



UNLEASHING LATINO-OWNED BUSINESS POTENTIAL

A Report of the Aspen Institute Forum on
Latino Business Growth

Compiled and Edited by Sarah Alvarez



This report is compiled and edited based on the notes of an informed observer at the Aspen Forum on Latino Business Growth. None of the comments or ideas contained in this report should be taken as embodying the views or carrying the endorsement of any specific participant at the forum, our program, or of any of the supporting donors.

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EXECUTIVE SUMMARY

Traditionally, the US economy has relied on small business as a chief driver of economic growth and new job creation. However, since the early 2000s, the US economy has experienced a decrease in new business growth. Despite the overall tempering of business growth, Latino Americans are playing an important role in driving US economic vibrancy through their outsized contribution to new business creation. Latinos are starting businesses at three times the rate of the general population and have been doing so for some time.¹ 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 15 years.² However, even with the rates at which Latino-owned businesses (LOBs) launch, they encounter significant barriers to scaling³ in size and revenue and fail at rates higher than those of other groups.⁴

The sales that Latino firms generate, versus what they would generate if on par with the average non-Latino-owned business, present an opportunity gap of \$1.38 trillion for the US economy.⁵ This untapped potential has a cascading effect on the wider economy through unrealized economic growth in the form of employment, household income, tax contributions, and in missed opportunities for businesses that supply or are supplied by LOBs. This results in a much broader impact across the American economy, affecting a significant group of stakeholders in addition to Latino business owners and their families. For LOBs to maximize their contribution to the economy, they must scale. This is how business owners, communities, and the nation will realize the full economic benefits of this growing and entrepreneurial sector of society.

To address this challenge and the opportunity it presents if the right steps are taken, the Aspen Institute Latinos and Society Program convened the Aspen Institute Forum on Latino Business Growth in the spring of 2017. Twenty-seven thought leaders, experts, and practitioners from across industries and sectors convened to develop practical solutions that address the barriers inhibiting LOBs from growing. Following a deep exploration of the barriers to scaling LOBs, the participants identified fundamental business needs as well as overarching recommendations for improving the ecosystems within which LOBs operate. Across these two overarching categories, participants prioritized promising areas for developing high-impact, actionable solutions, specifically for a subset of LOBs with the potential for reaching \$1 million or more in revenue.

1 Douglas Rivers, Jerry I. Porras, and Natassia Rodriguez Ott. "The State of Latino Entrepreneurship," Stanford Latino Entrepreneurship Initiative, December 2016, www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2016.

2 Rivers, Porras, and Rodriguez Ott. "State of Latino Entrepreneurship."

3 For the purposes of this report, scaling refers to firms that reach revenues of \$1 million or more and/or have 50 or more employees. This definition comes from "The State of Latino Entrepreneurship," Stanford Latino Entrepreneurship Initiative, December 2016, www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2016

4 "Kauffman Compilation: Research on Race and Entrepreneurship," The Kauffman Foundation, December 2016, www.kauffman.org/what-we-do/resources/kauffman-Compilation-research-on-race-and-entrepreneurship

5 Rivers, Porras, and Rodriguez Ott. "State of Latino Entrepreneurship."

Three fundamental business needs emerged from Forum discussions:

FUNDAMENTAL BUSINESS NEEDS		
	Needs	Solutions
Accessing Capital for Growth	Increased access to capital, specifically “right sized” capital in the form of equity, debt, or a combination thereof that matches the needs of LOBs at various stages in their growth cycle.	Re-direct large pools of capital already in the market towards equity investments in high-growth LOBs; Research and develop relevant and fair credit requirements for LOBs; Invest in the Community Development Financial Institution (CDFI) sector so it can make more capital available to underserved businesses.
Increasing Access to Procurement Opportunities	The ability to access and capitalize on important procurement and supply chain opportunities that foster growth.	A technology-driven platform that gives both suppliers and buyers access to reviews of service, thus garnering greater exposure for tested and reliable LOBs; Increasing transparency of the procurement process, including reducing the cost, through group licensing, to online hubs that house procurement announcements through group licensing.
Business Training and Education	The availability of relevant, culturally competent, and convenient business training and education for different sectors and growth stages.	Conduct a needs assessment of Latino business owner training and education needs in order to design and implement more responsive and sector- and scale-specific interventions to meet the growth potential of LOBs.

Additionally, the forum participants discussed three important societal challenges that inhibit LOB growth and impact how the aforementioned solutions can effectively address barriers to scaling. These collective societal challenges constitute the ecosystem in which LOBs operate and mutually reinforce and influence all three of the business challenge areas identified above. Participants formed groups to focus on solutions to this particular set of barriers:

ECOSYSTEM DYNAMICS	
Power and Influence	The inability of Latinos, despite their increasing numbers, to influence or exercise power in ways that would help facilitate LOB growth.
Narrative and Brand	Unhelpful stereotypes and negative narratives about Latinos and the nature of LOBs that prevent gatekeepers, lenders, and clients from seeing the capacity and potential of LOBs.
Networks and Mentors	Opaque and exclusionary systems, both formal and informal, that facilitate business opportunities, are often difficult for Latino business owners to access and navigate.

Because the solutions articulated in this report are interrelated and cut across specific areas of both business and ecosystem dynamics, the group reiterated that for any of the solutions to be successful, cross-sector collaboration must be a central component.

The purpose of this report is to share the collective knowledge and solutions generated during the Forum in order to help stakeholders, influencers, and decision-makers take informed actions to help accelerate the pace at which LOBs grow, scale, and, ultimately succeed. The recommendations included in this report are a product of plenary and small-group working sessions focused on the complexities unique to and overlapping between the business and ecosystem challenges discussed. The report is organized to encourage stakeholder adoption and implementation of the recommendations in the solution areas.

INTRODUCTION

Small businesses are a core component of the nation's economic growth. Not only do small businesses contribute to local and regional economies, they create opportunities for the development of both individual and family financial security. Looking at the future of the US economy, business ownership and business growth will continue being key determinants of economic advancement. As businesses grow, they create jobs, generate wealth, meet customer needs, and help solve many of society's challenges. The key to unleashing the economic potential of small businesses is to ensure that all entrepreneurs have the ability and opportunity to scale so that the full benefits of their businesses can be realized.

While the scaling dilemma plays out across the country, it is particularly salient to Latino business owners who are currently launching businesses at three times the rate of the general population. Further highlighting the importance of the gap that Latino-owned businesses are poised to fill is the fact that the general population is starting businesses at slower rates than they previously did.⁶ LOBs generate a total of \$473 billion in revenue and 2.3 million jobs⁷—a significant contribution to the US economy. However, given that Latino-owned firms make up 12% of all US firms and that their current contribution in receipts is 1% of total US firm receipts, there is evidence of a real gap in growth potential.⁸ If LOBs grew similarly to non-Latino-owned businesses, they would generate an additional \$1.38 trillion.⁹ Instead, LOBs fail at higher rates and often remain small. The prevailing gap between the state of LOBs today and their growth potential warrants serious consideration and demands high-impact solutions—not only for the benefit of Latino business owners and the communities they live in, but for the aggregate gains that can be made to the US economy by realizing their full potential.

If LOBs grew similarly to non-Latino-owned businesses, they would generate an additional \$1.38 trillion.

The barriers to scaling LOBs are numerous, ranging from business growth challenges to shortcomings in the business ecosystem itself. To identify solutions with the greatest potential for changing the business landscape and unlocking the potential of LOBs, the Aspen Institute Latinos and Society Program convened the Aspen Forum on Latino Business Growth on May 31-June 3, 2017. The accomplished group of thought leaders, cross-sector industry experts, and entrepreneurs who participated in the forum explored business challenges and organized themselves into action-focused working groups to identify high-impact solutions to accelerate the scaling and growth of LOBs.

