

# STATE OF LATINO ENTREPRENEURSHIP 2016



Research Report  
Stanford Latino  
Entrepreneurship  
Initiative

**STANFORD**  
**BUSINESS**

GRADUATE  
SCHOOL OF

Latino Entrepreneurship  
Initiative



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# ABOUT THIS REPORT

With this report, the Stanford Latino Entrepreneurship Initiative (SLEI) shares research from its 2016 Survey of U.S. Latino Business Owners. By examining issues specifically related to Latino entrepreneurs and the state of Latino-owned businesses, this report expands upon existing studies, including the 2015 State of the Latino Entrepreneurship report. Our data comes from a new, unique survey on U.S.-based Latino entrepreneurs meant to supplement and extend data available through the Kauffman Foundation and U.S. Census Bureau. The report and data provide academic researchers, policymakers, and business leaders with insights on U.S. Latino-owned businesses and the barriers they face to economic success.

SLEI is an initiative housed within the Stanford Graduate School of Business (Stanford GSB), and is led collaboratively by Stanford GSB and the Latino Business Action Network (LBAN). SLEI explores and expands our knowledge of the Latino entrepreneurship segment in the U.S. economy through research, knowledge dissemination, and facilitated collaboration.

## **The initiative aims to:**

- Grow the research database of more than 1.3 million U.S. Latino-owned businesses and survey panel of over 4,900 independent companies
- Advance knowledge and discourse by disseminating the results of research findings
- Provide educational opportunities for Latino entrepreneurs



# REPORT CONTRIBUTORS

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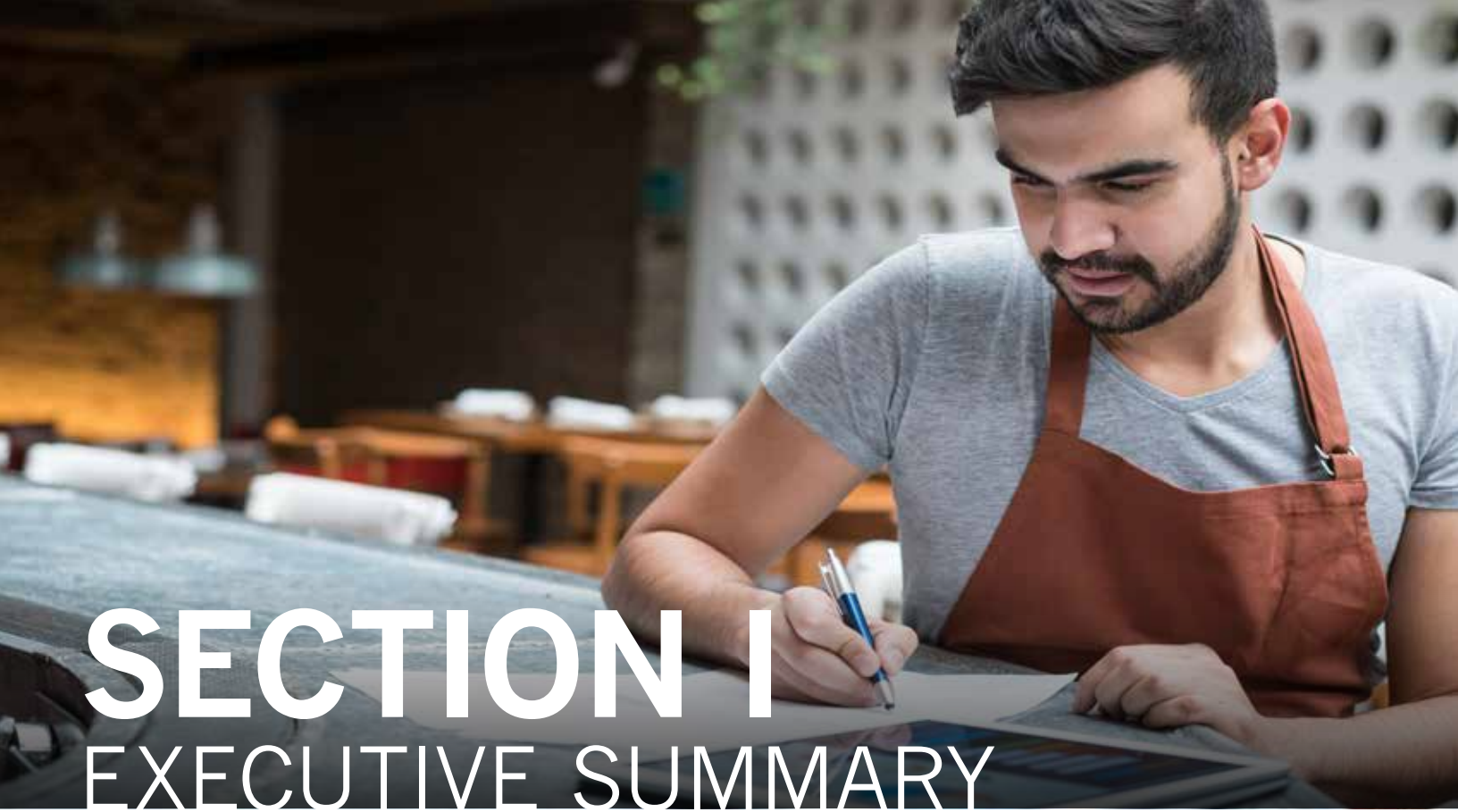
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# SECTION I

## EXECUTIVE SUMMARY

### THE KEY INSIGHTS

- Latino firms are located all over the U.S., with 75 percent in majority non-Latino neighborhoods serving mostly non-Latino customers, and 60 percent of all firms are located in four states
- Immigrants own 29 percent of Latino firms, with 40-50 percent being businesses with more than \$1 million in revenue and more than 50 employees
- Scaled firms are more integrated into the ecosystem, as shown by their numerous formal business memberships
- 50 percent of Latinos at both startup and growth-stages solely utilize internal funding sources regardless of their size
- Of the firms that received external funding, one-third use bank and business loans at the early stage, while two-thirds use bank and business loans at the growth-stage

Remarkably, growth in the number of Latino-owned firms (hereafter, “Latino firms”) in the United States is outpacing growth in number among other firms. This high business creation rate is unique in the U.S. because the five-year average growth rate in the number of Latino firms has remained at double or triple that of the national average for the past fifteen years. This growth presents a great opportunity to expand the U.S. economy. If the number of Latino firms remained the same but their average sales mirrored that of non-Latino businesses, we could expect the impact to be an increase of 1.3 trillion dollars in sales.

This research report describes key findings from the second annual Stanford Latino Entrepreneurship Initiative (SLEI) 2016 Survey of Latino Business Owners. Through data collection led by Stanford faculty and researchers, this survey reached a national sample of over 4,900 Latino-owned businesses. The survey data provides much needed insights into all aspects of business operations and a deep dive into business strategies related to firm growth. Our research report focus is on providing an accurate and detailed profile of Latino firms as well as information on how scaled Latino firms differ from all the rest.



# SECTION II

## INTRODUCTION

Latino firms continue to be created at faster rates than the national average. While new business creation slowed through the recession overall, Latinos continued to create firms at similarly high rates as before. The 2012 Census counted 3.3 million Latino firms, making up 12 percent of all U.S. firms. Projections show that, continuing at their faster than average creation rates, there will be an estimated 4.23 million Latino firms at the end of 2016.

However, the average Latino firm continues to be smaller than other firms. Latino firms, for instance, made one-quarter of what non-Latino firms made in sales in 2012. The sales that Latino firms generate, versus what they would generate if on par with the average non-Latino business, present an opportunity gap of \$1.38 trillion in the U.S. economy.

### WHAT SETS SCALED LATINO FIRMS APART FROM THE REST?

Answering this question means identifying unique characteristics of and business strategies enacted within both small and large Latino firms. More broadly, practitioners and policymakers may find the insights useful for understanding what is at the root of the opportunity gap.

In this report, we use our 2016 Survey of Latino Business Owners to explore the profile of Latino firms and how scaled Latino firms differ from the rest. Our dataset contains responses from over 4,900 Latino business owners nationwide. See Appendix A for more about the dataset and the methodology used in this report.

#### SCALED FIRMS =

\$1M+ Annual Revenue  
or 50+ Employees  
or Increase in Employee  
Count Level

First, we provide an overview of the average Latino firm. We reiterate findings from last year's report while adding detailed data on topics such as geographic location and immigrant status. Second, we compare scaled Latino firms to the rest to identify the unique characteristics of these companies. "Scaled" can be indicated by a number of measures and here we use three different indicators: revenue level, employee count, and changes in employee count level. A firm is considered "scaled" if it has one of the following: the owner reports earning at least \$1 million in annual revenue, employs at least 50 people, or has increased their employee count substantially over the past five years. More details are available in Appendix A.

This report should provide an enhanced understanding of Latino firms, how scaled Latino firms differ from other Latino firms, and knowledge about Latino entrepreneurs in the U.S.





