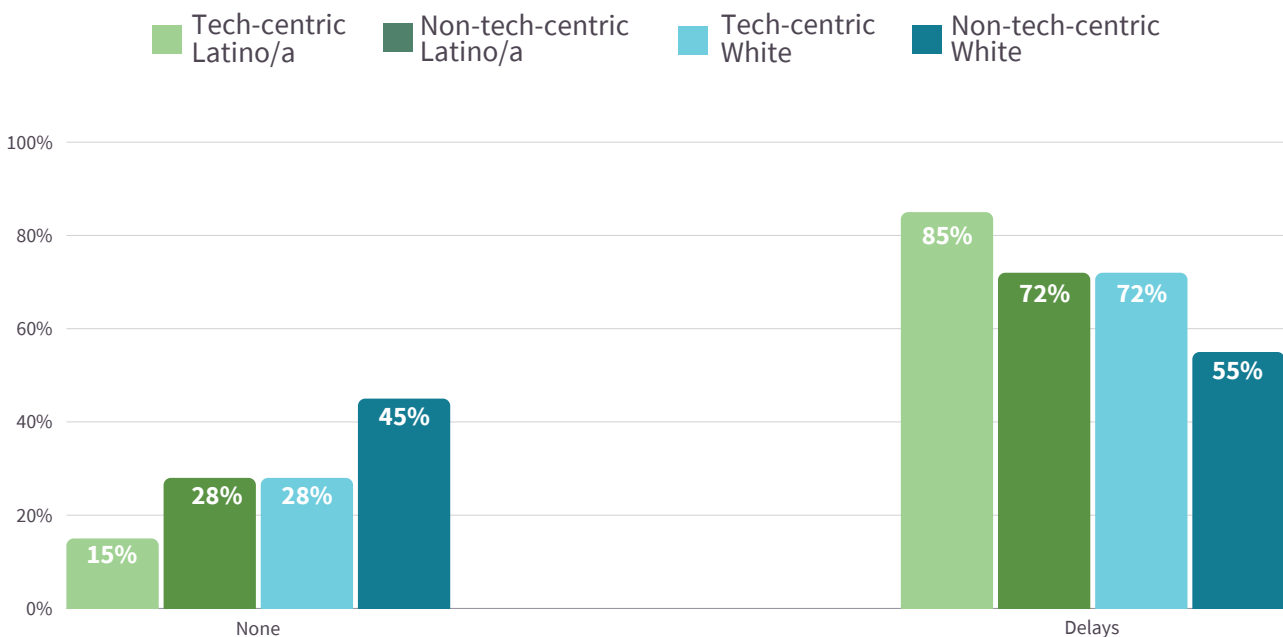
SOURCE: SLEI Survey of U.S. Business Owners, 2023.

While gaps in securing contracts among tech-centric firms are substantially smaller than the gaps experienced by female LOBs (Figure 4.7) and non-tech-centric LOBs (Figure 5.8), tech-centric LOBs are more likely to face challenges

with their contracts than tech-centric WOBs. As Figure 5.9 shows, 85% of tech-centric LOBs reported delays in payments from government contracts, compared to 72% of tech-centric WOBs.

Figure 5.9

Delays in Payments from Government Contracts

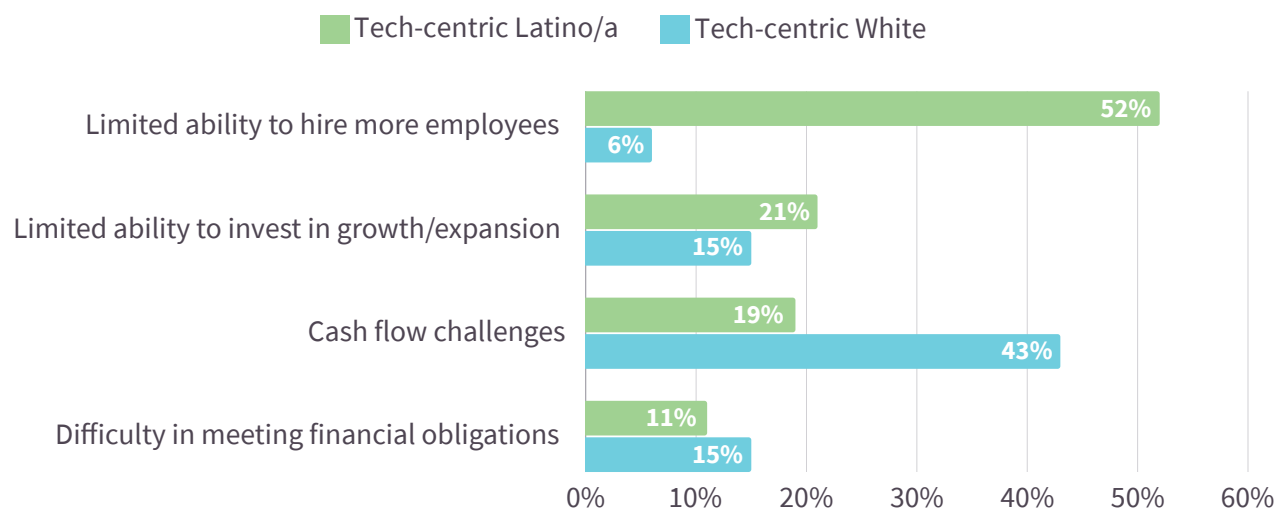


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Among businesses that experienced delays in payments from government contracts, LOBs – particularly tech-centric LOBs – were the most negatively affected. The most significant impact of government contract delays for tech-centric LOBs is their reduced capacity to expand their workforce (52%). In contrast, the primary issue for tech-centric WOBs is managing cash flow (43%), as **Figure 5.10** shows.

Figure 5.10

Reported Repercussions from Payment Delays from Government Contract



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Tech-centric Latino/a-owned businesses are more likely to face challenges with their contracts than tech-centric White-owned businesses.

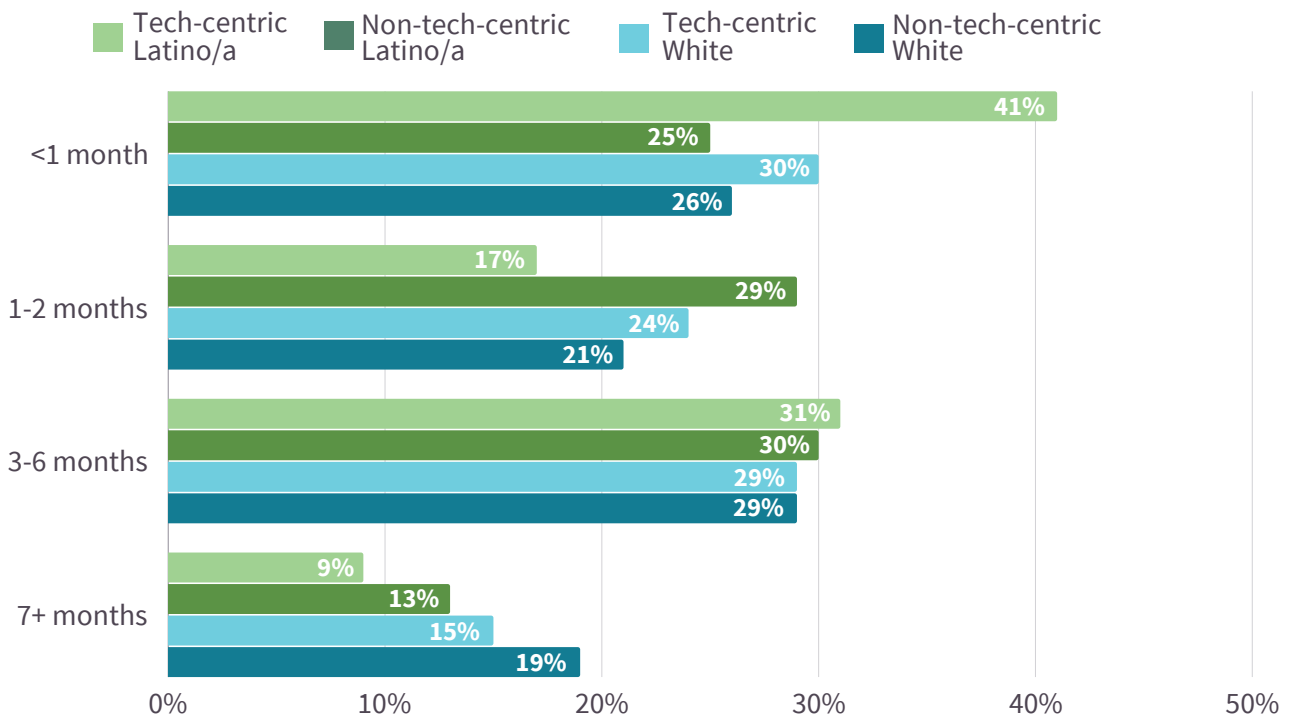
5.4 Liquidity and financing challenges

Liquidity and access to financing are pivotal for improving and maintaining operational stability, enabling growth and expansion, and ensuring resilience in the face of economic challenges.²² Liquidity is essential for covering short-term obligations and operational costs, ensuring smooth day-to-day business functions. Meanwhile, access to financing opens doors for growth, allowing businesses to invest in new opportunities, expand operations, and innovate. Hence, liquidity and access to financing are important in fast-evolving and growing ventures like tech-centric LOBs in the United States.