6 Robert W. Fairlie et al. "The Kauffman Index 2015: Startup Activity National Trends" (see Figure 3), The Kauffman Foundation, 2015, <https://www.israelab.org/resource/the-kauffman-index-2015-startup-activity-national-trends.html>

7 Adjii Fatou Diagne, "Deep Dive into Hispanic Business Ownership," United States Department of Commerce Economics and Statistics Administration, June 13, 2016, www.esa.doc.gov/economic-briefings/deep-dive-hispanic-business-ownership

8 Adjii Fatou Diagne. "Deep Dive into Hispanic Business Ownership."

9 Rivers, Porras, and Rodriguez Ott. "State of Latino Entrepreneurship."

The group identified the following fundamental business needs and solutions:

- Increased **access to capital**, specifically “right sized” capital in the form of equity, debt, or a combination thereof that matches the needs of LOBs at various stages in their growth cycle,
- The ability to access and capitalize on important **procurement** and supply chain opportunities that foster growth,
- The availability of relevant, culturally competent, and convenient **business training and education** for different sectors and growth stages.

Each of these business challenges and solutions is influenced and impacted by cross-cutting cultural and societal dynamics that constitute the ecosystem within which LOBs are founded and grow. The following must also be addressed simultaneously:

- Unhelpful stereotypes and negative narratives about Latinos and the nature of LOBs that prevent gatekeepers, lenders, and clients from seeing the capacity and potential of LOBs,
- Opaque and exclusionary systems, both formal and informal, that facilitate business opportunities, are often difficult for Latino business owners to access and navigate,
- The inability of Latinos, despite their increasing numbers, to influence or exercise power in ways that would help facilitate LOB growth.

The purpose of the report is to share the collective knowledge and solutions generated during the forum in order to help stakeholders, influencers and decision-makers take informed action to help accelerate the pace at which Latino-owned businesses grow and scale. The report is organized to encourage stakeholder adoption and implementation of the recommendations in the solution areas including: research requirements, policy recommendations, business and investment opportunities as well as new program and resource development needs. Future action could also include the development and deployment of strategies for addressing ecosystem challenges affecting LOBs, including negative narratives, limited access to levers of power, and exclusionary networks.

WHO ARE LATINO BUSINESS OWNERS?

The term Latino¹⁰ encompasses people whose origins are from a wide range of Latin American countries, including people who are foreign-born and US-born, citizens and non-citizens, and English speakers and non-English speakers. Latinos are represented in all sectors of society and are liberals, conservatives, small business owners, church-goers, teachers, CEOs, military veterans, and much more.

Latinos are a large and growing population in the United States. Currently, there are 58 million Latinos who make up 18% of the US population (as of 2016),¹¹ a number that is predicted to increase to 30% of the US population by 2060. This growth in the percentage of Latinos in the US is attributed primarily to US births rather than to immigration. In addition, the median age of US Latinos is 28, compared to the general population, which has a median age of 37.¹² In 2015, more than 26 million Latinos were part of the US labor force and the median household income of Latinos was \$44,800.¹³

The percentage of Latino entrepreneurs, among all entrepreneurs in the U.S., doubled in two decades, rising from 10% in 1996 to 20.8% in 2016.

Within the Latino population, business owners have their own distinct set of characteristics and play a vital role in contributing to the US economy. According to the latest US Census Bureau survey of Business Owners¹⁴, 33.5% of Hispanic business owners have an Associate Degree or higher level of education, 55.4% are between the ages of 35 and 54, and about half are US born.¹⁵

Between 1996 and 2015, the percentage of new entrepreneurs that were white decreased and the share of total entrepreneurs, among all other ethnic groups, increased. The largest increase was among Latino entrepreneurs. The percentage of Latino entrepreneurs, among all entrepreneurs in the U.S., doubled in two decades, rising from 10% in 1996 to 20.8% in 2016.¹⁶ Latinas play a significant role in the growth of Latino entrepreneurship. Between 2007 and 2016, the number of Latina-owned firms grew by 137%.¹⁷ As of 2016, Latinas owned 46% of all LOBs in the US.¹⁸

10 Consistent with the U.S. Census Bureau's definition, "Latino" and "Hispanic" will be used interchangeably in this report and will mean "a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race." See U.S. Census Bureau "Definition of Hispanic or Latino," https://www.census.gov/newsroom/cspan/hispanic/2012.06.22_cspan_hispanics_2.pdf

11 Antonio Flores, "How the U.S. Hispanic Population is Changing," Pew Research Center: Hispanic Trends, September 18, 2017, www.pewresearch.org/fact-tank/2017/09/18/how-the-u-s-hispanic-population-is-changing/

12 Antonio Flores, Gustavo López, and Jynnah Radford. "Facts on U.S Latinos, 2015" (see Table 9), Pew Research Center: Hispanic Trends, September 18, 2017, www.pewhispanic.org/2017/09/18/facts-on-u-s-latinos-current-data/

13 Flores, López, and Radford. "Facts on U.S Latinos."

14 United States Census Bureau. "2012 Survey of Business Owners." 2017. Details on survey methodology can be found here <https://www.census.gov/programs-surveys/sbo/technical-documentation/methodology.2012.html>

15 United States Census Bureau. "2012 Survey of Business Owners." 2017. For education levels of Hispanic Business Owners, please see https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSCBO07&prodType=table
For age of Hispanic business owners please see https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSCBO08&prodType=table.
For nativity of Hispanic business owners please see https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSCBO11&prodType=table

16 Robert W. Fairlie et al. "The Kauffman Index 2015: Startup Activity National Trends."

17 American Express OPEN and Womenable, "The 2016 State of Women-Owned Business," April 2016. <http://www.womenable.com/70/the-state-of-women-owned-businesses-in-the-u.s.-2016>

18 Ibid.

As of 2012, there were more than 3 million Latino-owned businesses (LOBs), representing 12% of all US businesses in the same year.¹⁹ Between 2007 and 2012, the number of LOBs grew by 46%.²⁰ Based on faster than average launch rates and existing growth trends, some projections suggest that by the end of 2016 there were 4.23 million LOBs.²¹ Further research will need to be conducted to validate this projection.

Latino business owners engage in a wide variety of industries. According to findings reported in the “State of Latino Entrepreneurship 2016”, less than one-quarter of Latino firms are in construction or manufacturing and even fewer are in leisure or hospitality.²² While their businesses are especially prevalent in Florida, Texas, New York, and California, they serve a diverse customer base across the country.²³

Despite the assets that Latino business owners add to the US economy, they face significant challenges. Since more than two-thirds of entrepreneurs use personal savings and more than one in five rely on family for funding, business

owners with less personal wealth face a significant challenge with startup business capital.²⁴ The cycle of businesses generating wealth and wealth generating businesses is inaccessible to many Latino business founders.

As a result of these challenges and the barriers described in this report, LOBs are not growing as fast as they could. Only 3% of LOBs have generated \$1 million in revenue, an earnings threshold that indicates a firm has scaled.²⁵ Because LOBs failed to scale at

the same rates as average businesses in the U.S., as of 2012, there was an opportunity gap of \$1.38 trillion.²⁶ This gap impacts job creation; the US economy forgoes 9.5 million jobs by not investing in the entrepreneurialism and growth of underrepresented groups.²⁷

The US economy forgoes 9.5 million jobs by not investing in the entrepreneurialism and growth of underrepresented groups.

HIGH-IMPACT SOLUTIONS

In response to the business and ecosystem challenges identified during the Forum, participants organized themselves into action-oriented working groups to devise solutions to the challenges affecting LOB growth and scale, particularly for businesses with the potential to reach revenue of \$1 million or more. The following sections will illustrate the nature of specific business challenges and provide recommendations for expanding upon or creating new interventions to address them. Each solution’s explanation includes roles for key stakeholders, further research needs, and the anticipated impact of the proposed strategies and interventions.