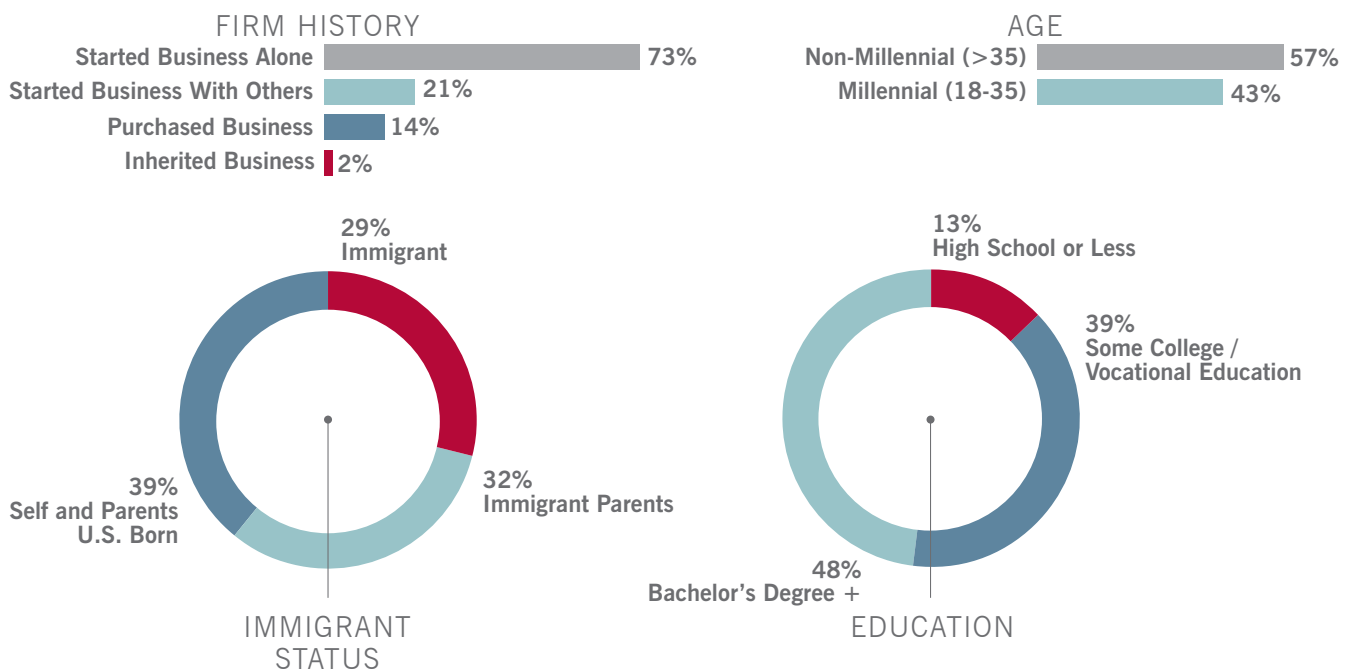
# SECTION III

## THE LATINO-OWNED FIRM PROFILE

Although Latino firms are a growing proportion of U.S. businesses, there is little quality data about the business owners themselves or the characteristics of their firms. Last year's report focused on comparing and contrasting Latino and non-Latino firms on a number of business characteristics measured in U.S. Census data. In this report, we focus on providing an in-depth look at only Latino firms, using our unique dataset of 4,900 Latino business owners. All data is weighted to reflect the population of Latino firms and reduce bias related to our sampling strategy (see Appendix A).

Our data shows that the entrepreneurial spirit is alive and well, particularly among U.S.-born Latinos. About **70 percent of Latino firms are owned by people born in the United States**. In other words, two out of three businesses are owned by U.S.-born Latinos while one out of three are owned by immigrant Latinos. There is also evidence of entrepreneurial ambition among the millennial generation and adults with varied levels of education. We find that close to half of Latino owners are millennials (ages 18-35) and almost half hold at least a four-year college degree. This is over twice the national percentage, suggesting that Latino business owners skew younger. These ambitions are readily manifested in how Latinos start their companies: three-quarters of Latino owners report initially founding their businesses by themselves.

FIGURE 1: FIRM OWNER DEMOGRAPHIC CHARACTERISTICS



## LATINO FIRMS ARE SPREAD ACROSS DIVERSE COMMUNITIES

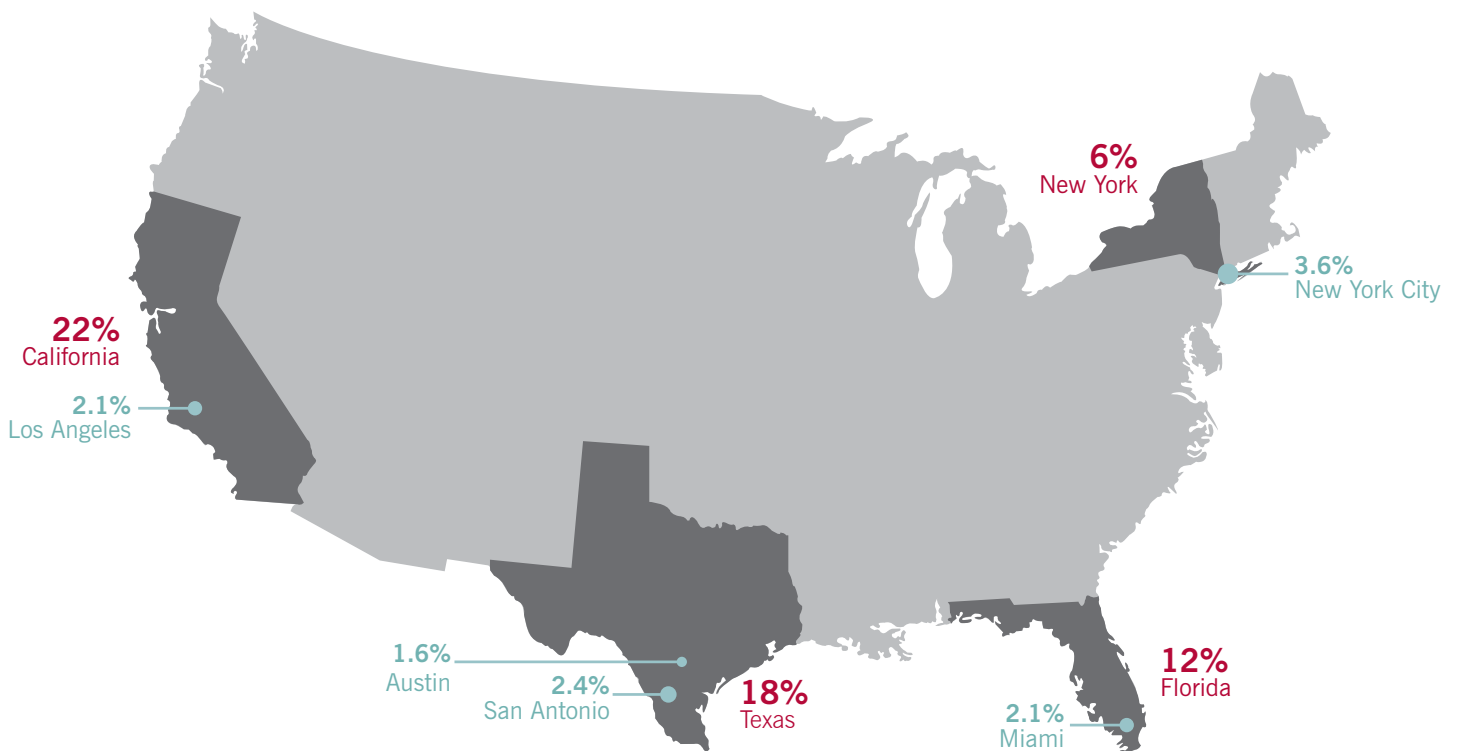
Latino firms are geographically concentrated in a few states, but are spread across Latino and non-Latino communities in all states. We find that **almost 60 percent of firms are located in four states:** California, Texas, Florida, and New York. At a more detailed geographic level, **one in nine firms is in one of five cities:** New York City, San Antonio, Los Angeles, Miami, or Austin. These states and cities are well known for their large Latino populations, so the concentrations do not come a surprise.

Perhaps more surprisingly, we do not find that Latino firms are concentrated in just Latino neighborhoods. 75 percent of Latino firms are in a majority of non-Latino neighborhoods, outside of Latino enclaves. **Less than one-quarter of firms are in majority Latino neighborhoods** and a majority of firms report that over half of their clients or employees are non-Latinos. Together, these statistics tell us Latino firms serve a broader constituency than just Latinos, and that an increase in their wealth would impact more than just the Latino community.