Liquidity

The financial landscape for tech-centric LOBs reveals a notable vulnerability in cash liquidity compared to other groups. Our analyses reveal that 41% of tech-centric LOBs have less than one month's worth of cash reserves to handle business expenses if revenue streams were interrupted, compared to 30% among tech-focused White-owned businesses. The disparity in liquidity extends across longer cash reserve horizons, as **Figure 5.11** shows.

Figure 5.11
Liquidity Trends



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Access To Financing

Access to financing is a crucial lever for business success as it can provide the capital necessary for emerging costs, expansion, ongoing operations, and growth opportunities.²³ Our research has shown that LOBs face barriers to accessing traditional funding sources, including national banks.²⁴

Regardless of their strong revenues and growth, tech-centric LOBs also face limited access to financing when compared to their tech-centric WOB counterparts.

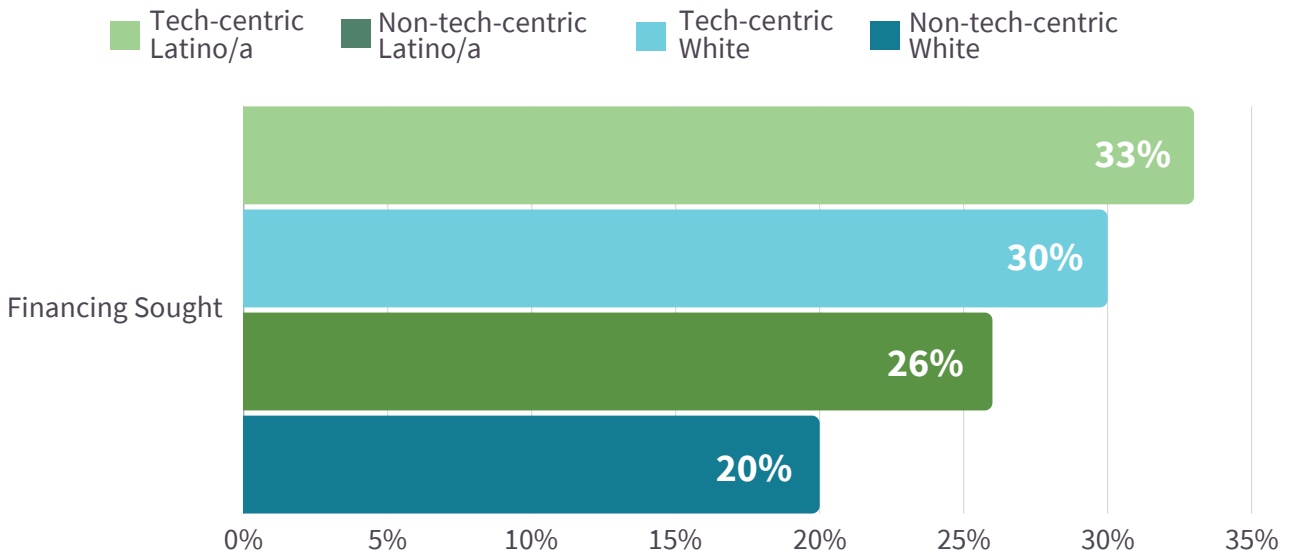
In 2023 tech-centric LOBs were the most proactive group seeking financing, with 1 in every 3 pursuing some form of financing, including loans and investments (**Figure 5.12**).



Regardless of their strong revenues and growth, tech-centric Latino/a-owned businesses also face limited access to financing when compared to their tech-centric counterparts.

Figure 5.12

Proportion of Businesses that Sought Financing in 2023

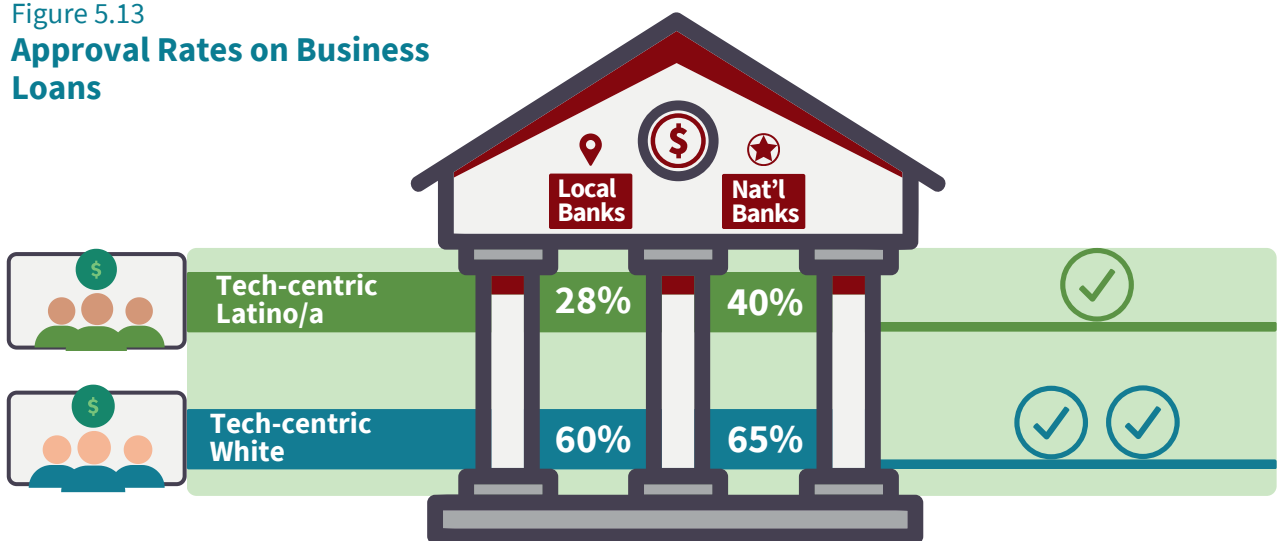


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Among the businesses that pursued financial support in 2023, tech-centric LOBs encountered significant barriers in loan approvals. With an approval rate of only 28% for the original amount requested from local banks and 40% from national banks, tech-centric LOBs experienced a substantial gap in financing success compared to their tech-centric WOB counterparts. A typical tech-centric WOBs secured approvals at rates of 60% from local banks and 65% from national banks. This discrepancy underscores a systemic challenge faced by tech-centric LOBs –and LOBs in general as we reported in the past²⁵– in accessing the necessary capital to scale their ventures.