The three fundamental business challenges identified by the group are related to LOBs’ access to right-sized capital, procurement and supply chain opportunities, and appropriate and relevant business education and training. To complement and reinforce the benefits of the recommended solutions, three groups focused on a set of challenges

19 Calculation based on available data from United States Census Bureau. “2012 Survey of Business Owners.” 2017. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSA01&prodType=table

20 Ibid.

21 Rivers, Porras, and Rodriguez Ott. “State of Latino Entrepreneurship.”

22 For details on research methodology used to generate findings please see Rivers, Porras, and Rodriguez Ott. “State of Latino Entrepreneurship.”

23 Rivers, Porras, and Rodriguez Ott. “State of Latino Entrepreneurship.”

24 Emily Fetsch. “Including People of Color in the Promise of Entrepreneurship,” Entrepreneurship Policy Digest, December 5, 2016, www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/including-people-of-color-in-the-promise-of-entrepreneurship

25 Rivers, Porras, and Rodriguez Ott. “State of Latino Entrepreneurship.”

26 Ibid.

27 Arnobio Moreliz, Victor Hwang, and Inara S. Tareque. “State of Entrepreneurship 2017- Zero Barriers: Three Mega Trends Shaping the Future of Entrepreneurship,” The Kauffman Foundation, February 16, 2016, www.kauffman.org/what-we-do/resources/state-of-entrepreneurship-addresses/2017-state-of-entrepreneurship-address

that include cross-cutting sociopolitical dynamics. This report refers to these dynamics as the business ecosystem—the narrative, power dynamics, and networks that influence and are influenced by LOBs. For this report, the solutions are separated into sections that reflect the Forum’s organization, reporting structure, and goal of delving into and producing practical solutions for each. Despite the categorization of challenges in this report, increasing the number of LOBs that reach \$1 million or more in revenue will require simultaneous and coordinated action that improves both the operation of LOBs and also makes the ecosystem within which they operate more responsive to their needs.

Regarding access to capital, the group devised three overarching solutions: re-direct large pools of capital, already in the market, towards equity investments in high-growth LOBs; research and develop relevant and fair credit requirements for LOBs; and invest in the CDFI sector so that it can make more capital available to underserved businesses. Within discussions of procurement and supply chain, the group proposed a technology-driven platform that gives both suppliers and buyers access to reviews of service, thus garnering greater exposure for tested and reliable LOBs. The participants also recommended increasing transparency of the procurement process, including reducing the cost of online access to hubs that house procurement announcements through group licensing. The group proposed conducting a needs assessment of Latino business owner training and education needs in order to design and implement more responsive and sector- and scale-specific interventions to meet the growth potential of LOBs.

The sum of the solutions devised in the areas of capital, procurement, and training are made stronger by improvements to the ecosystem within which LOBs are founded and operate. The group’s focus on challenging unhelpful narratives about Latinos and Latino-owned business potential, improving access to strategically important networks, and acquiring greater knowledge of, and access to, levers of power will support and embolden Latino business owners, as well as mitigate structural limitations that inhibit the growth potential of their companies.

The group emphasized that together, solutions to LOBs’ business challenges and strategies for improving the operating ecosystem will enhance the viability and growth trajectory of LOBs. The interdependence that exists between the specific business needs of LOBs and the broader business ecosystem also creates opportunities for stakeholders across sectors to take action that mitigates more than one challenge at a time. Simultaneously addressing business and ecosystem challenges will maximize the ability of LOBs to create wealth for business owners, their families, and communities, as well as concurrently strengthening their contributions to the US economy.

**FUNDAMENTAL BUSINESS CHALLENGES
AND ECOSYSTEM DYNAMICS**



ACCESSING CAPITAL FOR GROWTH

Goal: Increase access to capital, specifically “right sized” capital, in the form of equity, debt, or a combination thereof that matches the needs of Latino-owned businesses (LOBs) at various stages in their growth cycle

Most businesses require access to outside capital in order to scale and, in particular, to generate more than \$1 million in revenue, which was the group’s area of focus. The right kind of capital at the right time is critical. **For LOBs, the capital landscape is particularly complicated due to barriers in access to supply and limitations to drivers of demand resulting in underutilization.** On the supply-side of accessing growth capital, the group identified key challenges including insufficient sources of adequate debt and equity capital through Community Development Financial Institutions (CDFI), SBIC and other capital providers. Participants also identified additional barriers including the time it takes to raise capital or disperse loans and generally not enough Latinos in the financial industry who may be better positioned to understand the market potential, credit history, and/or creditworthiness of Latino applicants. On the demand side, the group identified limitations related to business owners’ general knowledge of the financing options available—relying on personal or credit card debt, concerns about equity and ownership, and mistrust of the banking industry’s ability to deliver expedient, fair and responsive loans. The breadth of these challenges can be summarized by inadequacies in two main areas: debt capital and equity capital.

DEBT CAPITAL

Debt capital is comprised of loans, credit, and other forms of borrowed funds. Lenders supply loans to businesses they believe will be able to reliably repay starting right away. For LOBs, a combination of ecosystem failures—negative narratives about the creditworthiness of LOBs and antiquated standards for assessing credit—as well as capacity within the business itself and its preparedness to acquire loan capital is particularly challenging.

According to research by Camino Financial, LOBs are 22% less likely to pre-qualify for loans than non-LOBs, partially due to credit issues.²⁸ Additional studies indicate that Latinos are more likely to lack the credit history traditionally needed for loan qualification.²⁹ There is evidence, however, that issues of creditworthiness and credit history may be complicated by prejudicial practices.³⁰ So, while there are documented limitations regarding the capacity of some Latino business owners to meet minimum requirements for loan application, there are also biases at play that may be a greater hindrance to Latino business owners than their actual creditworthiness would dictate.

EQUITY CAPITAL

In contrast to debt funding, equity funding gives lenders shares of a business in exchange for their investment. Equity funds need not be repaid. These investors look at the long-term potential of the business, rather than the business’s ability to repay the investment in the short-term. LOBs seeking equity investments from angel investors, venture capitals (VCs), and private equity (PE) also face unique barriers to access due, at least in part, to unconscious bias ingrained in the operations and practice of investing institutions. The group shared that the mainstream VC world is largely white and male, and their tendency to invest in business founders that look like them is well-documented.

28 Sean Salas, “Lending to a Latino-Owned Business: A 1.4 Trillion Market Opportunity,” *Forbes*, November 1, 2016. www.forbes.com/sites/groupthink/2016/11/01/lost-american-opportunity-lending-to-latino-businesses/#5055d086a1da

29 Algernon Austin, “The Color of Entrepreneurship: Why the Racial Gap among Firms Costs the U.S. Billions,” Center for Global Policy Solutions, April 20, 2016. www.globalpolicysolutions.org/report/color-entrepreneurship-racial-gap-among-firms-costs-u-s-billions/

30 For more on evidence of prejudicial practices, please see 2014 study referenced in Joyce A. Klein, “Bridging the Divide: How Business Ownership Can Help Close the Racial Wealth Gap.” FIELD at the Aspen Institute, January 2017. <https://www.aspeninstitute.org/publications/bridging-divide-business-ownership-can-help-close-racial-wealth-gap/>

Additionally, there is a lack of appreciation on the part of equity investors for the value of the opportunity many Latino startups or small businesses provide and many are only investing in companies that meet a minimum threshold of \$5 million in Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA), thus significantly narrowing the pool. There is also a lack of understanding of the unique needs of many Latino business owners.³¹ Thus, very few Latino entrepreneurs who seek equity funding are successful in securing it. In addition to structural barriers limiting access to growth equity, according to the group, some owners are hesitant to pursue this type of capital because they fear losing equity in their business.³²

OTHER SOURCES OF CAPITAL

Beyond these two overarching categories of capital, business owners may obtain capital through other sources, including Small Business Administration (SBA) programs and SBIC loans.³³ Many small business lending sources such as these have not been tapped by LOBs. In some cases this is because LOBs lack the size and scale to access these types of funds, and, in other cases, those who do meet the requisite size and scale might not have connections, established relationships, or knowledge about these sources of capital. Online platforms can also provide sources of capital, either through crowd-funding or loans. Online lenders are gaining visibility and are filling a gap in the capital market, but the terms and responsiveness of these lenders often do not meet the needs of LOBs and frequently have predatory practices which negatively impact LOBs.³⁴

Without adequate and responsible access to any of the various forms of available capital, the full growth potential of LOBs will remain unrealized. If not addressed, barriers to accessing growth capital will prevent the LOBs targeted in this report from crossing the \$1 million revenue threshold and keep them from creating more jobs, greater wealth, and economic prosperity.