## FIGURE 2: GEOGRAPHIC LOCATION CHARACTERISTICS

Proportions of Latino Firms in a Location

■ TOP FOUR STATES ■ TOP FIVE CITIES



**23%** = Proportion of firms in zip codes where **more than 50 percent** of the population is Latino

**47%** = Proportion of firms in zip codes where **more than 25 percent** of the population is Latino

**74%** = Proportion of Latino firms **servicing** mostly non-Latino clients

**54%** = Proportion of Latino firms **employing** mostly non-Latino workers



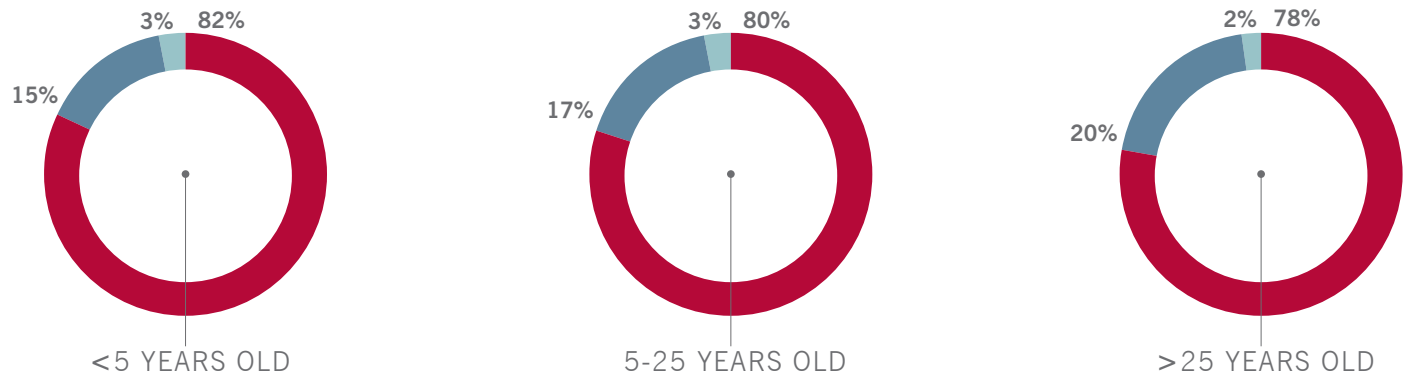
## LATINO FIRMS CHANGE LITTLE WITH AGE, BUT ARE IN GROWING INDUSTRIES

Most Latino firms earn less than \$100,000 in annual revenue and do not have any employees. Only 3 percent of Latino firms earn \$1 million or more in revenue. This is expected since Latino firms tend to earn less revenue and have fewer employees than non-Latino firms, as shown by U.S. Census Bureau data. Even so, Latino firms are distributed across a variety of industries and most concentrated in industries with the highest growth rate (see the 2015 SOLE Report for more information). Less than one-quarter of Latino firms are in construction or manufacturing and even fewer are in leisure or hospitality, combating common stereotypes of Latinos owning mostly restaurants and construction-related firms.

### FIGURE 3: FIRM CHARACTERISTICS ACROSS MATURITY

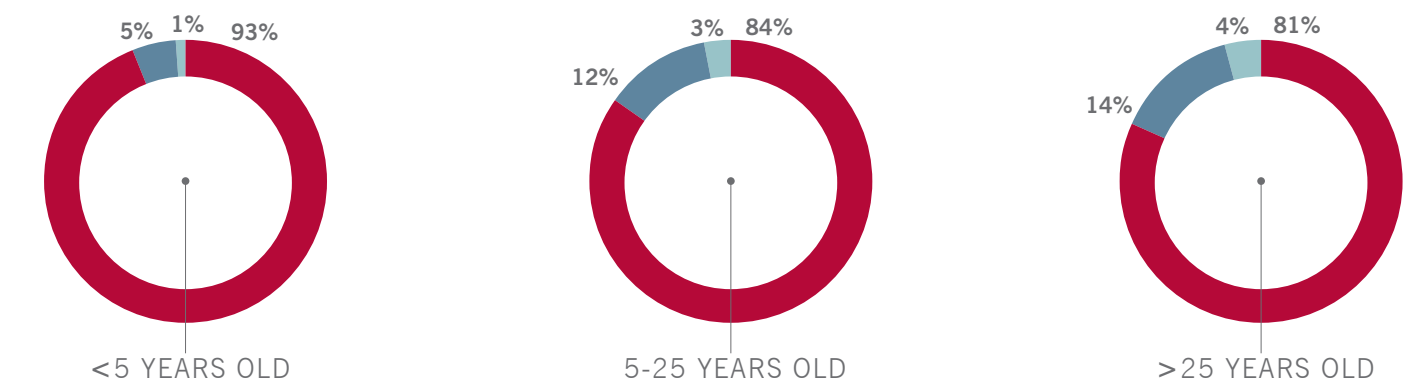
#### A) Revenue

■ <\$100K ■ \$100K-\$999K ■ >\$1 MILLION



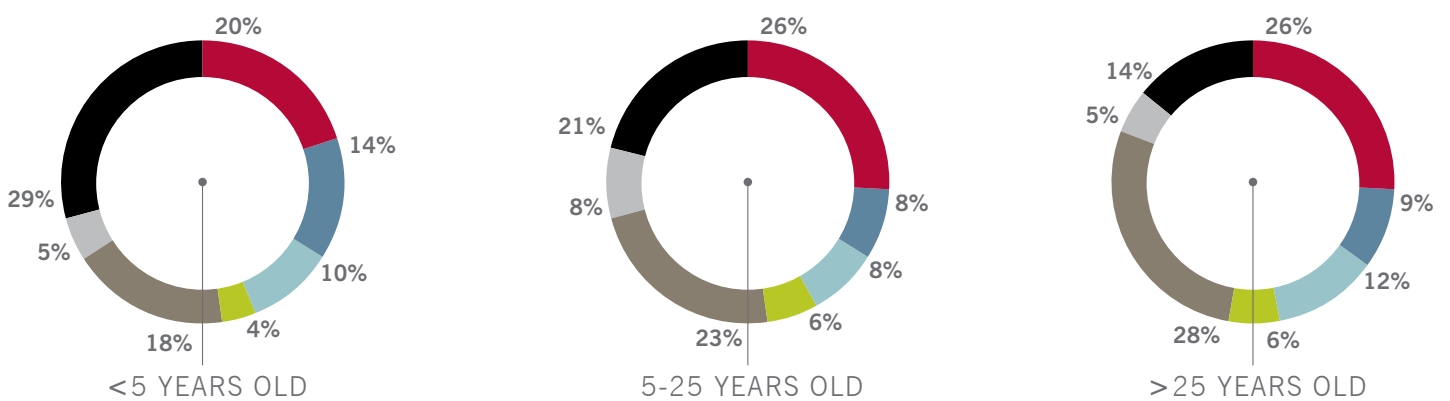
#### B) Employee Count

■ 0 EMPLOYEES ■ 1-9 EMPLOYEES ■ 10+ EMPLOYEES



#### C) Industry

■ PROFESSIONAL & BUSINESS SERVICES ■ EDUCATION & HEALTH SERVICES ■ LEISURE & HOSPITALITY  
 ■ FINANCIAL SERVICES ■ MANUFACTURING & CONSTRUCTION ■ TRADE, TRANSPORTATION, UTILITIES ■ OTHER



Generally, firms are expected to grow in revenue and employee count as they mature. However, we see little evidence of such a trend among Latino firms. Mature firms have a higher number of employees, but still fall into similar revenue brackets as young firms.

Another example of a lack of change with maturity is stagnation in external sources of capital. Most Latino firms (55 percent) use one or no capital sources to finance their business at the early stages. The number of sources used remains the same when we look at financing for growth: over half (56 percent) use no or only one capital source to finance their business growth. **The most common funding source used is personal funds – funds coming from friends, family, or the entrepreneur’s personal savings – at both the startup and growth-stages.** Almost half of Latinos at both the early or startup stage and at the growth-stage utilize solely internal funding sources (i.e., no external sources, such as loans or venture capital). Supplemental analyses further reveal that 75 percent of firms that used external funding at the startup or early stage also use external funds at the growth-stage, compared to only 30 percent of firms that did not use external funds at the startup or early stage. This suggests a pattern where owners who use external funding sources early on are more likely to use external funding sources to grow their businesses. The reason behind this pattern is unknown, but the implication is that funding patterns early in a business’s life course are important predictors of what will happen as the business matures.

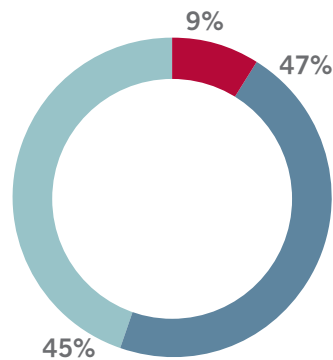
Of the firms that received some form of external funding, there is a slight shift in the types of funding used. Fewer than 10 percent of firms use government loans at any stage, while the percentage of firms using bank or business loans doubles. Specifically, of businesses receiving external funding, supplemental analyses show that one-third use bank and business loans at the early stage, while almost two-thirds use bank and business loans at the growth-stage.