Figure 5.13

Approval Rates on Business Loans



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

2023 Banking Crisis

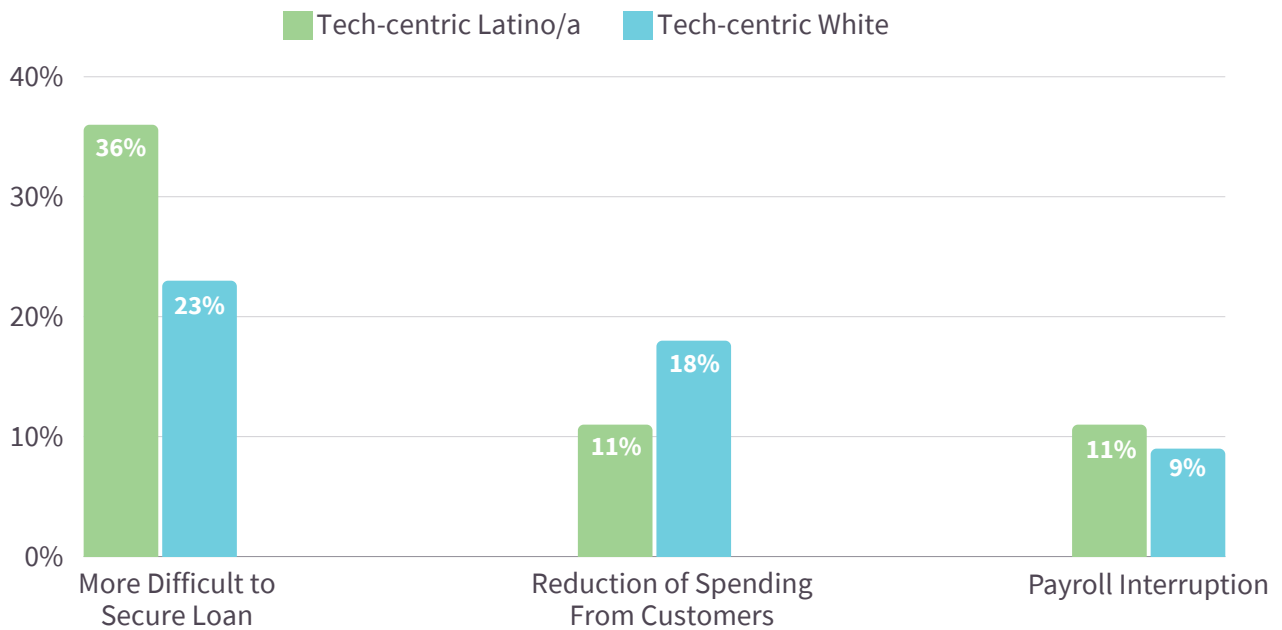
The Banking Crisis of 2023 generated considerable pressure on American businesses. Relying on steady flows of capital and investments for innovation and market competition, tech-centric and startup businesses were at the center of this phenomenon.²⁶

Our analyses reveal that regardless of racial ownership, tech-centric firms reported a higher impact from the 2023 Banking Crisis than non-tech-centric firms. Nearly half of tech-centric LOBs (49%) and tech-centric WOBs (48%) indicated that their operations were negatively affected by the Banking Crisis. This is in contrast to non-tech-centric businesses (35% non-tech-centric LOBs and 28% non-tech-centric WOBs).

The banking crisis left a substantial imprint on tech-centric businesses, with both LOBs and WOBs suffering from the same three negative impacts, as **Figure 5.14** shows. The important difference was that the LOBs suffered more, especially in the challenges to secure loans and lines of credit. As such, tech-centric LOBs found it more difficult to cope with the crisis, highlighting unique vulnerabilities that persist during financial upheavals.

Figure 5.14

Repercussions of 2023 Banking Crisis Among Impacted Firms



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Entrepreneur spotlight: Norma Padrón, EmpiricaLab

Norma Padrón was born in McAllen, Texas. A town about 11 miles from the Mexican border. Like millions of Latinos in the US, she grew up without health insurance. Padrón, who says the experience stuck with her in part because of the questions it raised. “I didn't know at the time that I was uninsured—I just knew that we didn't have access in the US. So I was always very interested in understanding access to healthcare.”

In search of answers, Padrón embarked on a globe-spinning journey through the highest levels of academia. After graduating from the University of Texas Rio Grande Valley, she earned a master's in public health at Barcelona's Universitat Pompeu Fabra. She followed that with a master's in economics at Duke University before completing a PhD in Health Economics at Yale University.

But it wasn't until Padrón jumped into the private sector—reaching the role of Director of Health Economics at the Digital Health Incubator of Anthem Inc.—that she saw a chance to turn her knowledge into entrepreneurial action. “We were focusing on the technology layer, but we weren't focusing on the human layer for making that technology scalable,” she says, recalling a “huge gap in the market” related to rapid knowledge sharing and employee education. “There's already training software. That's not the problem. The problem is that the training software isn't delivering on the speed and fluidity of training that needs to happen in healthcare settings.”

Padrón's solution was to become the founder and CEO of EmpiricaLab, a digital platform that reimagines how healthcare teams harness technology for peer training. With a focus on training and knowledge transfer, its software enables clients—which include the Mount Sinai Health System—to use data more efficiently and spread learning within teams. By empowering the system's staff who make up the majority of healthcare workers, EmpiricaLab is also



leveraging technology to create more equitable healthcare systems.

“The majority of jobs that are not in the clinical space aren't highly paid relative to other industries. If you don't have opportunities for career mobility, you're not allowing your industry to be more diverse,” says Padrón, who notes that better employee education can have wide-reaching effects. “We know that diversity in healthcare can have an impact on health outcomes. But what are we doing to attract them? I think training plays a role.”

When it comes to technology's newest frontier—artificial intelligence—Padrón's is equally optimistic. EmpiricaLab has already found multiple uses for AI, from generating marketing materials to transforming client training manuals into summaries. But what excites Padrón most about AI is its potential to help healthcare workers thrive. “There's burnout in the healthcare workforce, and it's not only on the clinical side. It's also in the admin and the operations,” she says. “So could this be a tool that improves their work experience? I believe it is.”

Research suggests that Padrón's outlook is shared by many Latino business owners: 17% of tech-centric LOBs have implemented AI technologies, compared to just 15% of tech-centric WOBs.

The difference might be connected to gaps in funding, according to Padrón: “Because AI is an accelerator to do more with less capital, the decision process is: ‘Yes, we need to use it, because it can help make everything more effective and go faster.’”

In Padrón’s case, embracing new technology also runs in the family. Her mother, who used to take weekend computer classes on top of a full-time job, encouraged a love of all things digital from a young age. “She gave me all the video games: Nintendo, Super Nintendo, Sega. She used to think that computers and video games would make me smarter,” says Padrón, who laughs at the memory, but then admits: “I think she was right.”



Dr. Norma Padrón, Founder and CEO
EmpiricaLab

Miguel Reyes, CEO
Quesadilla Gorilla



SECTION VI

Immigrant Entrepreneurs

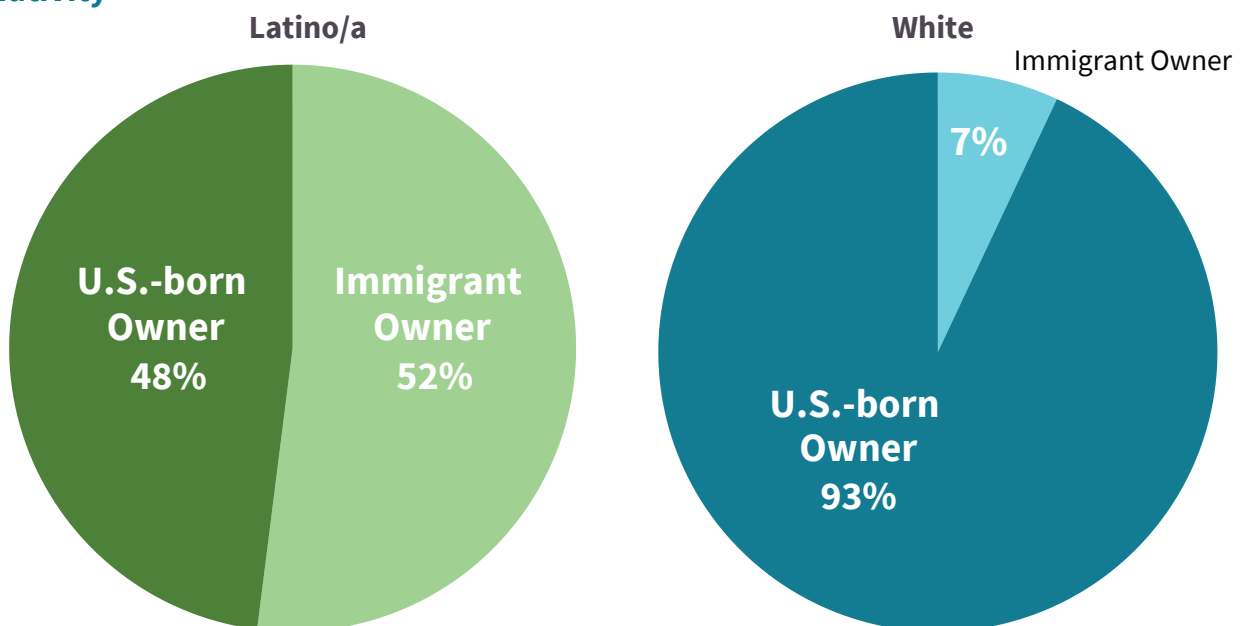


The United States is a mosaic of cultural backgrounds, with immigrants from Latin America being an important part of the U.S. economy. Today, immigrants make up 14% of the U.S. population,²⁷ and nearly 20 million of them report Latin American heritage.²⁸ Additionally, Latino/a immigrants currently account for 32% of the nearly 64 million Latino/as residing in the United States.²⁹

When it comes to entrepreneurship, Latino/a immigrants stand out: Latino/a immigrants over-index in business ownership, representing 52% of all Latino/a-owned firms, compared to just 7% of White-owned businesses that are immigrant-owned, as **Figure 6.1** shows.