SOLUTIONS

Recognizing the need to create innovative funding strategies, as well as to expand current capital offerings to meet the needs of LOBs, Forum participants designed the following solutions to improve and accelerate current efforts to increase access to capital for LOBs and to encourage the creation of new mission-aligned institutions to serve them.

- **Raise Fund of Funds.** This solution taps existing large pools of capital in the market and directs their resources toward equity investments in the high-growth companies of Latino entrepreneurs.
- **Research and Development Debt Fund.** This fund allows for the assessment and development of more relevant credit requirements, thus making more loans available to LOBs.
- **Scale the CDFI Sector.** Growing the capacity of CDFIs makes more capital available to underserved businesses, including LOBs.

Raise Fund of Funds Earmarked for Latino-owned Businesses

High-growth businesses on-track to scale need equity funding, typically from VC, PE, and Private Debt (PD) funds, to support their growth. The group identified VC, PE, and PD funds that focus on investing in underrepresented groups of entrepreneurs, including Latinos, as an important emerging trend. This trend is a positive sign for increasing access to equity capital, as it makes funding available to LOBs that might otherwise have difficulty raising money from mainstream VCs.

31 David Teten, "Why Are Venture Capitalists (76% White Men) Ignoring The Future?" Forbes, April 29, 2014. www.forbes.com/sites/david-teten/2014/04/29/why-are-venture-capitalists-ignoring-the-future-the-emerging-domestic-economy/#1d68444e64c3

32 Klein. "Bridging the Divide."

33 A SBIC is a privately-owned investment company that is licensed by the Small Business Administration (SBA).

34 For more about online lenders, please see Joyce A. Klein, "Bridging the Divide: How Business Ownership can Help Close the Racial Wealth Gap," FIELD at the Aspen Institute, January 2017, <https://www.aspeninstitute.org/publications/bridging-divide-business-ownership-can-help-close-racial-wealth-gap/>

However, in order to adequately support the capital needs of high-growth LOBs over the long term, a financing ecosystem supportive of LOBs must be fully developed. In addition to the currently emerging VC funds, there is a need for pools of capital known as Fund of Funds (FOFs) for Latinos and other entrepreneurs of color. These FOFs would provide capital to different types of funds that invest in companies founded by entrepreneurs from diverse backgrounds. An FOF that is mainly focused on LOBs but that is also open to all minority-owned businesses can attract diverse sources of funding, as well as increase the pipeline of eligible businesses ready for growth.

FOFs allow the ecosystem to tap into capital sources whose managers may prefer the diversification that comes with a Fund of Funds, rather than choosing individual VC or other funds. Such sources may include SBICs, foundations, impact investment funds, family offices, banks, and public pension funds. The ability to direct large pools of capital such as pension funds through FOFs and ultimately to LOBs creates power and sustainability in the funding infrastructure for Latinos and their firms.

FOFs earmarked for LOBs bring multiple additional benefits besides capital to the goal of an inclusive ecosystem.

In addition to supporting diverse entrepreneurs, these Latino-focused FOFs would give preference to investing in funds whose managers are people of color. Advancing the funding landscape in this way will serve a dual purpose—addressing the immediate capital needs of LOBs ready to scale, as well as fostering an ecosystem that, in the long-term, supports Latino fund managers and a sustainable growth strategy for Latino entrepreneurs.

The FOF management would also bring highly experienced technical business support and deep networks to the recipient entrepreneurs. There would be room for innovation and flexibility with regards to the structure and terms of investment in companies, allowing the funds to provide capital that is culturally competent and aligns with the recipient business's priorities. This FOF solution brings a steady stream of flexible capital and rigorous support to Latino and all underrepresented business founders.

Create a Research and Development (R&D) Debt Fund

Debt financing (or loans) is a very common source of growth funding for the businesses targeted in this report. Businesses that have the revenue to support repayment of a loan and whose owners want to retain complete ownership are appropriate candidates for debt financing.

Many Latino small business owners can't qualify for standard bank loans, because typical credit criteria for assessing loan applicants are outdated and limiting. Community Development Financial Institutions (CDFIs), which are traditionally dedicated to providing affordable lending options to underserved communities—those typically not well served by mainstream financial services, are another source of debt financing for small businesses. But, while

their credit requirements are generally more accessible than those of traditional banks, CDFIs' flexibility in credit criteria is limited, as they are influenced by the risk tolerance of the financial institutions that fund them.

Online lenders are pioneering the use of innovative, alternative, and effective criteria for evaluating the credit risk of borrowers who don't qualify under the typical credit criteria used by banks and CDFIs. The use of these alternative data and technology lowers the transaction cost of lending to otherwise excluded borrowers. However, there is

Formalized research on the effectiveness of alternative credit data could influence CDFIs and other lenders to implement policies that would better serve the Latino business owners targeted by this report.

concern that the high cost of the capital used to create these loans may lead to predatory lending practices.³⁵ **Therefore solutions that lower the cost of capital, by validating borrowers' lower risk of default and that also reduce transaction costs by using alternative data, are in immediate demand.** The group posited that If CDFIs adopted alternative credit criteria, they could serve more business owners. However, CDFIs and the banks that fund them are understandably reluctant to take the risk of using lending criteria that could be seen as "experimental." Formalized research on the effectiveness of alternative credit data could influence CDFIs and other lenders to implement policies that would better serve the Latino business owners targeted by this report.

35 For more about online lenders, please see Joyce A. Klein, "Bridging the Divide: How Business Ownership can Help Close the Racial Wealth Gap," FIELD at the Aspen Institute. January 2017, <https://www.aspeninstitute.org/publications/bridging-divide-business-ownership-can-help-close-racial-wealth-gap/>

A R&D Fund aimed at lending to businesses that are ready to scale would address the need for formal, scientific evaluation of alternative credit data. For the purposes of validating this hypothesis, the capital in the R&D Fund would be deployed to two groups of lenders. One group would be CDFIs and online lenders, and they would in turn make loans to small business owners following their approved criteria. The other group would be for loans serviced through the R&D Fund; these lenders would pilot the use of specified alternative credit data to evaluate applicants and choose borrowers. Both groups of lenders would be required to share repayment data with the R&D Fund management.

Once the repayment period for the loans in the R&D Fund is complete, repayment rates of the two groups will be compared. Based on what is currently happening in the online lending industry, the hypothesis is that repayment rates for the R&D Fund will be the same or better than repayment rates for online or CDFIs. If this hypothesis is validated, CDFIs and other responsible lenders can use the effective alternative data as well as understand the most predictable data points in assessing repayment risk for underbanked businesses. **This research could lead to widespread adoption of alternative credit data by CDFIs and banks, thus opening access to loans to support the growth of many more LOBs.**

Grow the CDFI Sector

CDFIs address the needs of businesses that benefit from more flexible credit requirements in loan applications, including many LOBs. CDFIs have demonstrated their ability to successfully deploy capital to small businesses, with their current industry portfolio being between \$3-5 billion. However, the current size of the industry is insufficient to meet demand. According to calculations by participants of the Forum, the CDFI industry must be at least ten times larger in order to make a meaningful impact on the needs of LOBs and other small businesses.