## FIGURE 4: FIRM FINANCING AT EARLY AND GROWTH STAGES

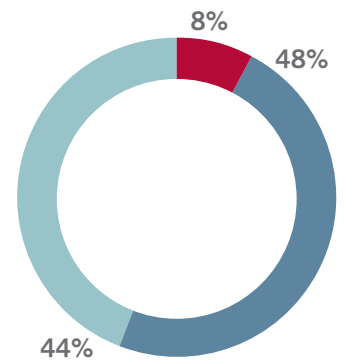
### Number of Capital Sources

- 0 SOURCE
- 1 SOURCE
- 2+ SOURCES

#### Startup Funds

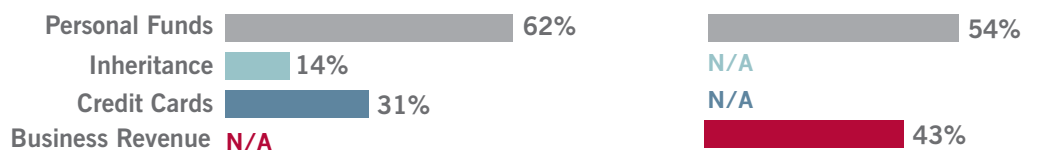


#### Growth Funds

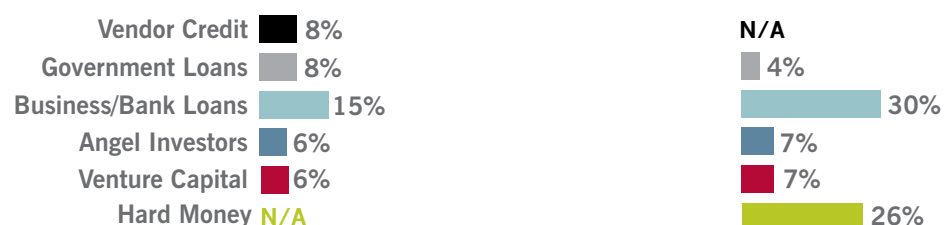


### Types of Capital Sources

#### INTERNAL FUNDING SOURCES



#### EXTERNAL FUNDING SOURCES





# SECTION IV

## THE DEMOGRAPHICS OF SCALED LATINO FIRMS

Latino firms are successfully scaled in terms of several measures: revenue, employee count, and growth over time. We focus on comparing the scaled firms to all others with the goal of learning what characteristics of these scaled firms and their owners are unique and which are similar to those of other companies.

In this analysis, we define a “scaled” firm in three ways to capture various definitions of scaling. A firm is defined as scaled if it is earning at least \$1 million in annual revenue, employs at least 50 people, or has grown substantially in employee count over the last 5 years. We focus on describing statistically significant differences, which means that the difference in values between two groups of companies is not due to chance and is, in fact, a meaningful difference. Additionally, we are using regression techniques in the estimation process because these techniques allow us to account for confounding relationships with company age and industry. See Appendix A for more about our definitions and methodology.

### **SCALED FIRMS ARE MORE LIKELY TO HAVE IMMIGRANT AND HIGHLY EDUCATED OWNERS**

There are a number of similarities and differences across Latino owners of scaled firms. Owners of both scaled and unscaled firms started their businesses in similar manners (e.g., independently founded, founded with co-owners, inheritance, purchase of existing business). Importantly, this tells us that sole owners are just as likely to drive scaled companies as co-owners, implying that firms with shared ownership models are not more or less likely to scale.

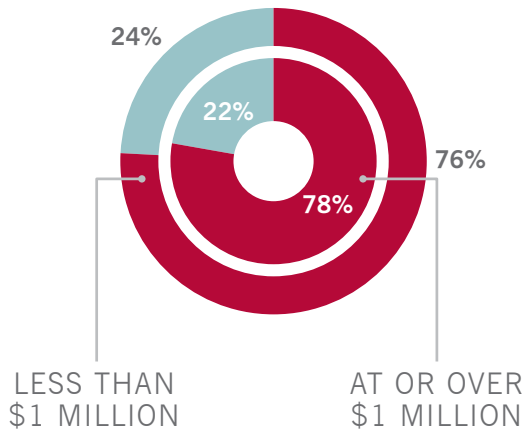
Owners of scaled firms are more likely to report being immigrants and having at least a four-year college degree. Specifically, **40-50 percent of larger firms – high-revenue and high-employee firms – are immigrant-owned**, compared to only one-third of smaller firms. Two-thirds of owners of firms scaled in size report having a college degree, compared to only half of owners of smaller firms. When comparing firms with and without increasing employee count levels, the differences are less pronounced but still evident. While the reasons behind the over-representation of immigrants, in particular, are unclear, a clear implication is that Latino immigrant entrepreneurs are having a positive effect on the U.S. economy through job and revenue creation.



# FIGURE 5A: DEMOGRAPHIC CHARACTERISTICS ACROSS REVENUE LEVELS

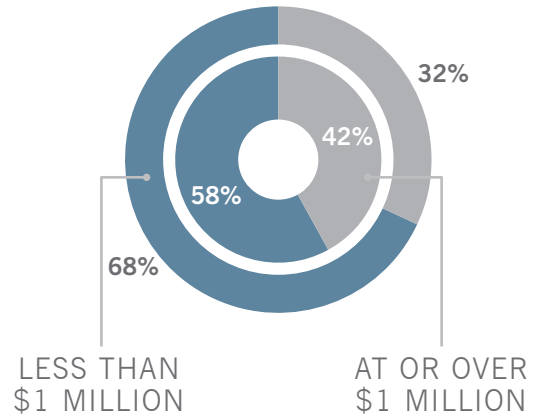
## Firm History

- STARTED BUSINESS ALONE
- STARTED BUSINESS WITH OTHERS OR ACQUIRED IT



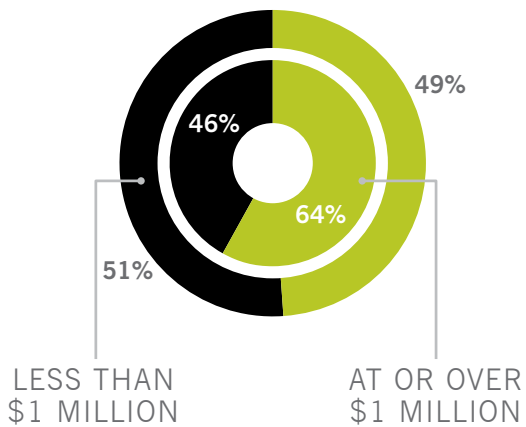
## Immigrant Status

- NOT U.S. BORN
- U.S. BORN



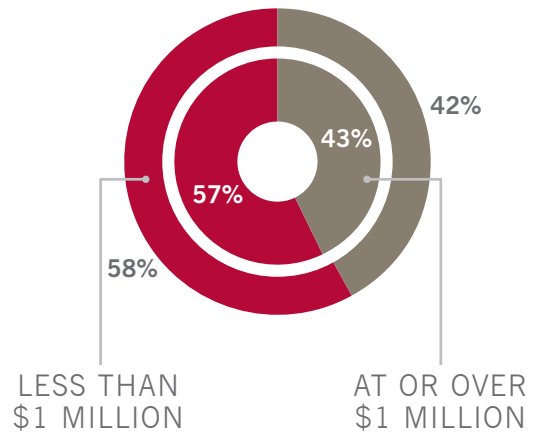
## Education

- BACHELOR'S DEGREE OR HIGHER
- LESS THAN A BACHELOR'S



## Age

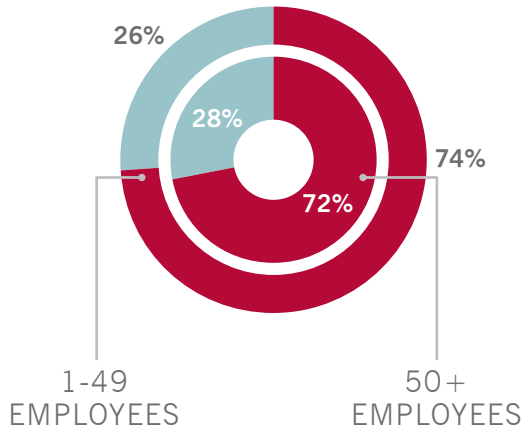
- MILLENNIAL (18-35)
- NON-MILLENNIAL (OVER 35)