Latino/a immigrants over-index in business ownership, representing 52% of all Latino/a-owned firms, compared to just 7% of White-owned businesses that are immigrant-owned.

Figure 6.1
Owners of Employer Businesses by Nativity



SOURCE: Annual Business Survey: Characteristics of Employer Business Owners, 2023

Among Latino-owned businesses, those operated by immigrants experience tougher challenges, reporting more financial struggles and operating less prosperous businesses than U.S.-born entrepreneurs.

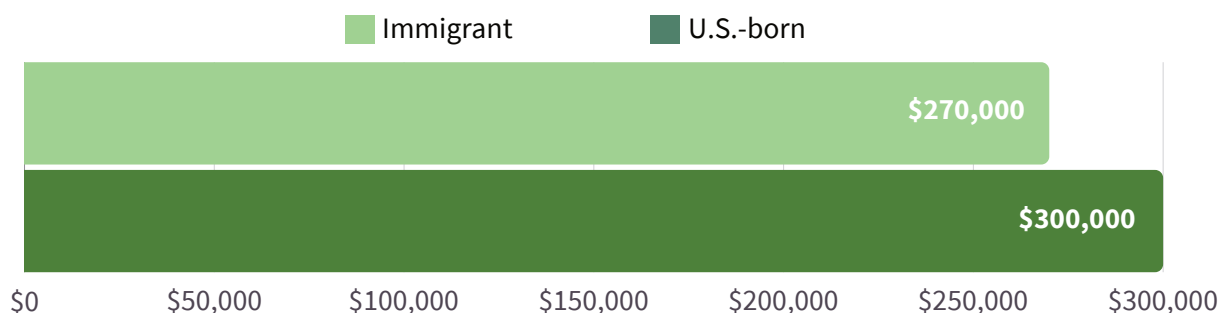
Beyond highlighting the entrepreneurial drive among Latino/a immigrants and their contributions to the U.S. economy, understanding the specific needs and challenges faced by these entrepreneurs can inform targeted actions to ensure a more inclusive ecosystem that leverages the full potential of all business owners regardless of their nativity.

Our research indicates that among Latino-owned businesses, those operated by immigrants experience tougher challenges, reporting more financial struggles and operating less prosperous businesses than U.S.-born entrepreneurs. Additionally, remarkable differences exist in industry sectors between immigrant LOBs³⁰ and U.S.-born LOBs, with immigrant LOBs being more likely to be in consumer-facing businesses, rather than serving other businesses (B2B) or governments (B2G).

Figure 6.2

Median Revenues Among Latino/a-owned Businesses by Owner's Nativity

Median Revenue, U.S.Born and Immigrant



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

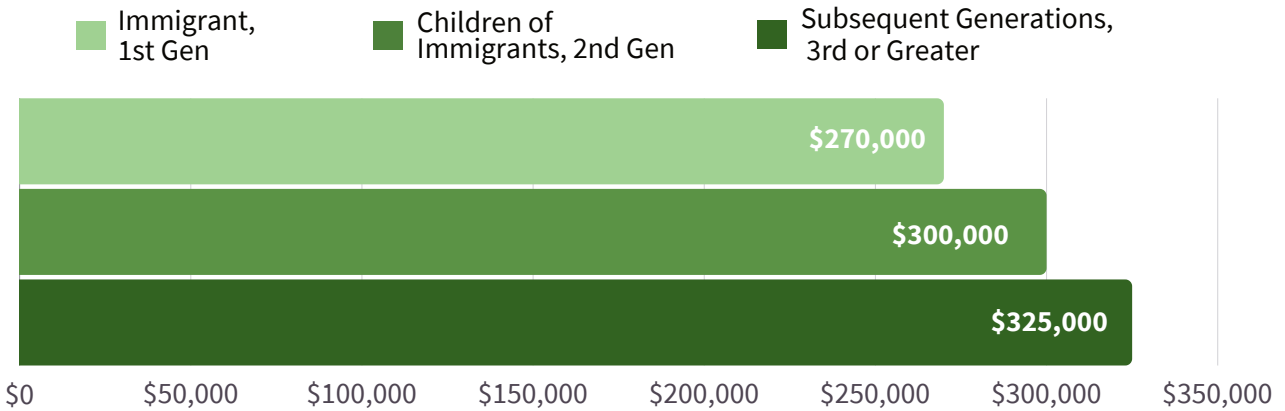
6.1 Revenue, growth, and financial health

Latino/a entrepreneurs who own employer businesses report lower annual revenues and slower revenue growth than firms owned by U.S.-born LOBs. The economic performance of LOBs tightly correlates with the generational status of their owners. As **Figure 6.2** shows, immigrant LOBs report median annual revenues of \$270,000, approximately 20% lower than businesses owned by U.S.-born Latinos. When diving deeper into generational differences, we observe that this pattern persists among children of immigrants and subsequent generations. The median annual revenues for businesses owned by U.S.-born children of immigrants is \$300,000, compared to \$325,000 for those owned by subsequent generations.

Revenue growth rates also show connections to the owners' nativity. Between 2020 and 2023, immigrant LOBs showed an 8.4% compound annual growth rate (CAGR), compared to 10.1% among U.S.-born LOBs. Similarly, immigrant LOBs showed a 5.5% median 5-year CAGR, whereas U.S.-born LOBs had an 8.0% CAGR in the same period (**Figure 6.3**).

30. Immigrant and foreign-born are used interchangeably. The term "immigrant LOB" refers to an employer firm owned by a Latino/a immigrant. See more information in A.2 Glossary of Terms.

Median Revenue By Immigrant Generation

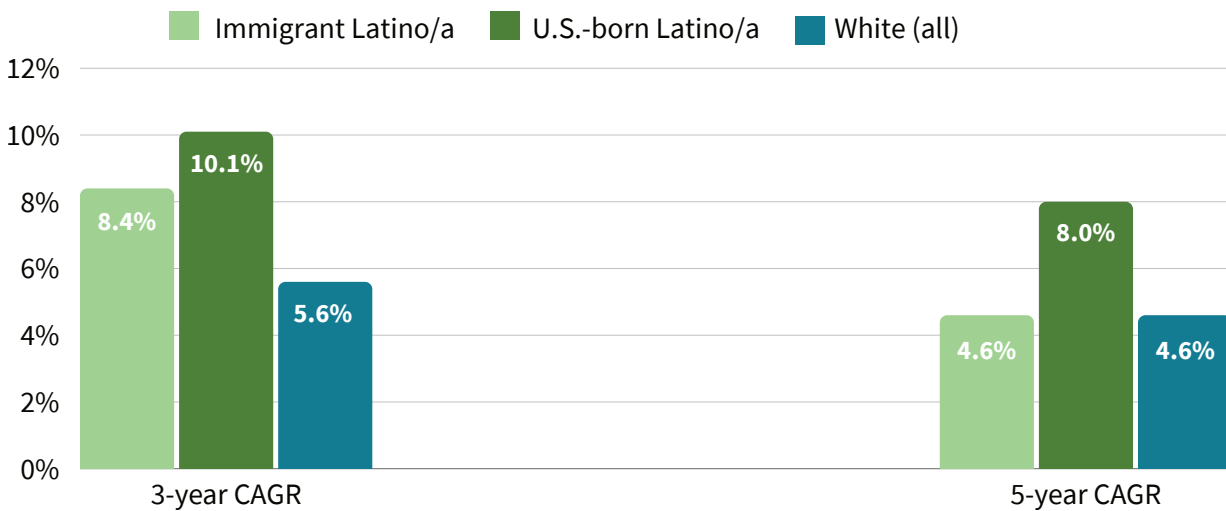


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

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Figure 6.3

Revenue Growth (median CAGR)