Four strategies for expanding the size and utilization of the CDFI sector:

- 1. Implement a referral system whereby banks refer declined loan applicants to CDFIs.** Mainstream banking institutions remain a primary destination for small business owners applying for a loan, but a majority of these businesses are not approved for the loans they seek. In the experience of Forum participants, many of the business owners who are declined for bank loans could meet the CDFI borrowing criteria. However, the option of a CDFI loan is not well-known or is currently not well suited for certain stages of business growth. Banks could easily bridge this gap since they are already in communication with business owners seeking loans. Such referral systems are currently in pilot stages at several CDFIs and could be expanded to influence the trajectory of an even greater number of businesses.
- 2. Increase or redistribute existing government loan subsidies.** Currently, there are loan subsidies for housing, commercial real estate, and community facilities (such as community centers) within the CDFI industry. Existing sources of these subsidies include the US Treasury Department's CDFI Fund and the federal government's New Markets Tax Credit (NMTC) Program. The rules governing these and other subsidy sources could be modified to more purposefully support the small business sector, specifically businesses that are ready to scale. This would allow CDFIs to provide loans to more businesses that are in a position to grow.
- 3. Encourage CDFI investors to provide longer-term loans with lower costs.** This would allow CDFIs to pass these terms on to their clients, providing better loans to more growing businesses, including LOBs. Lower priced loans are justified by the strong track record CDFIs have of repayment to their investors.
- 4. Make larger loans available to meet the needs of businesses with the potential to grow to \$1 million in revenue.** CDFIs have traditionally provided loans of \$50,000 or less. This loan amount is helpful to some small businesses, but is too small to support the businesses targeted by this report to reach the next level of growth. More recently, the SBA Community Advantage program has supported CDFIs in offering loans up to \$250,000. The ability to offer larger loans to small business owners is a step in the right direction.

CONCLUSION

Through an exploration of the root causes preventing LOBs' access to debt and equity capital, the group identified three focused solutions:

1. Redirect large pools of capital already in the market towards equity and debt investments in high-growth LOBs,
2. Research and develop relevant and fair credit requirements for LOBs,
3. Invest in the CDFI sector so it can make more capital available to underserved businesses.

These solutions, complemented by efforts to address biases and the perception of risk and value of LOBs, along with initiatives to hire more Latinos into positions of influence within the banking and finance sectors, and strategies to uplift more stories of LOB growth and success, would enable growth previously limited by the availability of lending and investment resources.

INCREASING ACCESS TO PROCUREMENT OPPORTUNITIES

Goal: Improve Latino-owned businesses (LOBs) ability to access and capitalize on important procurement and supply chain opportunities that foster growth

An important business model for growing companies, as identified by Forum participants, is revenue from contracts with the government and private sector companies. In 2015, US government contract spending totaled \$440 billion.³⁶ Companies that hold a combination of government and private sector contracts have typically undergone a rigorous selection and evaluation process and have a more robust capacity to manage growth. With regard to private sector contracts, a Center for Urban Future report from 2011 highlights that small businesses that supply larger corporations have higher current revenues and experience impressive revenue growth after becoming suppliers to large corporations.³⁷ In addition to revenue growth, small businesses that supply corporations “add jobs at a rapid clip”.³⁸ Access to government and private sector contracts is an important component of building robust, healthy, and viable LOBs that are able to scale.

Access to government and private sector contracts is an important component of building robust, healthy, and viable Latino-owned businesses (LOBs) that are able to scale.

Contracting and government procurement are difficult areas to navigate. There are a number of barriers from both the perspectives of LOBs as well as contracting managers seeking minority suppliers. From the business owner’s perspective, processes related to government certification and discovery of appropriate contracts are complex and fragmented. LOBs often lack relationships with decision-makers among government, corporations, and anchor institutions (such as universities and hospitals). At the same time, procurement and supply chain managers have difficulty finding qualified LOBs to contract, and they are generally not incentivized to try new, untested suppliers because of the risk and possible costs entailed. It is unclear if the difficulty stems from a dearth of qualified Latino-owned firms in areas of high demand or from limited awareness by the procurement and supply chain managers of the available and qualified LOBs.

These barriers to access prevent LOBs from capitalizing on the opportunities that supply chain contracting and government procurement provide. Since contracting presents such a significant revenue generating opportunity, barriers in this area must be addressed if the number of LOBs able to scale past the \$1 million threshold is to increase. Doing so will allow LOBs greater access to one of the major drivers of overall business growth, ideally helping them to significantly and quickly scale their businesses.

SOLUTIONS

Most of the existing solutions to the challenge of misaligned and inaccessible contracting opportunities are outdated and not responsive to the 21st century economy, which includes fields like technology, finance, and professional services. Likewise, the existing solutions do not take advantage of the capabilities of current technology. Latino business owners lack access to early identification of procurement opportunities which negatively impacts their

36 “Annual Review of Government Contracting 2016 Edition,” National Contract Management Association (NCMA) and Deltek, 2016, www.ncmahq.org/docs/default-source/default-document-library/pdfs/exec16---book---annual-review-of-government-contracting_lowres

37 “Giving Small Firms the Business,” Center for an Urban Future, 2011, <https://nycfuture.org/research/giving-small-firms-the-business> The findings from this report are based on a study of 200 small businesses in New York and 14 other states. This report did not focus exclusively on Latino-owned businesses.

38 Ibid.

ability to prepare for and bid on those opportunities. Procurement managers often lack the tools to inform LOBs of upcoming opportunities and to identify promising qualified LOBs. These challenges could be mitigated through modern technology platforms. Two such recommendations follow:

- **Make procurement processes more transparent and accessible through Matchmaking Initiatives.** A Contractor Reviews Platform would aid procurement officers in locating Latino suppliers and would give capable LOBs the visibility they currently lack.
- **Advance the transparency and accessibility of procurement processes with Data Solutions (License Data Solutions).** Large-scale licensing of data solutions would give LOBs timely and transparent access to appropriate contract opportunities.

Grow Matchmaking Initiatives – Contractor Reviews Platform

Receiving contracts and then successfully executing those contracts is an important milestone for any small business, especially those preparing to enter a new growth stage. However, even after completing initial contracts, LOBs (as well as non-Latino-owned businesses) face challenges in procuring additional work. The Forum group that focused on procurement identified the need for more and better resources to facilitate these initial successes leading to additional business opportunities.

A technology-based platform that provides reviews of companies contracting in the supply chain would help pave the way for LOBs to grow. If a company seeking contracts can show positive reviews in a reliable forum, it would make it more feasible for procurement officers to take the risk of trying a new contractor.

Existing technology platforms in the supply chain and contracting space could be used as a starting point to envision and build this Contractor Reviews Platform. Examples include MyBusinessMatches.com, which matches participating businesses with buyers and provides technical support for managing those relationships; Angie’s List, while not intended for the business procurement market, is a platform from which to draw inspiration because it provides reliable reviews of service providers; and Google’s internal platform for reviewing contractors, which could also serve as a model for a new technology platform aimed at helping LOBs receive more private and government contracts.

The procurement group recommended a new tailored Contractor Reviews Platform be designed and made available publicly to growth stage LOBs and/or to the organizations that commission them. This platform should emulate the functionality of Angie’s List and Google’s internal platform and should be customized for the needs of the contracting ecosystem in a manner similar to MyBusinessMatches.com. By aggregating reliable reviews, a Contractor Reviews Platform would help accelerate acquisition of more contracts once a small business has successfully completed initial contracts. It would provide visibility to capable Latino business owners who need access to decision-makers in the supply chain, thus supporting LOBs in growing to the next stage.

Make procurement processes more transparent and accessible

Procurement processes tend to be opaque, complex, and confusing. Even the initial step of identifying existing government contracts lacks transparency. Now, with the recent growth in data science technology, new solutions are appearing.

Business software and information companies provide a number of services to facilitate information sharing about procurement opportunities. Some of these services gather data about government contracts and can identify contracts up to 36 months before their solicitation date. This type of business intelligence is invaluable for Latino business owners seeking entry into the government contracting world.