**FIGURE 5B: DEMOGRAPHIC CHARACTERISTICS ACROSS EMPLOYEE COUNT**

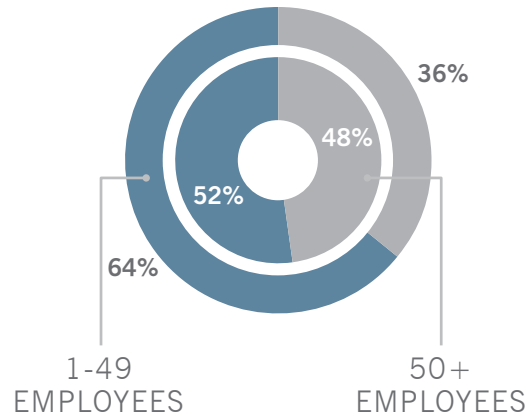
**Firm History**

- STARTED BUSINESS ALONE
- STARTED BUSINESS WITH OTHERS OR ACQUIRED IT



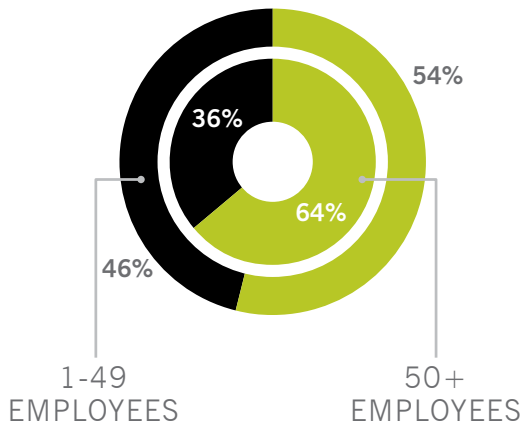
**Immigrant Status**

- NOT U.S. BORN
- U.S. BORN



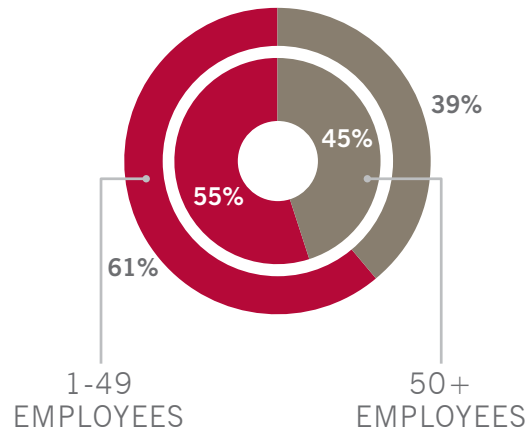
**Education**

- BACHELOR'S DEGREE OR HIGHER
- LESS THAN A BACHELOR'S



**Age**

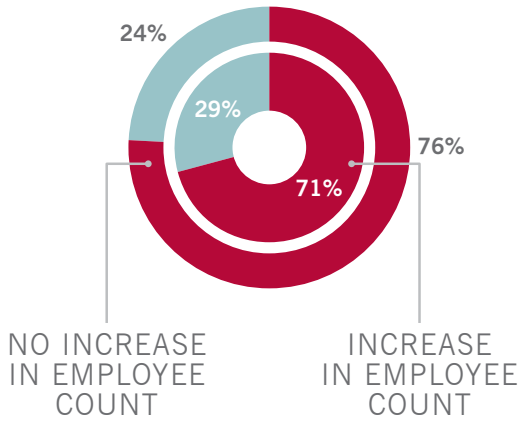
- MILLENNIAL (18-35)
- NON-MILLENNIAL (OVER 35)



**FIGURE 6: DEMOGRAPHIC CHARACTERISTICS ACROSS EMPLOYEE COUNT LEVELS**

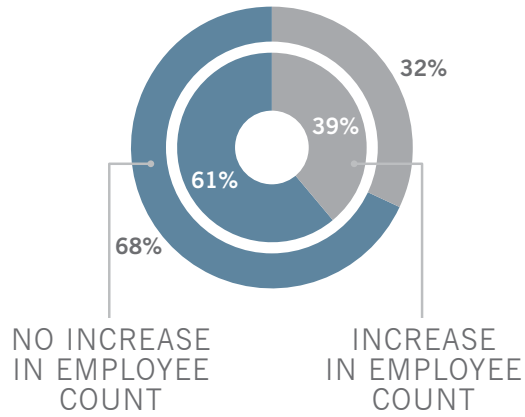
**Firm History**

- STARTED BUSINESS ALONE
- STARTED BUSINESS WITH OTHERS OR ACQUIRED IT



**Immigrant Status**

- NOT U.S. BORN
- U.S. BORN



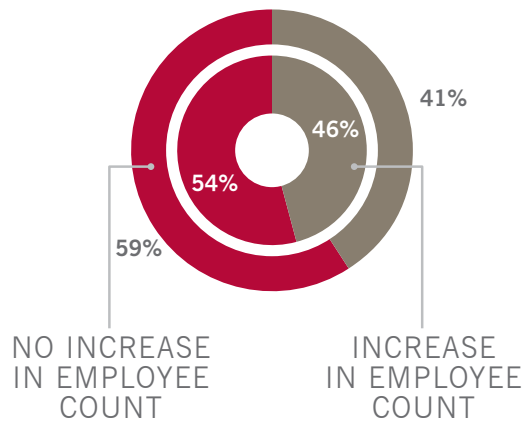
**Education**

- BACHELOR'S DEGREE OR HIGHER
- LESS THAN A BACHELOR'S



**Age**

- MILLENNIAL (18-35)
- NON-MILLENNIAL (OVER 35)



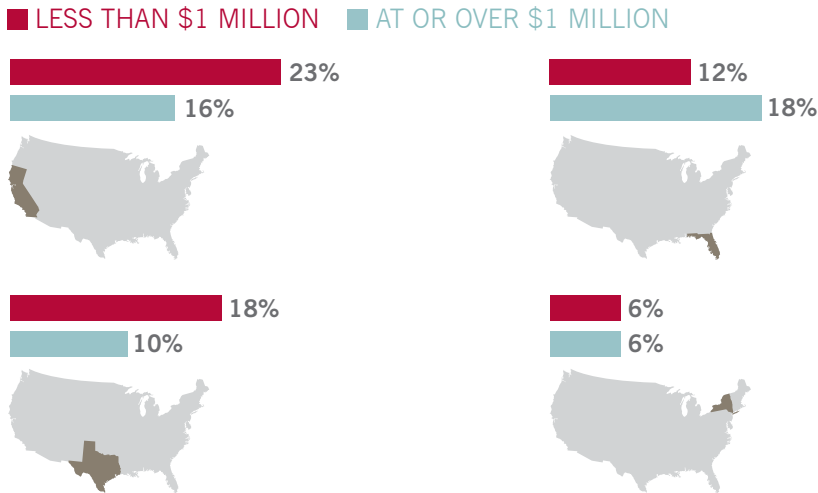


## SCALED FIRMS ARE LOCATED IN DIFFERENT STATES FROM THE AVERAGE COMPANY

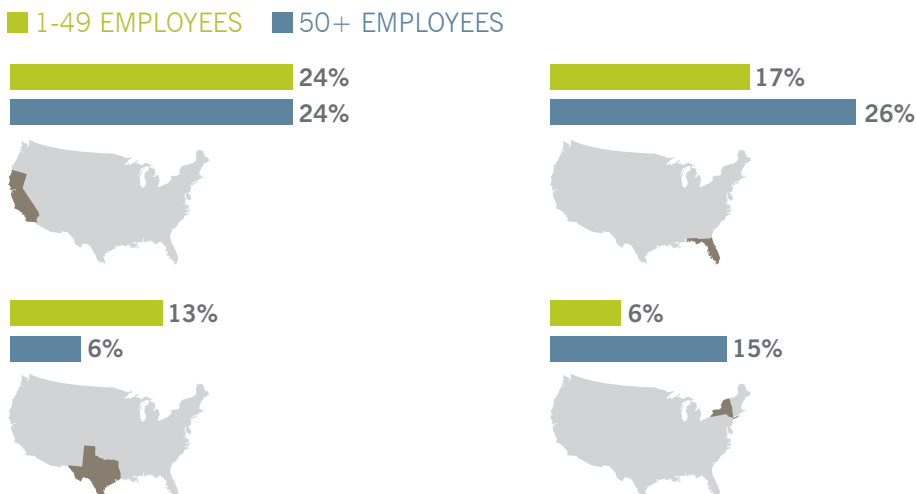
On average, we find that 60 percent of Latino firms are located in just the four states of California, Texas, Florida, and New York. The distribution of scaled firms across states, however, is fairly different. Compared to the average firm, larger concentrations of scaled firms are found in Florida, while smaller concentrations are found in Texas. There is no clear explanation for this difference, especially given that Chief Executive magazine places these states as numbers one and two in their 2016 annual ranking of best states for business. Three other common locations are North Carolina, South Carolina, and Georgia—all of which are also in the top ten in rankings of the best states for business.

### FIGURE 7: GEOGRAPHIC CHARACTERISTICS ACROSS SIZE

#### A) Revenue



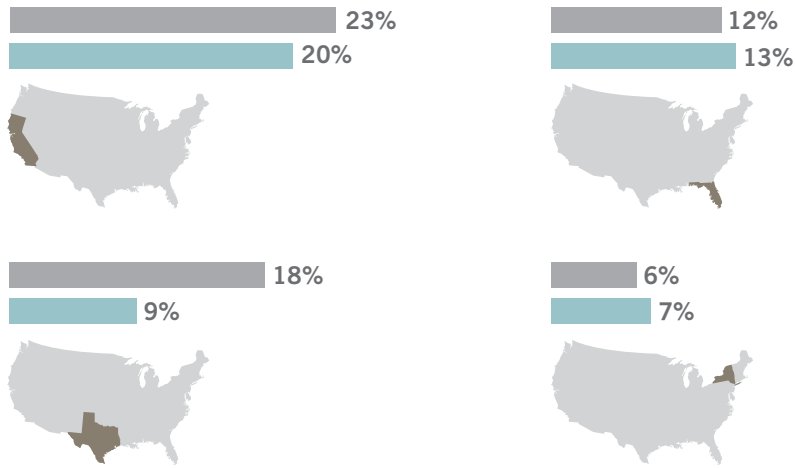
#### B) Employee Count



Importantly, scaled firms and unscaled are both located in communities with similar proportions of Latinos. When we looked at Latino firms as a whole, we found that only a quarter of firms are located in majority Latino zip codes. In firms with revenue over \$1 million, we still see that about a quarter of are in majority Latino communities. The same is true for firms we consider to be scaled using our other two definitions of scale (exact percentages available upon request). This pattern indicates that **scaled Latino firms did not have to move to communities with fewer Latinos in order to grow**. This combats the idea that the Latino firms are not scaling because they are located in Latino enclaves and, instead, supports the idea that Latino firms are successfully scaling regardless of the ethnic makeup of the community.

# FIGURE 8: GEOGRAPHIC CHARACTERISTICS ACROSS EMPLOYEE COUNT LEVEL

■ NO EMPLOYEE COUNT INCREASE    ■ INCREASE IN EMPLOYEE COUNT





# SECTION V

## BUSINESS STRATEGIES AMONG SCALED LATINO FIRMS

People become business owners for all sorts of reasons and with a variety of goals for their businesses. Not all firms are owned by people whose primary goal is to grow their business. Some are owned by people who simply want to build wealth to pass down to their children, while others are owned by people inspired by ideas. These differences in mindset could stop a company from scaling.