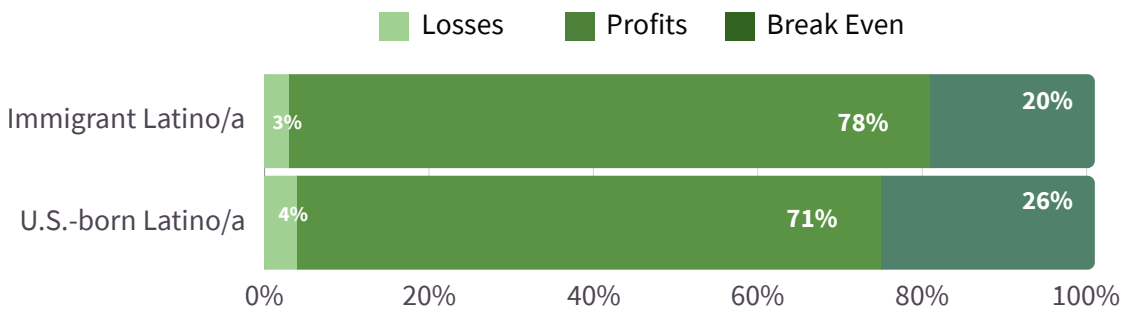


SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Despite their lower annual revenues and slower revenue growth, immigrant LOBs report some healthy business metrics. Immigrant LOBs are slightly more likely to report operating profitably than their US-born LOB counterparts (**Figure 6.4**), have similar liquidity to non-immigrant LOBs (42% of immigrant LOBs and US-born LOBs have sufficient cash-on-hand to operate for 3 or more months), and are equally likely as US-born LOBs to report that their businesses are healthy (67% immigrant LOBs and US-born LOBs).

Figure 6.4

Reported Profitability by Owner's Nativity



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

6.2 Different industries

The industry distribution of immigrant LOBs differs from those owned by children of immigrants and by subsequent generations. The accommodations and food services sector emerges as the predominant industry for immigrant LOBs, with construction and professional/scientific/technical services (10%) following closely (Figure 6.5). In contrast, the top industries among U.S.-born LOBs are construction; administrative, support, waste management, and remediation services; and professional, scientific, and technical services (11%).

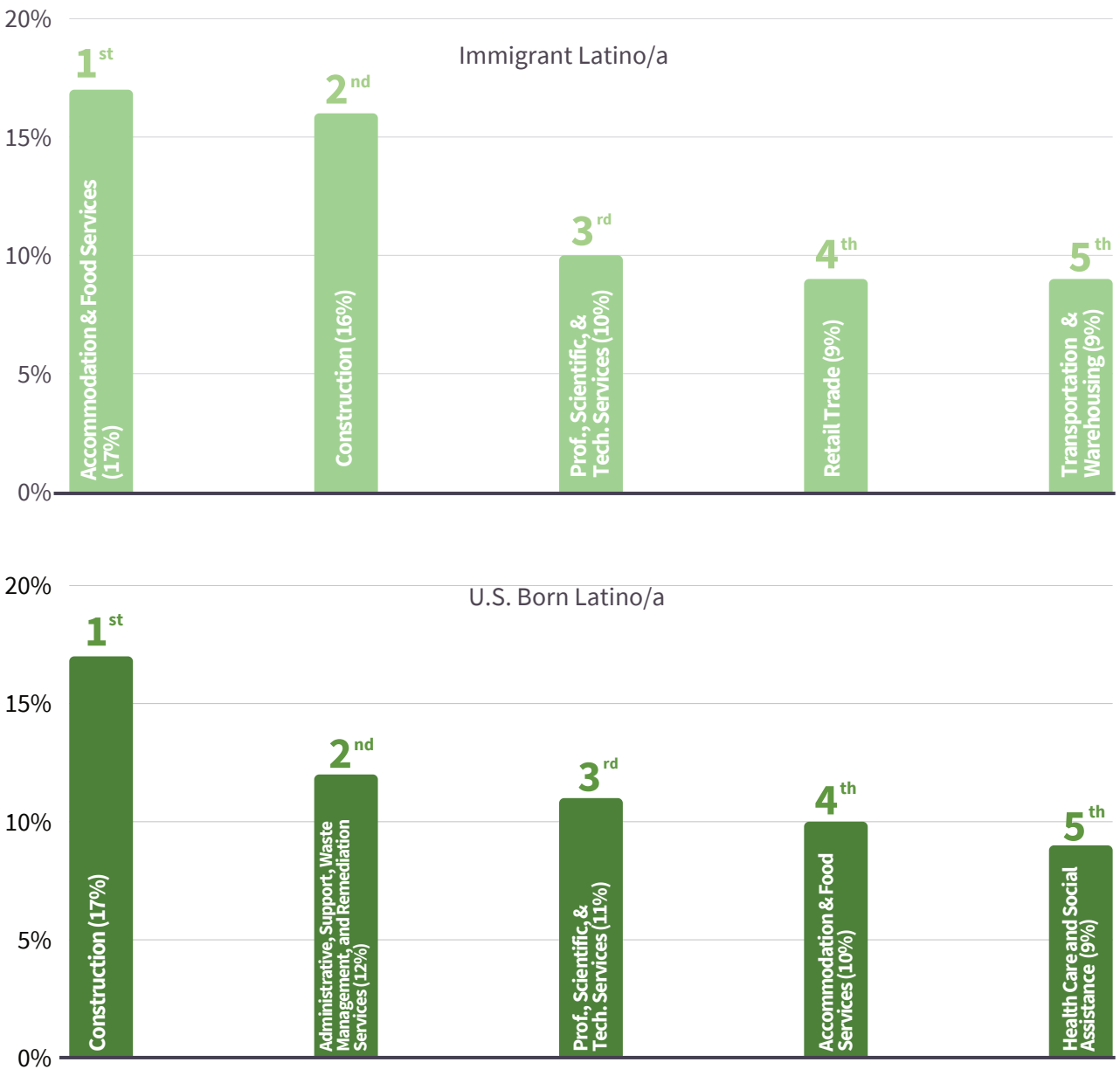
Industry distribution also varies across generations. As Figure 6.6 shows, the longer Latino entrepreneurs have been in the country (e.g. children of immigrants and subsequent generations), the less likely they are to be in the accommodation and food services industry. Conversely, the longer LOBs have been in the country, the more likely they are to be in the health care and social assistance sector.



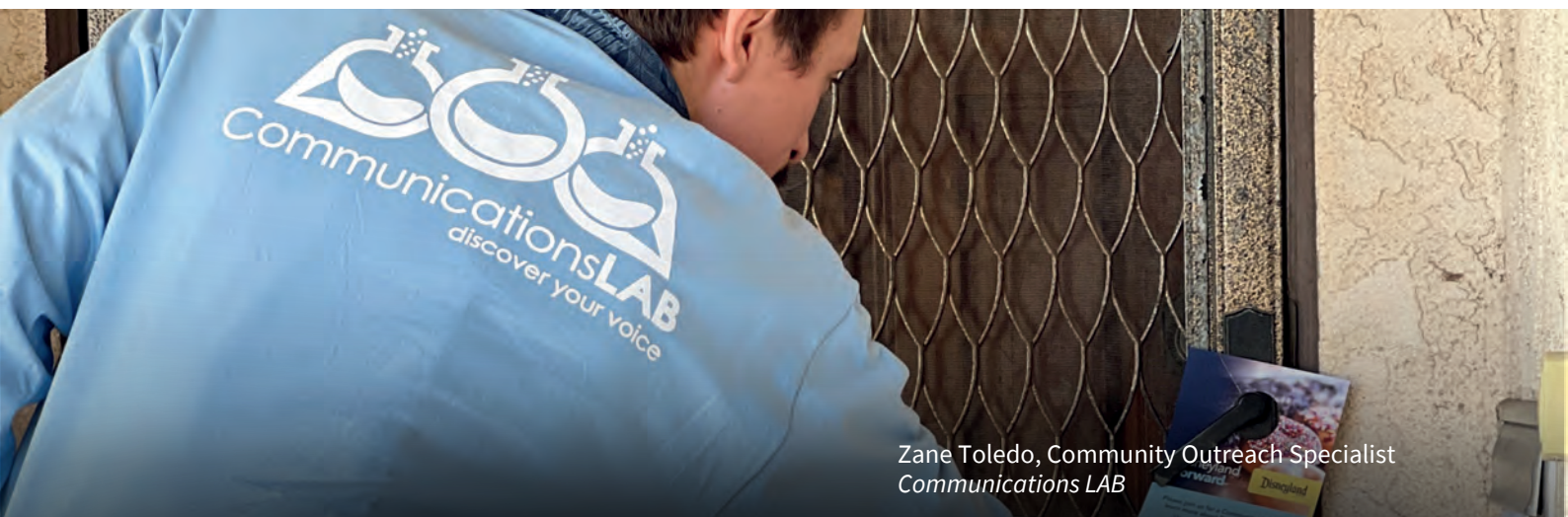
Agustín Capobianco, Head of Product Prisma