Unfortunately, services like these are expensive, and, as such, are out of reach for many of the LOBs targeted in this report. **The recommendation is that organizations serving smaller businesses, such as Chambers of Commerce, economic development agencies, and trade associations, seek to acquire group licenses to business intelligence services and provide the data to their clientele businesses at a manageable cost.**

Building rapport with decision-makers before contracts are solicited is an effective strategy for winning contracts. Knowing ahead of time what contracts are coming up gives business owners time to target their relationship building and develop readiness for the project. This solution of making aggregated procurement data available would provide growth stage LOBs (and others served by business support organizations) with actionable data that would enable them to gain access to government procurement opportunities. If secured, these contracts would fuel business growth, pushing more LOBs past the \$1 million revenue threshold and beyond.

CONCLUSION

A key inhibitor to the growth potential of LOBs is their lack of access to procurement information and supplier opportunities. Limited access to the networks that influence the procurement priorities of larger firms or institutions means that capable and tested LOBs are frequently unable to share their qualifications or compete for government and private sector contracts that would help grow their companies. To remedy this lack of access, the group proposed the creation of a technology-driven platform that enhances transparency and offers LOBs a place to share their performance accomplishments and impact. The group also proposed a strategy for acquiring group licenses to business intelligence services so that LOBs can obtain access to anticipated procurement opportunities at a more manageable cost. Creating greater connectivity between LOBs and procurement opportunities, through a Contract Reviews Platform or data licensing solutions, will improve the growth potential of LOBs, create matches between capable LOBs and firms seeking support, and lower ecosystem barriers that prevent LOBs from reaching their full growth potential.

BUSINESS EDUCATION AND TRAINING

Goal: Improve the availability of relevant, culturally competent, and convenient business training and education for Latino-owned businesses (LOBs) within different sectors and growth stages.

Throughout a business's lifecycle, new areas of knowledge, management skills, and leadership development are required in order for business owners and, therefore, their businesses to thrive. During the Forum, many important business education and training needs were identified to help the target LOBs reach \$1 million or more in revenue. Among them were financial management, procurement readiness, business branding and marketing, effective networking, strategic planning, and identifying and accessing appropriate capital sources. Without such education, training, and overall business development resources tailored to the needs and challenges of each business stage, the scaling of a business can be hampered and even fail.

As a business grows, the owner needs to learn new skills and behaviors, thus creating a long-term need for continual learning and adaption. Success in the first three years of a business is dependent on finding the right product for the right market, a clear business model, strong cash flow management, access to appropriate capital, and strict control and direction of the business and its processes and systems. For example, as a business grows and new employees are hired, a business owner will either need to become well-versed in human resource regulations and laws, hire someone to oversee this new aspect of their business, or join a Professional Employer Organization when they have the required minimum number of employees. Similarly, marketing will become more complex and owners will need to develop or hire employees with the skills to meet the marketing needs of their growing business. **Perhaps most challenging is that as a business begins to achieve scale, owners will need to create teams, build trust, and delegate key responsibilities so they can focus more on strategy and less on operations.**

Having the right business development resources at the right time throughout the business lifecycle can make the difference between success and failure for an enterprise.

Even with national business initiatives such as the SBA's Emerging Leaders program, the Interise StreetWise 'MBA'™ network, and Goldman Sachs 10,000 Small Businesses, there is a dearth of business resources meeting the developmental needs of Latino business owners whose businesses are ready for continued growth and scale. Having the right business development resources at the right time throughout the business lifecycle can make the difference between success and failure for an enterprise.

Additionally, while there are a large number of services designed to support smaller businesses earlier in their lifecycle, there are very few programs focused on the particular challenges faced by companies ready to grow past the \$1 million mark, regardless of industry. Therefore, Latino business owners often lack access to the development resources they need at critical growth stages of their business's lifecycle. Among the business education and training programs that do exist, Forum participants identified inconsistent quality, serving too broad a range of businesses, lack of accessibility, and low capacity as major gaps.

Culturally disconnected business education and training programs can pose an additional obstacle for Latino business owners. For some Latino business owners, the ability to pass down ownership and equity across generations is an important cultural consideration that, if neglected by institutions, can alienate Latino business owners from participating in business education and training programs. Furthermore, programs that are unaware of the learning styles and language abilities of their participants could inhibit the learning of skills and techniques necessary for a business to scale.

SOLUTIONS

There are gaps in knowledge both on the supply and demand side of business education and training. Business owners do not always know what programs are available or even what their business needs at each stage of growth. Additionally, business education and training service providers are not always aware of the business development landscape and the existing gaps in programming. To address these gaps, Forum participants identified the importance of assessing the education and training needs of Latino business owners who are ready to scale their business beyond \$1 million in revenue, the type of business development resources that are currently available, and the programming that is still needed.

Conduct a Needs Assessment

The first step in the needs assessment is to gather a cross-functional advisory council of relevant stakeholders. It is important that these advisors include and are informed by Latino business owners and existing business education and training providers. An initial in-person convening of these advisors would be beneficial for setting the agenda and direction of the needs assessment.

To inform the assessment, a market study of the targeted business owners should be conducted. The market research will identify who the targeted LOBs are in various regions of the United States, what industries they represent, and the state of their businesses. Once these business owners are identified, their current business challenges and education needs must be assessed.

The second focus of the needs assessment is mapping the existing education system for the LOBs targeted in this report. This map would include a view of current program offerings, as well as an analysis of the effectiveness of these offerings. The outcome of the needs assessment will be a thorough understanding of the gaps in the business education system. These gaps represent the topics that are currently inadequately addressed or not addressed at all.

The benefit of such a needs assessment is that it will allow for clarity regarding which business education programs should be expanded, which should be avoided by our target audience, and which could be made more effective with modifications. Ultimately, program developers will be able to move ahead with the confidence that their resources will effectively meet existing needs. This cohesive and effective business education and training system will allow Latino business owners to receive the support they need to better actualize their business's potential, thereby contributing to nationwide economic growth.

CONCLUSION

Fully understanding and filling the gaps in business education and training programs can support all business owners, in particular Latinos, who aim to scale their business. This requires buy-in from an array of stakeholders. A holistic assessment of the current business education and training landscape, accompanied by targeted recommendations, will allow Latino business owners to develop the skills and strategies necessary to scale their businesses.

IMPROVING THE BUSINESS ECOSYSTEM

In addition to the principal business challenges inhibiting Latino-owned businesses (LOBs) from scaling, the group identified a series of cross-cutting and interdependent conditions that influence the effectiveness of the three business solutions outlined in this report: improving access to capital, procurement and supplier opportunities, and business education and training offerings. The three priority societal challenges are:

1. Lack of Latino power and influence across sectors,
2. Negative stereotypes and narratives about LOBs, including perceptions about preparedness, risk, sophistication, and capacity,
3. Lack of social capital required for LOBs to navigate and access often opaque and exclusionary systems and networks.

Improving these priority areas will enhance the overall ecosystem within which LOBs launch, operate, and grow. The following sections address each of these challenges with solutions to increasing Latino power and influence, elevating LOB narrative and branding and accessing and leveraging networks and mentors.

INCREASING LATINO POWER AND INFLUENCE

Goal: Increase power and influence to affect existing power structures that influence the growth of LOBs

Despite an increase in population, improvements in educational achievement, and high levels of entrepreneurship, there continues to be a significant wealth and power deficit among Latinos vis-à-vis the rest of the population. This is reinforced by a lack of influence in the existing power structures. Power and influence are necessary for building the support infrastructure that LOBs need in order to succeed. The expansion of power and the exertion of influence, be it political or financial, if exercised to this end, could help to ensure that the growth and support needs of LOBs, including favorable policies and funding streams, are put in place.

Power and influence are necessary for building the support infrastructure that LOBs need in order to succeed.

Although Latinos have had some success in increasing representation in elected office at the local and national level, and, in smaller numbers, as C-suite executives of top companies, this has not necessarily translated into gains or improved outcomes for the broader Latino community. Current efforts and the status quo approach to increasing Latino wealth and political influence have not been effective in increasing Latinos' access to wealth and power.