Our data shows that this is not the case for Latino firm owners: **Latino owners of all firms, regardless of scale, report similar reasoning for becoming entrepreneurs and similarly high expectations for their firm's future growth.** Owners of scaled and unscaled firms are just as likely to have started their firm because they had a business idea, aspired to be an entrepreneur, wanted higher income, or wanted to leave a legacy for their children, among other things. They are also just as likely to expect their company to grow in revenue and employee count over the next one, five, and ten years. In fact, the owners that have yet to substantially grow their employee count are more than twice as likely to expect their firm to do so in the future than the firms that already grew their company size.

These data points reveal that a lack of scaling does not mean that it is not in the business strategy for Latino firms. The remainder of this section looks at two other aspects of business strategy that may relate to whether a Latino firm is or is not scaled: sources of capital and the business network.

### **SCALED LATINO FIRMS USE MORE CAPITAL SOURCES AND DIFFERENT TYPES OF CAPITAL**

The number of capital sources used by Latino firms differs by whether a firm is or is not scaled. In general, we find that over 50 percent of scaled firms – regardless of the measure of scale – use two or more sources of capital, compared to 50 percent or less among unscaled firms. This is the case for firms at the startup stage and at the growth-stage. This is an important finding in that our 2015 report revealed that close to 30 percent of Latino owners did not think they needed more funds in order to grow their business. Here, we find a positive correlation between funding and scale. Meanwhile, scaled Latino firms using more sources than average suggests that using more capital sources is related to firm growth.

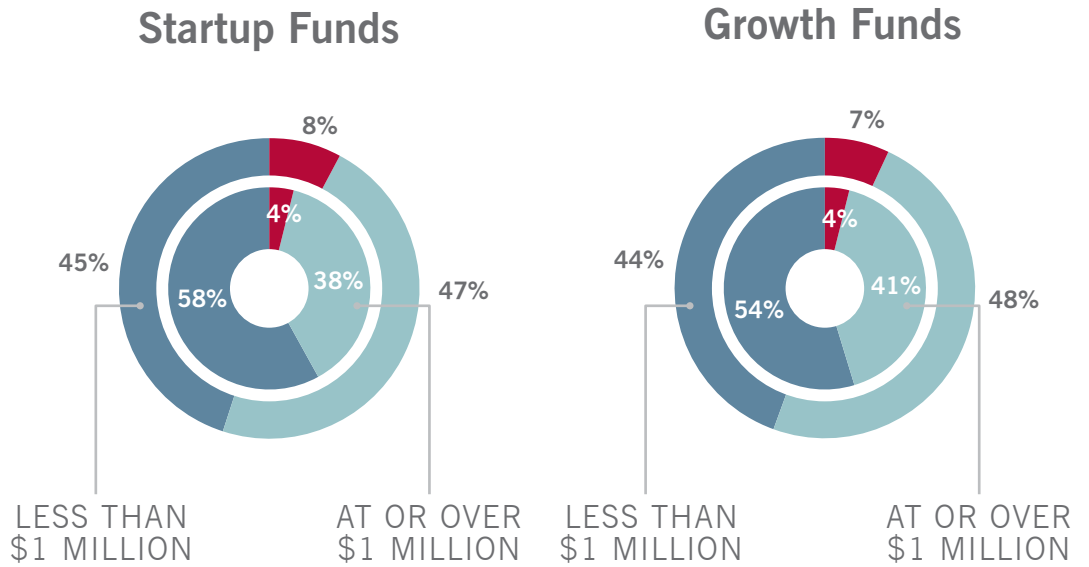
Scaled firms also differ in the types of capital utilized. A key substantive finding is that **scaled firms use more external sources of capital to grow than unscaled firms.** Specifically, scaled firms are more likely to report using government and/or bank loans to grow. Other than this, the patterns of difference across the three types of scaled firms are unclear. The differences in use of hard money to grow are large but also quite variable across the comparison groups. The differences in venture capital and angel investor use, on the other hand, consistently suggest that scaled firms use these sources more often but the size of the difference is small.