Figure 6.5

Top Industries by Owner's Nativity

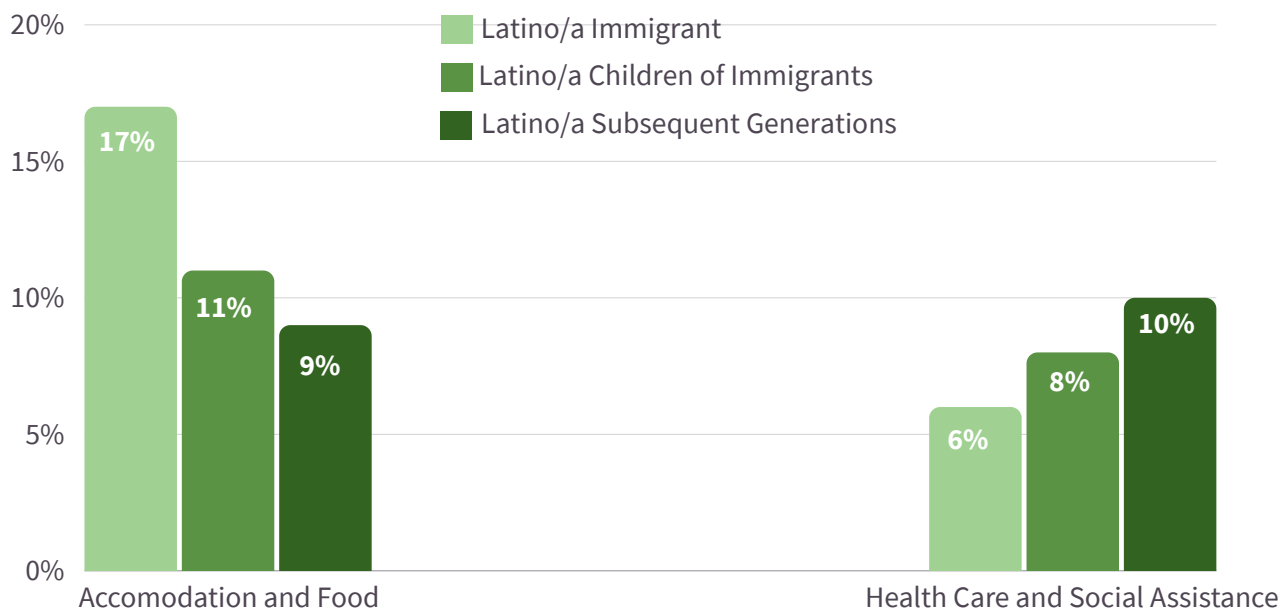


SOURCE: SLEI Survey of U.S. Business Owners, 2023.



Industry distribution also varies across generations. As **Figure 6.6** shows, the longer Latino/a entrepreneurs have been in the country (e.g. children of immigrants and subsequent generations), the less likely they are to be in the accommodation and food services industry. Conversely, the longer LOBs have been in the country, the more likely they are to be in the health care and social assistance sector.

Figure 6.6
Business Sectors by Owner’s Generation



SOURCE: SLEI Survey of U.S. Business Owners, 2023.



Marianne Despres, Founder and CEO
El Sur

These trends show the evolving business acumen and sectoral diversification across LOBs, highlighting the dynamic nature of entrepreneurial pursuits within the Latino/a community.

6.3 Accessible markets

Access to government and corporate contracts can be pivotal for some American businesses as it has the potential to enable entry into broader markets, thereby promoting growth, scalability, and economic resilience.³¹

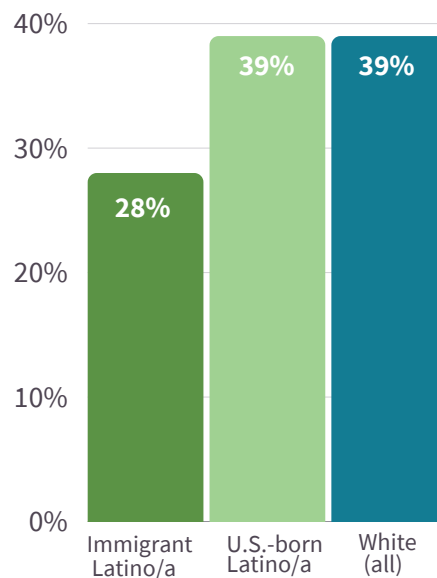
Diversification into business-to-business (B2B) and business-to-government (B2G) can potentially lead to increased stability and revenue. These markets often offer larger

contract opportunities and recurring revenue streams, which are less susceptible to consumer market volatility.³² Moreover, engaging in B2B or B2G can enhance a company's credibility and reputation, opening doors to new partnerships and scaling opportunities.

Our research finds that immigrant LOBs are the least likely to report B2B as primary customers when compared to U.S.-born LOBs and WOBs in general. As shown in **Figure 6.7**, only 28% of immigrant LOBs report B2B as primary customers, compared to 39% among US-born LOBs and WOBs in general.

Figure 6.7

Proportion of Businesses Reporting Other Businesses (B2B) as Primary Customers

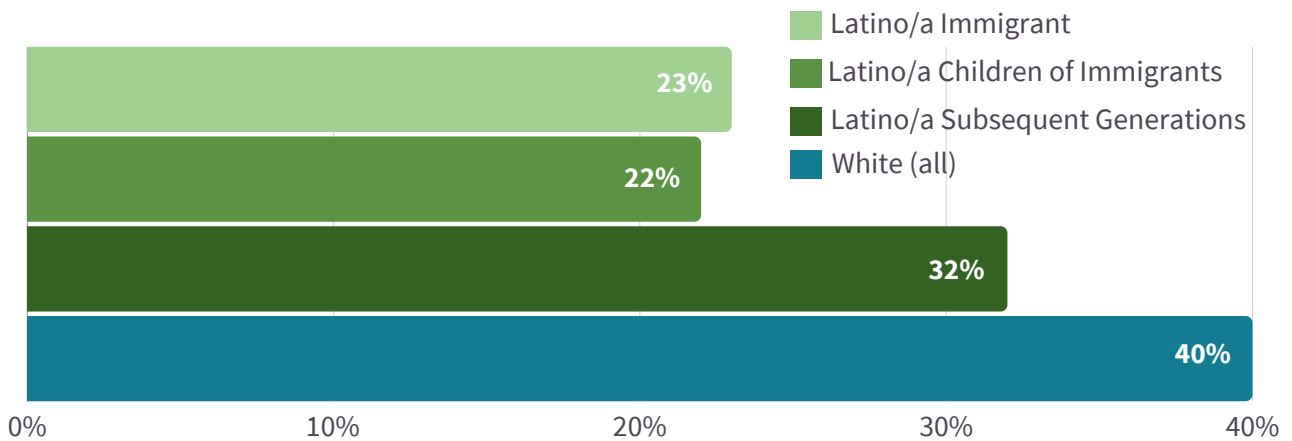


SOURCE: SLEI Survey of U.S. Business Owners, 2023.



Figure 6.8

Percent of Businesses that Secured Contracts from Governments and/or Corporations among Contract Seekers



SOURCE: SLEI Survey of U.S. Business Owners, 2023.

Along the same lines, there are nativity gaps when it comes to pursuing contract opportunities, with US-born LOBs being more likely to actively seek government and/or corporate contracts than immigrant LOBs. The results of our survey show that while only 9% of immigrant LOBs pursued procurement opportunities in 2023, US-born LOBs were almost as likely as WOBs to be actively pursuing contracts as WOBs (13% US-born LOBs, 12% WOBs).