New and radical approaches are needed to enable sustained and meaningful increases in Latino wealth and power. The group identified the following recommendations to address this need:

- Study power levers and develop tactical plans.
- Develop a Latino-owned business agenda.
- Educate and engage supportive leaders.

Study Power Levers and Develop Tactical Plans

Economic, social, and political systems are among the levers impacting power and wealth creation in the Latino community. To better grasp the complexity and interconnectedness of the afore-mentioned areas, the Forum participants recommended organizing a formal convening of key Latino and other business leaders, including allied communities that have successfully built influence. During this convening, participants would share and explore best practices and models for developing, claiming, and using power. **The intended result of a convening that grapples with these power and influence issues would be a tactical plan that reflects proven and innovative approaches to flexing “Latino muscle.”** The strategies developed during the convening would be modeled after the successes of other interest and minority groups and would leverage the wealth of cultural knowledge, history, and assets that already exist in the Latino community. This tactical plan would identify stakeholders to lead, own, and play a role in implementation, including business leaders, influencers, and elected officials.

Develop a Latino-owned Business Agenda

Latino leaders and influencers must define and coalesce around a robust business agenda. In the past, it has been difficult to reach consensus on a broad-based political agenda in the highly diverse Latino community. In comparison, an agenda that focuses on the needs of LOBs as a means to create wealth and give back to the community would be a realistic starting point from which to build consensus. **The development of a Latino-owned business agenda could serve to build relationships and create measures of accountability among multi-level leadership in addressing the needs of the Latino community.**

Educate and Engage Supportive Leaders

Latinos need to cast a wide net, engaging not only Latinos, but a broader coalition who can speak to research and statistics pertaining to LOBs and their importance to the US economy. In addition, focused and consistent engagement with elected officials is needed. Educating elected leadership and their senior staff about LOBs, their economic potential, and the demographic changes that elevate the importance of their contributions will help further drive the narrative about the burgeoning power of Latinos across the country. Supportive political leaders can serve as surrogates to advocate for and enact policies that support LOB growth. In addition, Latinos must engage in a continued effort to build pipelines and coalitions of Latino and allied leadership, not only in politics but also in corporate boardrooms and philanthropic organizations.

ELEVATE THE LATINO-OWNED BUSINESS NARRATIVE AND BRAND

Goal: Improve representation of Latinos, across sectors, by supporting and engaging content creators and pipelines.

Negative views of Latinos persist in mainstream society and are perpetuated through harmful stereotypes in traditional and entertainment media.³⁹ Latino high-tech companies or highly successful Latino business owners are rarely portrayed in the news or media. The general representation of LOBs is incomplete and often focuses on small and sector-specific businesses, such as food trucks or landscaping. This skewed representation discounts a great number of LOBs operating in high growth industries, such as manufacturing and healthcare, and has a detrimental effect on the overall narrative about the Latino community. Misrepresentation also negatively impacts the success of LOBs because of the bias it creates. Positive images of Latinos in business or other fields that reflect the significant economic impact of this growing demographic are rare. For this reason, there is a need to broadly socialize a new narrative that more accurately portrays the significant financial power that Latinos wield, both in business success and consumer purchasing.

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39 “National Poll: The Impact of Media Stereotypes on Opinions and Attitudes Towards Latinos,” National Hispanic Media Coalition and Latino Decisions, September 2, 2012. www.nhmc.org/national-poll-impact-media-stereotypes-opinions-attitudes-towards-latinos/

The group focused on the following actionable recommendations:

- **Support pipelines of Latino content creators.**
- **Engage with media content gatekeepers.**
- **Expand branding education.**

Support Pipelines of Latino Content Creators

Content creators are key to generating media that portrays more accurate, supportive, and forward-thinking images of Latinos and Latino business owners. Latino voices are grossly underrepresented among media content creators. Building and supporting mechanisms to increase the pipeline of Latino writers, producers, directors, and high-level talent must be high priority in the pursuit to reshape media narratives. Organizations such as the National Association of Latino Independent Producers, the National Hispanic Media Coalition, and the National Association of Hispanic Journalists have programs that work to expand the pipeline of Latinos in media. Identifying avenues to fund and bolster new and existing pipeline programs will help transform the composition of the industry's content makers, allow the industry to more accurately reflect society, and become more inclusive of positive Latino narratives.

Engage with Media Content Gatekeepers

Latinos are grossly underrepresented in gatekeeping roles for media content, making it more difficult for positive and impactful stories to be disseminated. Increasing Latino ownership and leadership in media networks can shape the direction of the network and content distribution. Expanding Latino representation in these roles will help combat biases that inhibit elevating positive Latino stories.

Major English-language media networks are of great importance to transforming the narrative, because they influence both Latino and non-Latino viewers. Eighty-two percent of Latinos consume news media in English.⁴⁰ In order to impact the attitudes of non-Latinos, it is necessary to include major network content distributors with a broad, diverse primetime viewing audience. **Networks with financial programming, such as CNBC and Bloomberg, influence the viewpoints of capital providers. It is important to encourage featuring more Latino companies and business leaders on these networks.**

Expand Branding Education

Latino business owners could create more powerful narratives for their companies by more effectively deploying branding strategies. Branding is about telling stories while generating the revenue necessary for a sustainable business. These stories are powerful and become part of the overarching public narrative. More sophisticated use of branding by individual LOBs raises up the image of LOBs in general and advances the narrative regarding Latinos and the professionalization and success of their businesses.

Creating focused boot camps and technology platforms to teach Latino business owners the power of branding and narrative will go a long way towards advancing positive narratives about LOBs. These trainings and platforms can be supplemented with broader business education curriculum featuring a branding component.

40 Mark Hugo Lopez and Ana Gonzalez-Barrera, "Demographics and Language of News Media Consumption," Pew Hispanic, July 23, 2013, www.pewhispanic.org/2013/07/23/ii-demographics-and-language-of-news-media-consumption/

ACCESS AND LEVERAGE NETWORKS AND MENTORS

Goal: Improve understanding of network landscape, broaden representation, and maximize effective utilization of networks

Business owners who are well-connected have a greater likelihood of success. Broad networks bring customers, capital, mentors, peer advising, talent, inspiration, motivation, validation, business culture transparency, and a host of other tangibles and intangibles that make a business owner more effective. Latino business owners often lack access to the networks that would allow them to scale their businesses to more than \$1 million in revenue. Often, even if they do have access to the right networks, they may not know how to utilize them to achieve better business outcomes. Mentors can serve as key sources of information to help access and navigate networks and maximize outcomes.

The following recommendations provide a framework for building the resources to allow Latino business owners to do just that:

- **Acquire awareness of the network landscape.**
- **Build Latino representation in key networks.**
- **Maximize effective network utilization.**

Acquire Awareness of the Network Landscape

Research will be required to build an understanding of the landscape of networks most valuable to the businesses targeted in this report. The data needed to map out the best networking landscape for Latinos includes:

1. Identifying the top networks that can help a company (especially an LOB) scale to \$1 million in revenue and beyond.
2. Exploring different networks for different sizes of companies, e.g. ready to scale to \$1 million in revenue, ready to reach the \$10 million revenue threshold, etc.
3. Determining the classifications of networks needed, such as local, national, and global.
4. Identifying non-business networks such as sports leagues, “30 under 30” lists, online and offline networks, and other general population networks.
5. Identifying networks especially valuable for immigrants or those who primarily speak Spanish.
6. Identifying the common elements that make a network effective (education, etiquette, qualities of the people in those networks, etc.).

Build Latino Representation in Key Networks

Identifying high-value networks that can play a role in the growth of LOBs and identifying those who can serve as door openers and mentors is key to expanding access. Mentors can bring new business owners to events and conferences, make introductions, and model behavior and tone. In this way, there will be an institutionalized pathway into high quality networks. Iterating on this process over time will provide more Latino business owners with access to increasingly higher-powered networks.