# FIGURE 9A: FINANCE SOURCES ACROSS REVENUE LEVELS

## Number of Capital Sources

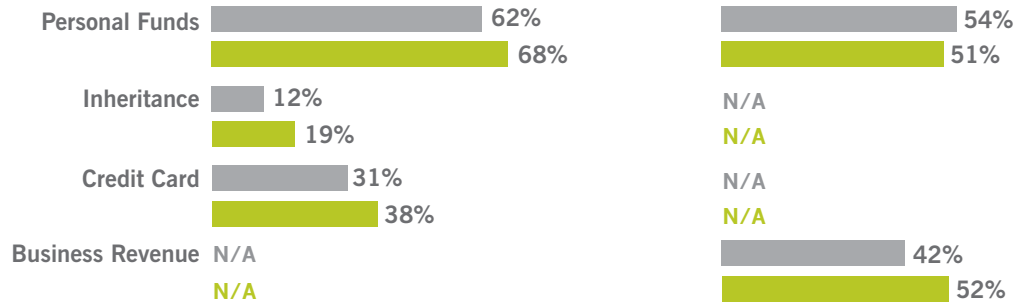
- 0 SOURCE
- 1 SOURCE
- 2+ SOURCES



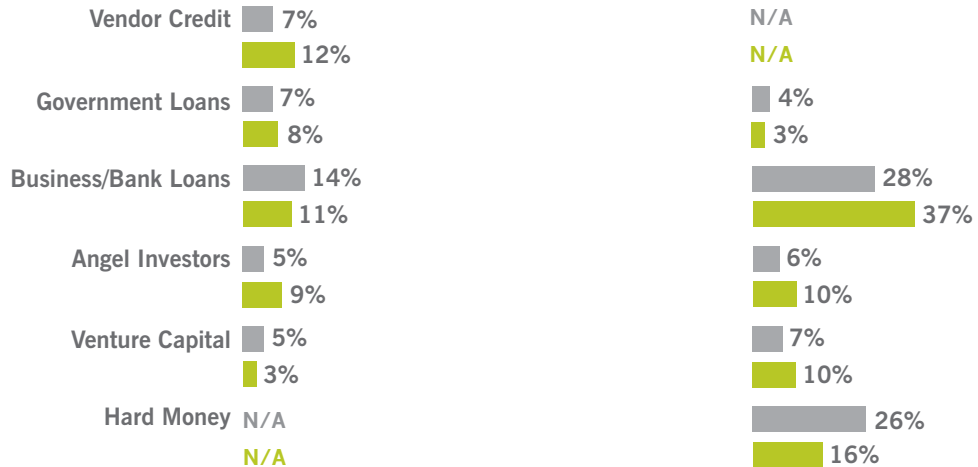
## Types of Capital Sources

- LESS THAN \$1 MILLION
- AT OR OVER \$1 MILLION

### INTERNAL FUNDING SOURCES



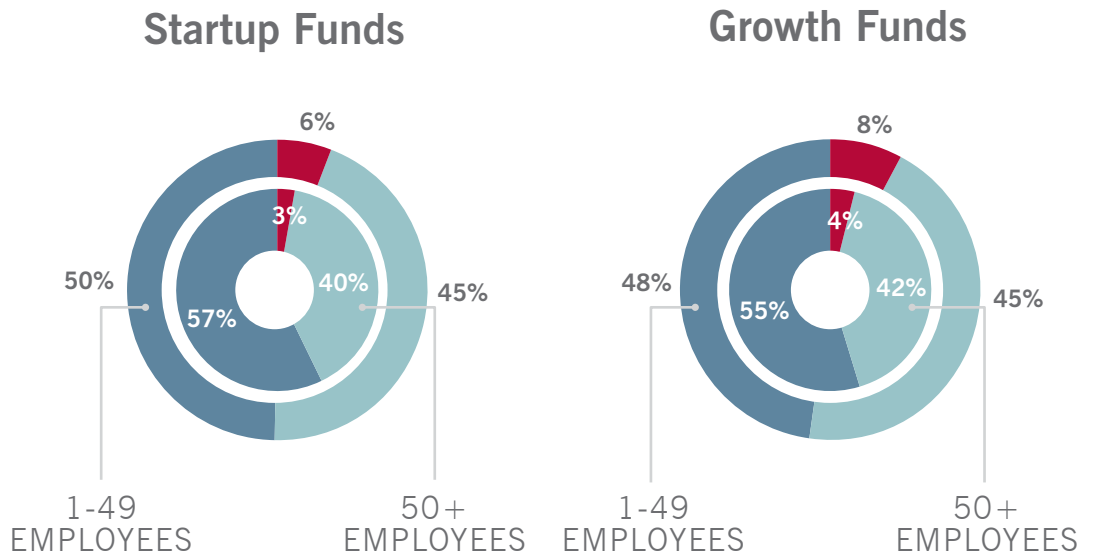
### EXTERNAL FUNDING SOURCES



# FIGURE 9B: FINANCE SOURCES ACROSS EMPLOYEE COUNT

## Number of Capital Sources

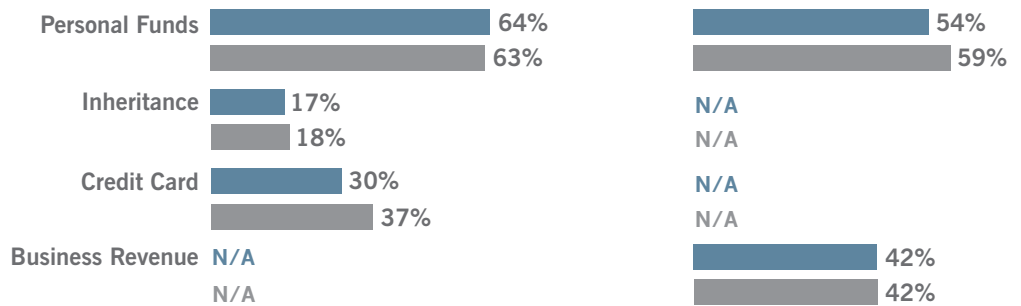
- 0 SOURCE
- 1 SOURCE
- 2+ SOURCES



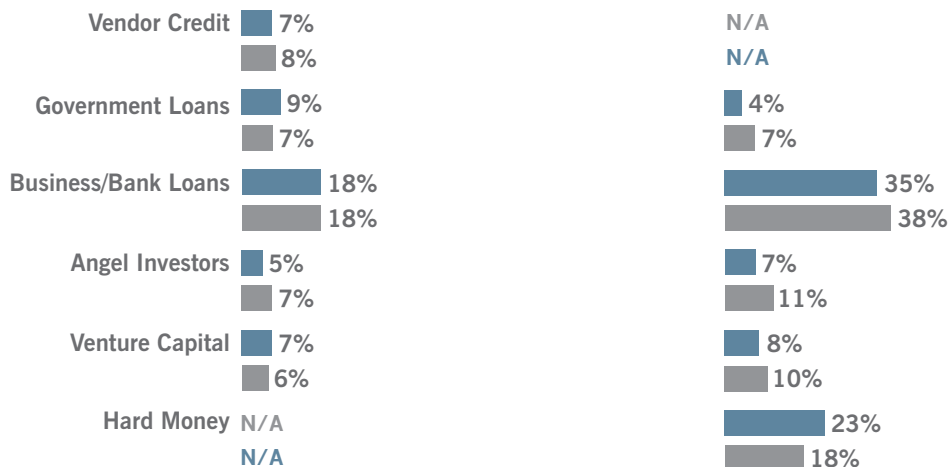
## Types of Capital Sources Used

- 1-49 EMPLOYEES
- 50+ EMPLOYEES

### INTERNAL FUNDING SOURCES



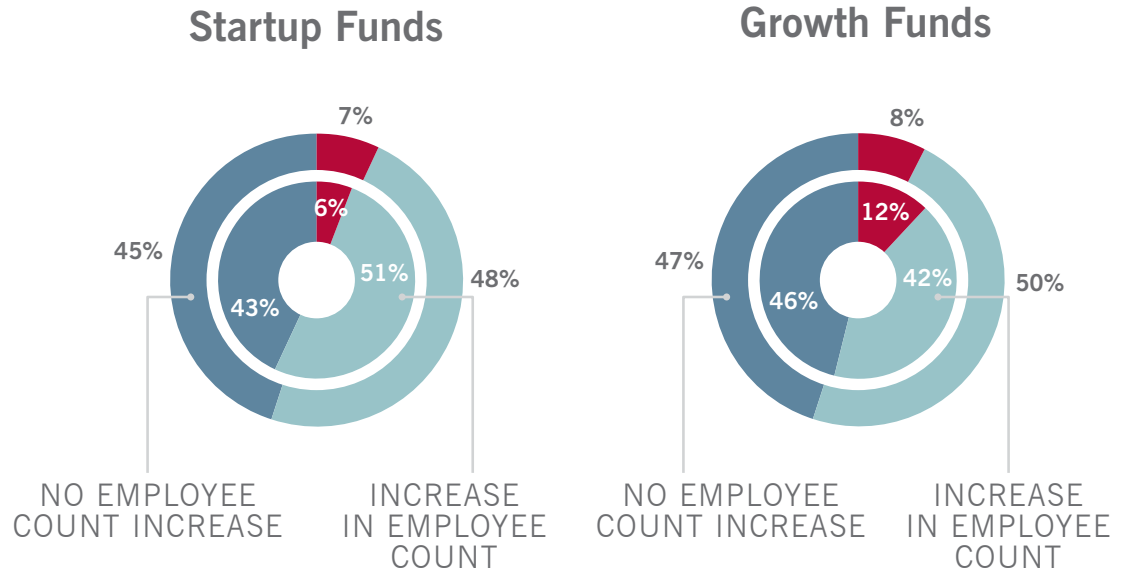
### EXTERNAL FUNDING SOURCES



# FIGURE 10: FINANCE SOURCES ACROSS EMPLOYEE COUNT LEVELS

## Number of Capital Sources

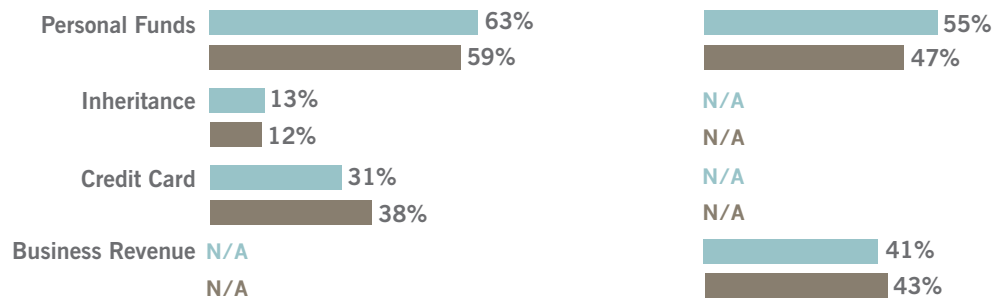
- 0 SOURCE
- 1 SOURCE
- 2+ SOURCES



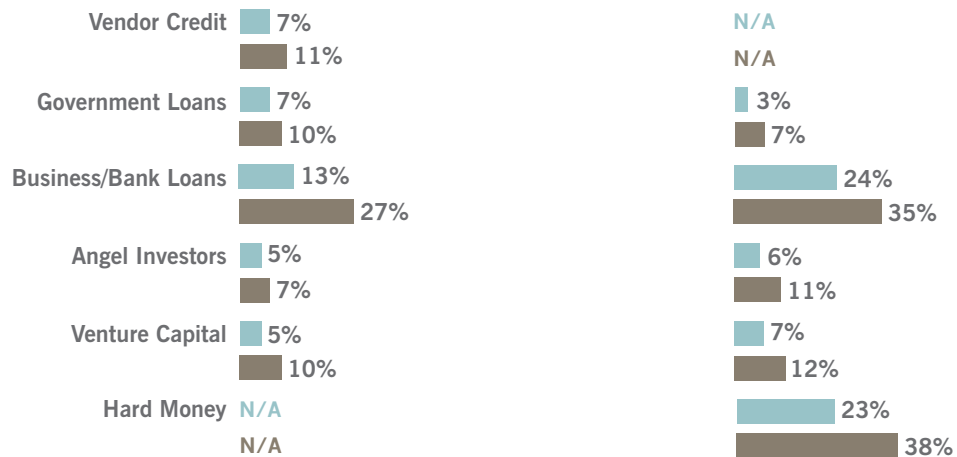
## Types of Capital Sources Used

- NO INCREASE IN EMPLOYEE COUNT
- INCREASE IN EMPLOYEE COUNT

### INTERNAL FUNDING SOURCES



### EXTERNAL FUNDING SOURCES



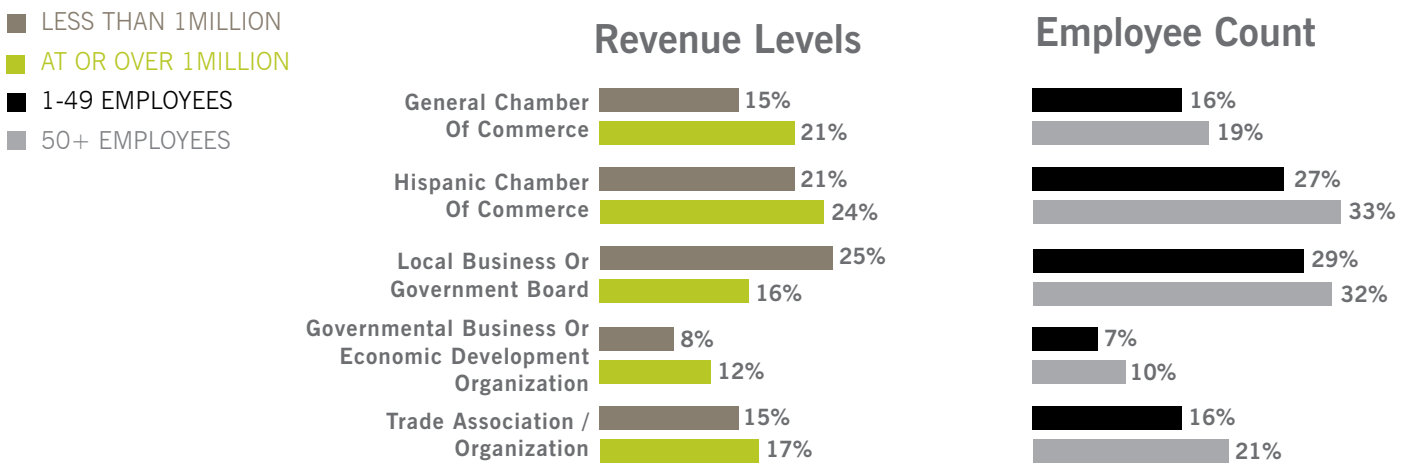
## SCALED LATINO FIRMS ARE BETTER NETWORKED THAN OTHER FIRMS

Interpersonal networks are known to be invaluable in the business world. Our 2015 survey revealed that only one-third of Latino business owners have business mentors, suggesting that Latino firms are not well-networked. Having individual mentors is just one of many ways in which business owners may develop networks. Business owners may also join local boards, chamber of commerce groups, trade association groups, or government business and economic development groups; all groups that we label formal business organizations. We find that 54 percent of Latino firms are affiliated with some formal business organization, be it a chamber of commerce, local nonprofit, or a trade association. This is positive because it means that **over half of Latino firms are actively networking**.