Among those who actively sought government and corporate contracts, the extent of success varies notably across generations among LOBs. **Figure 6.8** shows that both immigrant LOBs and LOBs owned by children of immigrants experience lower contract acquisition rates than LOBs from subsequent generations (third generation and beyond). Although this trend reflects a significant generational shift, contracting acquisition rates are persistently lower than WOBs, highlighting chronic disparities in contract attainment.



Jessica Acosta, CEO and Founder
Environmental Consulting Services

Among those who actively sought government and corporate contracts, the extent of success varies notably across generations among Latino/a entrepreneurs.

These findings provide an understanding on the gaps facing Latino immigrant entrepreneurs accessing markets other than direct consumers (B2C) . The lower engagement of immigrant LOBs in diverse markets (e.g. B2B and B2G) compared to their U.S.-born counterparts suggests that significant growth potential may be unlocked. These gaps, however, also reflect the necessity for concerted efforts to bridge the gap in procurement opportunities, which have the potential to not only benefit the entrepreneurs themselves but also stimulate broader economic growth and development across the country.

Megan Gonzalez, Emerie Casillas, and Emerie Casillas, HR Partners
BEPC, Inc.



Entrepreneur Spotlight: Raul Lomeli

Ask Welcome Tech co-founder Raul Lomeli about his life story, and he'll start by telling you he was born in the month of August. It might sound like a minor detail—at least, until Lomeli explains how his birth date set the course of his entire future.

August happens to fall during harvest season in California's San Joaquin Valley. Lomeli's parents were migrant workers who traveled there from Mexico every year to help commercial farms with crops like cherries and bell peppers. Had Lomeli been born a few months earlier or later, he would have arrived in their hometown of Tepic, Mexico. Instead, he was born on American soil and granted citizenship, a stroke of fate that would define his life. "I have many friends that deserved the same opportunities that I got, but they were born in the wrong month of the year," says Lomeli, who grew up primarily in Mexico and moved to the States as an adult. "I had a much different trajectory just because I happen to have a little paper that verifies that I was born in the US."

That trajectory saw Lomeli study at UCLA and work as a VP at Wells Fargo before co-founding Welcome Tech and its consumer-facing product, SABEResPODER, which connects Spanish-speaking immigrants with services and practical information about living in the US. Originally conceived as a non-profit, the organization succeeded so well with corporate sponsors that Lomeli and his co-founder, Amir Hemmat, decided to relaunch as a for-profit enterprise in 2018. But from the beginning, Lomeli knew what he wanted to accomplish—and why. "I always understood that I am privileged," he says. "I've always known my debt to my community and to society. So [my question has] always been, 'How can I provide the opportunities to the community that looks like me?'"

SABEResPODER has done just that, amassing more than 4.3 million registered users who rely on it for everything from banking tools to oral hygiene advice. Revenue has increased each year,



"Foreign-born [entrepreneurs] most likely haven't had that network, so they need to bootstrap it, and they become a more family-owned business." Lomeli's experience is in line with recent research: Among Latinx-owned businesses (LOBs), those owned by the children of immigrants have higher annual revenue and CAGRs than those owned by immigrants. And the differences don't stop there. The longer Latinx owners have been in the US, the more likely it is that their businesses are in the health care and social assistance industry, like SABEResPODER.

First and second-generation immigrants are also the least likely to secure contracts from corporations and the federal government—although Lomeli and his company have bucked that trend, landing contracts with companies that have large numbers of Spanish-speaking employees. Governments are eager to work with SABEResPODER too; the company's videos already play on closed-circuit TVs in most Latin American consulates in the US.

For Lomeli, this success is proof that his parents were right when they told him that America could be the "land of opportunity"—both for him and his community. "In the movies, the American dream is very individualized. It's 'me, me, me,'" he says. "The American dream of immigrants is a communal dream. It's about, 'Okay, I made it. I need to bring my mom, my uncle, my brother.' That's why the American dream is made even more beautiful, more robust, by immigrants."

Manuel Betancourt Montoya, CEO
Manolo's Bakery



SECTION VII

Conclusion



Data from 2023 SLEI Survey of U.S. Business Owners and the U.S. Census Bureau highlights significant progress in various aspects of Latino/a entrepreneurship in America, notably in growth, innovation, and diversity. The Latino/a community's substantial economic contribution and expanding business landscape underscore its vital role in the national economy. Nonetheless, challenges persist, particularly for Latina-owned businesses, tech-centric firms, and immigrant business owners, facing issues like lower revenue, financing difficulties, and barriers to government and corporate markets.

Based on the existing strengths and challenges U.S. Latino/a employer businesses face, we provide a series of recommendations to tap into the full potential of Latino/a-owned businesses and foster a more inclusive and prosperous economic environment:

Enhancing access to capital. Given the critical role of Latino/a-owned businesses in the U.S. economy, their continuous growth, and their untapped potential for even greater impact, it is imperative to improve their access to financing. Creatively tailored financial products and services could bridge the gap, particularly for smaller operations and those facing the highest barriers such as Latina entrepreneurs and tech-centric firms.

Expanding access to government and corporate markets. Developing programs aimed at aggressively increasing the participation and contract size among Latino/a-owned businesses – especially immigrant and female-owned – in government and corporate contracting has the potential to ameliorate the revenue gaps experienced by these two groups of entrepreneurs. Making the contracting process accessible and more equitable, and providing targeted training on bidding for contracts can help Latino/a and minority-owned businesses tap into new growth opportunities.

Supporting innovation and technology adoption. While Latino/a-owned businesses that (1) generate \$1M or more in annual revenues and (2) are primarily engaged in selling or developing technology or software products and related services (tech-centric) lead in the adoption of Artificial Intelligence (AI) technologies, more employer firms can benefit from innovative approaches to enhance business operations. Hence, encouraging and facilitating the broader implementation of AI and other technologies among Latino/a-owned firms can propel them to new heights of competitive advantage. Programs offering technological guidance, resources, and funding can ensure these businesses continue to lead in innovation.

Fostering and strengthening ecosystems for entrepreneurial diversity. Recognizing the varied experiences of women, tech-centric businesses, and immigrant entrepreneurs within the Latino/a community can help create targeted support structures to address their specific challenges. Initiatives that provide mentorship, networking, and educational resources tailored to these subgroups can promote a more inclusive entrepreneurial ecosystem, leveraging the full spectrum of Latino/a entrepreneurship for enhanced economic growth.

We hope the findings of this report help inform policymakers, lenders, investors, entrepreneurs, supportive entities, and the public, about the strength and challenging realities of Latino/a-owned businesses in the United States and, that they spark discussions towards data-driven decisions, policies, and programs that enhance Latino/a and minority-owned business success.



Jessica Acosta, CEO and Founder
Environmental Consulting Services

APPENDIX

A. METHODOLOGY

OVERVIEW OF THE SLEI SURVEY OF BUSINESS OWNERS

Since 2015, the Stanford Latino Entrepreneurship Initiative has collected and analyzed survey data on Latino/a-owned businesses across the United States and Puerto Rico, presenting the most salient insights in the State of Latino Entrepreneurship report. To provide context and comparative analysis, the study also includes data from non-Hispanic White business owners. To be considered for the Latino/a business owner sample, respondents must answer these questions affirmatively: (1) Are you a business owner with 50% or more ownership, and (2) are you of Latino/a or Hispanic origin. Latino/a business owners are of any race, whereas White business owners must indicate they are not Latino/a or Hispanic. Our analysis specifically targets employer businesses, as detailed in the "About this Report" section, and only considers those with an annual revenue exceeding \$10,000 to parallel Census survey criteria.

The SLEI Survey of Business Owners was conducted in English and Spanish to capture a wider segment of U.S. Latino/as from July 11 to September 16, 2023. The survey was administered online with an average completion time of 14 minutes and 43 seconds (median 11 minutes and 10 seconds). Respondents were obtained through proprietary Qualtrics business panels. The sample size is 10,126, consisting of 5,024 White business owners and 5,102 Latino/a business owners.

We report findings based on statistically significant differences when comparing multiple groups and note places where there are no differences from a statistical vantage point. Within our study, outliers in continuous variables were systematically identified and excluded to ensure the statistical robustness and reliability of our analyses. The SLEI survey has an overall margin-of-error of +/-1% at the 95% confidence level.