An important element of this strategy will be to create awareness among the target Latino business owners of the high-quality networks identified and make the case for how they can be utilized to help them learn about business trends, expand markets, gain access to knowledge or partners, or help them become aware of procurement and other opportunities.

In addition, a mechanism for business founders to gain visibility and influence is by executing a strategy to get their names on influential lists published by recognized media sources, such as the Forbes “30 Under 30” list. Creating a playbook outlining how to do this would be a high-impact project to help Latino business owners on the path to success.

Maximize Effective Network Utilization

Many Latino business owners who have been connected to key networks would benefit from learning best practices for leveraging their new connections effectively. Networking is a skill that can be taught.

The group came up with the following initial knowledge gaps about networking:

1. Understanding cultural conventions surrounding things like giving and asking for favors.
2. Learning about the unwritten rules evident among different organizational or regional networks (e.g. old New England networks vs. California networks).
3. Knowing the pros and cons of dedicating time to a networking group.
4. Creating opportunities to utilize networks with coaching on how to go about it.
5. Participating regularly in events, conferences, webinars, and email lists to expand and build relationships.
6. Offering a forum for coaching around the nuanced conventions employed in networking interactions, possibly through peer-to-peer mentoring.
7. Using technology to enhance networking efficiency.
8. Learning from other business owners who have already scaled beyond \$1 million (both Latino and non-Latino).

The group recommended codifying learnings into a “Networking Playbook” to bring transparency to this process, which often feels mysterious to those who feel they are on the outside. Mentors and champions will be essential to helping Latino business owners navigate these networks, open doors, and validate LOBs attempting to enter them.

CONCLUSION

The ecosystem within which LOBs operate and pursue scaling is a critical determinant of success. The power dynamics, narratives, and network that make up the ecosystem limit or facilitate access to the capital resources, the procurement opportunities, and the targeted skill development and training needed to advance the growth trajectory of LOBs. For LOBs, successful attempts to scale will create a virtuous cycle that reinforces positive narratives, increases power and influence, and maximizes the social capital generated through network and relationship building.

STAKEHOLDER ENGAGEMENT

Key to successfully developing and implementing solutions for scaling Latino-owned businesses is engaging the following stakeholders' expertise, knowledge, and networks throughout the design and implementation of projects, initiatives, and systems-level change.

KEY STAKEHOLDERS	
Community Development Financial Institutions	Philanthropy
<ul style="list-style-type: none"> Seek to find responsible ways to lower loan costs Make larger loans available to meet the needs of businesses with the potential to grow to \$1 million 	<ul style="list-style-type: none"> Fund a mapping of business training, and study what is most effective for growth stage LOBs Support business education training that addresses the needs of Latino business owners looking to scale Fund research of Latino network gaps that can be developed into a 'Networking Playbook' Fund research and development of procurement platforms that increase connectivity between LOB suppliers and contract opportunities Support the development of a Latino leadership and business/wealth creation agenda
Entrepreneurs	Lenders and Investors
<ul style="list-style-type: none"> Understand the importance of outside capital to scaling, explore a variety of capital sources including alternative or hybrid lending Understand the value of branding; seek help to uplift your business for marketing purposes Tell your success story to help change the narrative. Write a book, speak publicly, promote in media, especially general market media Seek out mentors to help find and navigate high value networks Serve as door openers and mentors for other Latino owned businesses, share best practices in growing your business including how to gain value from networks 	<ul style="list-style-type: none"> Implement a referral system whereby banks refer declined loan applicants to CDFIs. Venture Capitalists (VCs) should consider the benefits of a diversified Fund of Funds. Offer education and coaching opportunities to improve readiness to scale
Government/Policy	Media Outlets and Networks
<ul style="list-style-type: none"> Modify existing subsidy programs so that they can be used in the small business sector Design policies to help raise the loan ceiling of CDFIs 	<ul style="list-style-type: none"> Enlist more diverse content creators to be reflective of the realities of American society Offer more balanced representation of Latinos and LOB owners, including positive and aspirational images
Elected Officials	Latino Leadership
<ul style="list-style-type: none"> Engage with Latino business owners in your districts and learn about the needs and barriers to growth Build familiarity with data pertaining to contributions of LOBs to the US economy Support business growth and wealth creation policies 	<ul style="list-style-type: none"> Engage elected officials and educate them and their staff with the latest statistics about Latino owned business and the Latino community Coalesce to develop and implement a Latino business growth agenda
Universities and Research Institutions	Human Resource Professionals
<ul style="list-style-type: none"> Market study of targeted businesses to develop a needs assessment of education and training Study levers that will enable the Latino community to increase power and wealth Study gap in networks of LOBs that will support avenues for growth 	<ul style="list-style-type: none"> Work with industry pipeline talent organizations to ensure that diverse talent is available for hiring in the banking, finance and media sector to better reflect the diversity of clients being served

CONCLUSION

Latino-owned businesses (LOBs) have the unique potential to bolster the US economy by \$1.38 trillion, should they have the opportunity to grow at a pace comparable to the US average. In this report of the Aspen Institute Forum on Latino Business Growth, high-impact solutions have been identified to address many of the barriers to scaling LOBs, from business growth challenges to shortcomings in the business ecosystem itself.

The group developed actionable solutions to address fundamental business needs, including:

- Increased access to capital, specifically “right sized” capital in the form of equity, debt, or a combination thereof that matches the needs of LOBs at various stages in their growth cycle,
- The ability to access and capitalize on important procurement and supply chain opportunities that foster growth,
- The availability of relevant, culturally competent, and convenient business training and education for different sectors and growth stages.

The group also identified a series of cross-cutting cultural and societal dynamics that need to be addressed in order to enable LOBs to grow:

- Access to networks and quality mentoring that help to open doors and provide Latino business owners with greater opportunities to scale, including access to capital, supply chain, and procurement opportunities;
- The need to change narratives and unhelpful stereotypes about the nature of Latinos and LOBs that prevent gatekeepers, lenders, and clients from seeing the capacity and potential economic impact of LOBs;
- An increase in Latino political and economic power to support Latino entrepreneurship through policies that promote a Latino-owned business growth agenda.

The solutions outlined in this report address two major obstacles for scaling LOBs—business challenges and ecosystem barriers. Simultaneously addressing the barriers, gaps, and deficits in these areas is necessary to increase the growth trajectory of LOBs and their ability to scale. Unlocking this growth potential is a critical step for Latino economic advancement and for the country’s economic future.

The Forum participants’ call to action is to begin implementing both the business solutions and ecosystem changes outlined in this report. Through developing knowledge among Latino business owners and key stakeholders, LOBs will be better able to access the capital, procurement, and business training opportunities they need to reach their full growth potential. Addressing the identified business challenges along with changing the narrative, building power and opening the doors to valuable networks will transform the Latino community vis-à-vis Latino business. Through this report, the ideas generated by Forum participants are made available for public use by allies and stakeholders to devise strategies and develop opportunities to further support the growth of LOBs.

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ABOUT THE ASPEN INSTITUTE LATINOS AND SOCIETY PROGRAM

The Aspen Institute founded the Latinos and Society Program in 2015 to create a place for Latinos and non-Latinos to learn about their shared future and jointly explore solutions to the challenges of our times. Its vision is to foster a more informed citizenry and promote the engagement of all people in securing a prosperous and inclusive future for America. This policy program convenes diverse audiences and subject matter experts to advance three important policy areas, civic participation, economic advancement and educational opportunity. The program is also connecting a pipeline of Latino leaders to Institute programs, fostering collaboration, and strengthening their networks.



ABOUT THE ASPEN INSTITUTE

The Aspen Institute is an educational and policy studies organization based in Washington, DC. Its mission is to foster leadership based on enduring values and to provide a nonpartisan venue for dealing with critical issues. The Institute has campuses in Aspen, Colorado, and on the Wye River on Maryland's Eastern Shore. It also maintains offices in New York City and has an international network of partners.



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