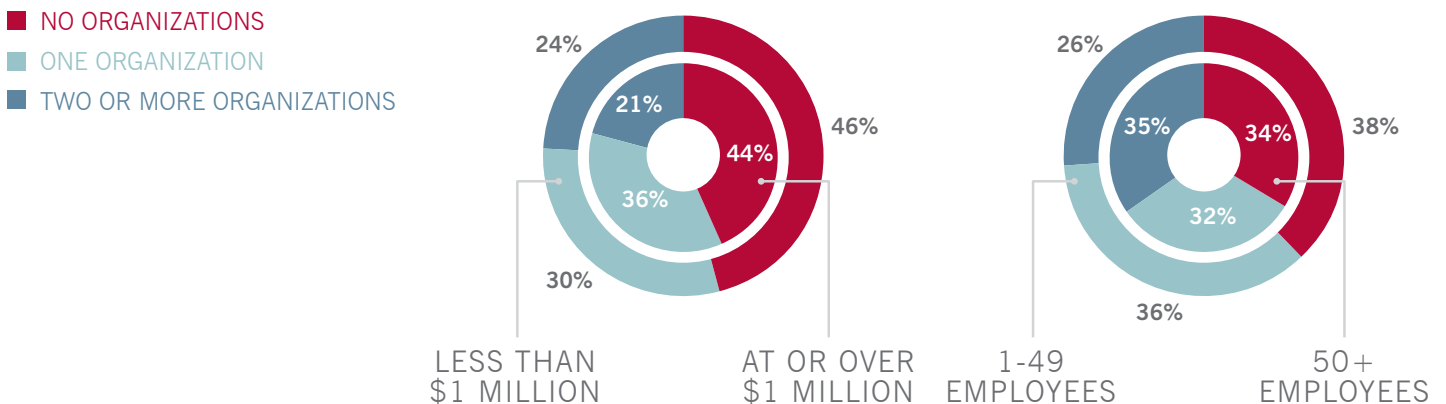
The types of networks formed by firms does not differ across firms that are scaled or not, but the size of the networks seems to vary. However, scaled businesses do appear to have larger networks, in that they are more likely to be involved in multiple organizations. While we do not know how Latino firms use these networks, knowing that scaled firms have larger networks suggests that some smaller Latino firms may be isolated.

### FIGURE 11: ORGANIZATION MEMBERSHIP ACROSS REVENUE LEVELS AND EMPLOYEE COUNT

Types of Organizations They Belong to



Number of Organizations They Belong to

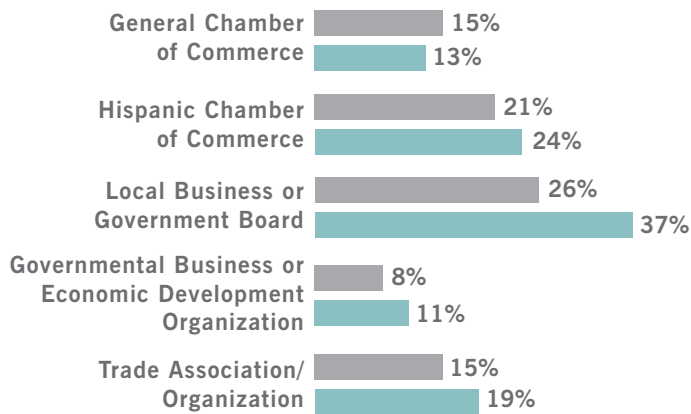




## FIGURE 12: ORGANIZATION MEMBERSHIP ACROSS EMPLOYEE COUNT LEVELS

### Types of Organizations They Belong to

- INCREASE IN EMPLOYEE COUNT
- NO EMPLOYEE COUNT INCREASE



### Number of Organizations They Belong to

- NO ORGANIZATIONS
- ONE ORGANIZATION
- TWO OR MORE ORGANIZATIONS





# SECTION VI

## CONCLUSION

This report describes findings from SLEI's unique data on 4,900 Latino business owners. We offer statistics about the Latinos who own these firms, and identify the unique characteristics of Latino firms that have previously scaled. This data and research is of mounting importance as the number of Latino-owned firms in the U.S. continues to grow.

We find that Latino firms are owned by a range of demographics and are located in diverse communities. Owners are of all ages and varied educational backgrounds. While firms are concentrated in states with high Latino populations, their local clientele and neighborhood makeup include more than just Latinos. Notably, this finding combats the stereotype of Latino firms as serving and being located in majority Latino communities.

One of the most intriguing findings is that 70 percent of Latino firms are owned by Latinos who were born in the U.S., implying that almost one in three owners is an immigrant. On the one hand, this is surprising because only 13 percent of all businesses were immigrant-owned in 2012, making the number of Latino immigrant-owned firms seem high. Yet, on the other hand, this number is expected because recent statistics show that Latino immigrants are key drivers of new business creation and hold an ownership stake in 33 percent of companies. Regardless, coupled with our finding that higher proportions of scaled firms tend to be owned by immigrants, tracking Latino immigrant owners will be pertinent to understanding the state of Latino firms moving forward.

Our analysis of funding patterns reveals that 50 percent of Latino firms use solely internal funding sources at both the early or startup stage and at the growth-stage. About 75 percent of firms that used external funding at the startup or early stage use external funds at the growth stage, compared to only 30 percent of firms that did not use external funds at the startup or early stage. Future work should examine what these patterns of internal funding use and early external funding use mean for Latino firms' ability to scale.

Much of our report focused on identifying differences and similarities between firms that have and have not scaled. Owners hold similarly high aspirations for their businesses' future growth, so the explanation is not as simple as a difference in business goals. Instead, the key is more likely to lie in aspects of their business strategy, or specifically business networks and firm financing. Scaled firms use more sources of finance capital, particularly at the growth-stage, and tend to use more external capital sources. Scaled firms also are more likely to be involved in a formal business organization, though they do not differ in the types of organizations to which they belong.

**This report moves us closer to understanding the diverse population of Latino entrepreneurs and the challenges they face. Our hope is that this information helps business leaders and policymakers better recognize the characteristics of Latino firms and use this information to create data-driven decisions.**



# APPENDIX A

## METHODOLOGY

This report is based on the SLEI 2016 Survey of Latino Business Owners. This is an online survey of 4,910 current business owners who self-identify as Latinos. Respondents were asked a core set of questions, including their industry, zip code, customer base, company size, age, ownership structure, and a specialized set about company growth, including sources of capital, challenges faced, aspirations. Data collection was conducted using the Qualtrics platform. Eighty percent of responses were collected through a Qualtrics panel, funded by the Latino Business Action Network. The remaining twenty percent were collected through a mix of social media posts, outreach to business contacts, and our email database of 250,000 Latino business owners. Our response rate from the contact database was below one percent; the completion rate through social media and other outreach methods was high (40 percent).

All reported estimates from the panel data are model-corrected, meaning that they are weighted to be representative of the entire universe of Latino-owned businesses. The U.S. Census Bureau's 2007 and 2012 Surveys of Business Owners (SBO) were used to create population estimates and model weights. Specifically, we used SBO data on the distribution of Latino businesses across industry, revenue, employee count, and states.

The comparison of companies with more or fewer employees omits companies with zero employees because an unknown number of them hold business models that omit the goal of employee growth.

A firm is counted as having “grown” in the past five years if it jumps in employee count from one category to another. Those categories are defined following the SBO measurement of employee count: 0, 1-9, 10-49, 50-99, 100-499, 500-999, 1000+. Of course, a firm may move within these categories and not be captured by our measure. This makes our estimates skew downward and more conservative as some growing companies are included in the group that did not grow, possibly making differences in characteristics seem smaller than they actually are.

For calculations in Sections IV and VI account for firm industry and firm age by using fixed effects. This means we calculate the differences between groups on each measure, while holding industry and age constant to make sure the differences are not driven by differences in industry or age.

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Stanford Latino Entrepreneurship Initiative (SLEI) is a research and educational collaboration between Stanford University, housed at the Graduate School of Business, and the Latino Business Action Network (LBAN), a 501(c)(3) not-for-profit organization located in Palo Alto, CA.

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