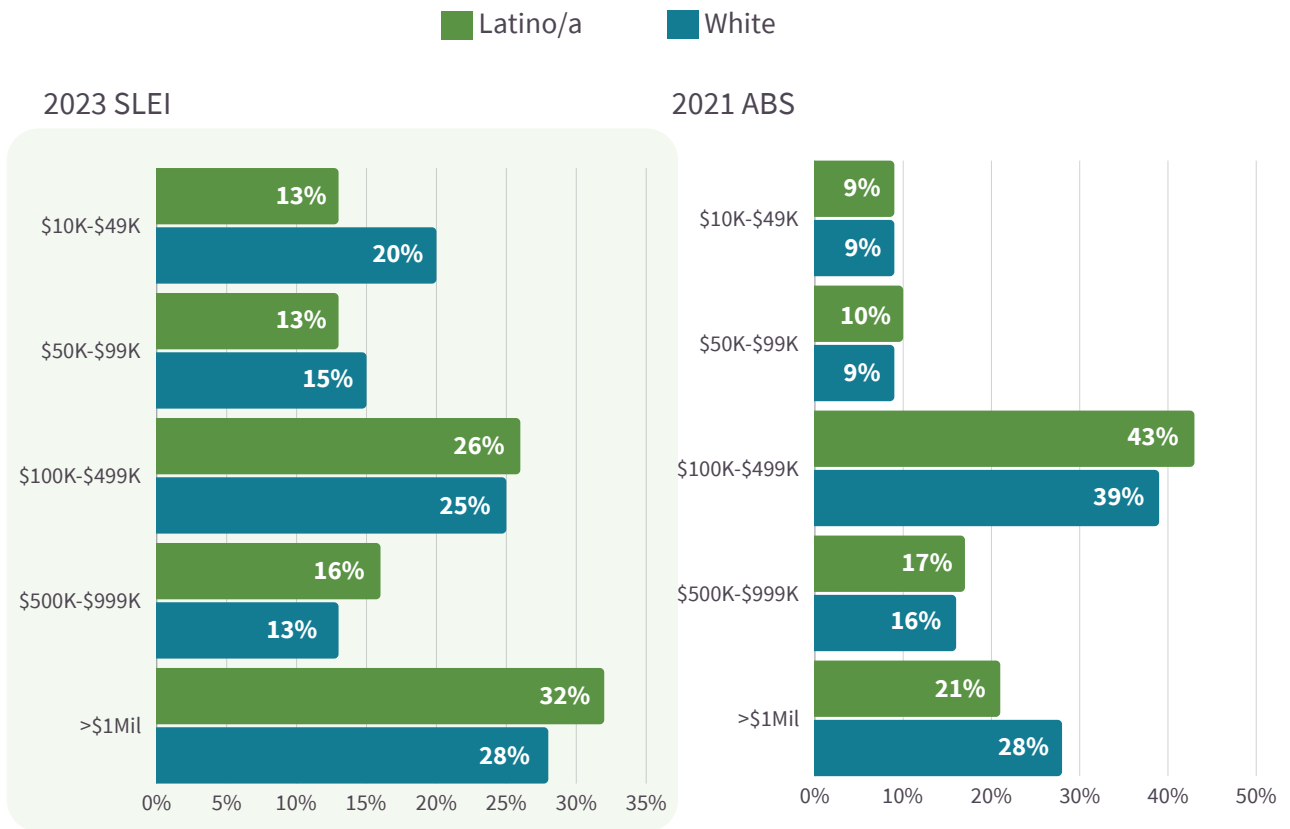
POST-STRATIFICATION WEIGHTS

We employ post-stratification weights to account for differences in sample sizes and different indicators to have estimates that are proportional to the national population of each group. Specifically, we use the raking technique, which uses iterative post-stratification weights to match the marginal distributions of each survey sample to known population margins. To enhance the analyses of Latino/a owned businesses and the subgroups of interest, we broadened the range of indicators used in our weighting process. Hence, we stratify based upon industry, region (states and rural/urban classification), firm size (employees and revenue), years in business, gender, and nativity of business owners. We then compare the group of businesses in each stratum to the comparable population of businesses in the nation.

All samples were compared to the 2023 U.S. Census Annual Business Survey (ABS). Our samples are generally representative of employer businesses at large in terms of industry, geography, and age of business. Our data was systematically designed to contain oversamples of female-owned businesses (43%) and technology-centric firms (29%) similarly distributed among Latino/a and White business owners. **Figure A.1** compares the business revenue between the unweighted 2023 SLEI survey and the 2023 ABS.

Figure A.1

2023 Unweighted SLEI Survey Compared to 2023 ABS (business revenue)



John Rivera
Babco Services

B. GLOSSARY OF TERMS

- **BUSINESS ECOSYSTEM:** A network of individuals and organizations that work together toward shared goals, facilitate joint learning, and engineer effective ways to capture profit. While some business ecosystems evolve through happenstance, others are created through intentionality and the organized work of a lead firm.
- **BUSINESS-TO-BUSINESS (B2B):** A business that sells products or services to other businesses.
- **BUSINESS-TO-CONSUMER (B2C):** A business that sells products or services directly to consumers.
- **BUSINESS-TO-GOVERNMENT (B2G):** A business that sells products or services to federal, state, or local agencies.
- **EMPLOYER BUSINESS:** A business or firm that has employee(s) on payroll. These firms are poised to have the greatest impact on the economy and job creation compared to non-employer firms.
- **ENTREPRENEUR:** Someone who starts or owns a business, regardless of industry or business idea. Used interchangeably with business owners.
- **FEMALE LOBs:** Employer firms generating at least \$10,000 in annual revenue owned by Latinas (women).
- **FEMALE WOBs:** Employer firms generating at least \$10,000 in annual revenue owned by White women.
- **IMMIGRANT GENERATION(S):** Categorization of individuals based on their nativity backgrounds and that of their ancestors. For this study, we analyze three immigrant generations: (1) **first-generation or immigrants**, who were born outside of the 50 U.S. states; (2) **second-generation or children of immigrants**, who were born in the United States to foreign-born parent(s); and (3) **third and subsequent generations**, who both their parents and themselves were born in the United States.
- **IMMIGRANT LOB:** A Latino/a immigrant entrepreneur who owns an employer business generating at least \$10,000.
- **LATINO/A-OWNED BUSINESS (LOB):** Firms with 50% or more ownership corresponding to an owner(s) who identifies as Latino/a or of Hispanic origin regardless of their race or gender. To parallel U.S. Census parameters, in this report, we define LOB as employer businesses generating at least \$10,000 in annual revenue. The term is inclusive of firms owned by Latina (women) and Latino (men) entrepreneurs.
- **MALE LOBs:** Employer firms generating at least \$10,000 in annual revenue owned by Latinos (men).
- **MALE WOBs:** Employer firms generating at least \$10,000 in annual revenue owned by White men.
- **NON-EMPLOYER FIRMS:** Business owners with no paid employees (non-employer firms), annual business receipts of \$1,000 or more (\$1 or more in the construction industry), and subject to federal income taxes. These entrepreneurs make up three-quarters of all U.S. businesses but account for only about 3% of business receipts, according to the SBA. This term is used interchangeably with solopreneurs.
- **SCALED BUSINESS:** A firm that is generating at least \$1 million in annual gross revenue.
- **TECHNOLOGY-CENTRIC BUSINESS:** Employer firms generating at least \$10,000 in annual revenue that is primarily engaged in selling or developing technology or software products and related services. While our definition of technology-centric or tech-centric businesses includes those commonly recognized as tech startups or those eligible for venture capital investment, it also encompasses a broader range of firms engaged in technology and software product sales or development, and related services.
- **UNSCALED BUSINESS:** A firm that is not yet generating at least \$1 million in annual revenue.
- **U.S.-BORN LOB:** a Latino/a entrepreneur who was born in the 50 U.S. states or Washington, D.C., and owns an employer business generating at least \$10,000.
- **WHITE-OWNED BUSINESS (WOB):** Firms with 50% or more ownership corresponding to an owner(s) who identifies as non-Hispanic White regardless of their gender. To parallel U.S. Census parameters, in this report, we define WOB as employer firms (with at least one employee on payroll besides the owner(s) generating at least \$10,000 in annual revenue. The term is inclusive of firms owned by both White women and White men.

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