Business as Usual:
Entrepreneurs of Color in California Face Challenges in Technology, Climate Change, and Sustainability in a Post-COVID Economy

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The UCLA Latino Policy and Politics Institute and the Center for Neighborhood Knowledge acknowledge the Gabrielino Tongva peoples as the traditional land caretakers of Tovaangar (the Los Angeles basin and So. Channel Islands). As a land grant institution, we pay our respects to the Honuukvetam (Ancestors), ‘Ahihirom (Elders), and ‘Eyoohiinkem (our relatives relations) past, present, and emerging.

About Our Centers

The UCLA Latino Policy and Politics Institute addresses the most critical domestic policy challenges facing Latinos and other communities of color through research, advocacy, mobilization, and leadership development to expand genuine opportunities for all Americans.

The UCLA Center for Neighborhood Knowledge specializes in empirical spatial analysis to inform policy and planning action and explicitly emphasizes the study of immigrant enclaves, low-income neighborhoods, and ethnic minority communities.

Disclaimer

The views expressed herein are those of the authors and not necessarily those of the University of California, Los Angeles, as a whole. The authors alone are responsible for the content of this report.

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The research team is grateful for the guidance of its stakeholder advisory committee for their feedback on research design, feasibility, participant recruitment, recruitment sites, connection to possible collaborators, interpretation of research findings, and dissemination of research findings.

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Monica Villalobos is the President and CEO of the Arizona Hispanic Chamber of Commerce. Monica previously served as the Vice-President and Foundation Executive Director for seven years. In this role, she was responsible for the strategic growth initiatives of the chamber. She is also the operator of the Phoenix Minority Business Development Agency and the founding principal at ResearchByDesign, a marketing research firm specializing in primary qualitative and quantitative research.

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Born and raised in Austin, Texas, Paul Saldaña has spent more than 25 years in local government affairs, public policy, public relations, and political consulting. Paul is the Co-Founder of Hispanic Advocates Business Leaders of Austin (HABLA), a local Hispanic Think Tank group committed to developing sustainable solutions to quality of life issues. He serves as a President and Principal of Saldana Public Relations, a strategic consultant, advisor, and contributor on quality of life issues, including public education, voting, economics, healthcare, redevelopment, gentrification, and affordable housing to governmental entities, clients, and the media.

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Executive Summary

California is home to 4.2 million small businesses, the most of any state in the nation. Members of racial and ethnic minority groups own nearly half (46%) of all small businesses in California. Studies have demonstrated that ethnic-owned businesses face disproportionate challenges in starting and maintaining their businesses, including systemic barriers to accessing financial capital, new technologies they must adopt, challenges in accessing relief funds, and higher employee turnover during times of crises. These challenges have been compounded in recent years by a pandemic, an increasing demand to be environmentally conscious and prepared for climate change, and a push to adapt to a virtual economy.

Reliable and accessible data can empower leaders to make decisions that improve the livelihood of ethnic communities. Our research sheds light on issue areas in which ethnic-owned small businesses are under-resourced and understudied. This report presents the results of an exploratory study investigating the experiences of ethnic small business owners on the topics of access to capital, digital technology, environmentally sustainable practices, and the impacts of COVID-19 and climate change. We present primary data collected through a phone survey and interviews with small business representatives in California. We compare survey responses to highlight racial and ethnic disparities and showcase the experiences of six entrepreneurs of color.

A survey of more than 600 businesses, supplemented by six in-depth interviews, yielded five key findings:

1. **Black- and Latino-owned businesses face more barriers than white-owned businesses to accessing financial capital.**
   
   Twice as many Black-owned businesses reported challenges to accessing financial capital, compared to white-owned businesses (60% and 29%, respectively). Among those who reported experiencing challenges in obtaining funds or capital for their business, a greater share of Black- and Latino-owned businesses reported challenges including low or poor credit scores (48% and 40%, respectively), unaffordable interest rates (69% and 61%), and insufficient forms of capital (76% and 62%).

2. **Ethnic-owned businesses continue to fight an uphill battle to recover from COVID-19.**
   
   Twice as many Asian- (49%), Black- (52%), and Latino-owned (53%) businesses reported experiencing a “large negative effect” from the COVID-19 pandemic than white-owned businesses (23%). A greater share of Black-owned businesses (73%) than businesses owned by other racial and ethnic groups anticipate a need for financial assistance or additional capital in the next six months.

3. **Although engagement in online technology for sales is not high among ethnic-owned businesses, they have a greater probability of falling victim to cybersecurity attacks.**
   
   Among owners who conduct business online, Black- (22%) and Latino-owned (14%) businesses were the most likely to use social media as their primary platform for online transactions. Asian-owned businesses reported experiencing cybersecurity attacks at the highest rate (27%), compared to lower rates among Latino- (18%), white- (16%), and Black-owned businesses (11%).

4. **Black and Asian-owned businesses expect climate change to impact their business’s finances and workers.**
   
   Black- (59%) and Asian-owned businesses (54%) were more likely to report that they expect climate change to have an observable impact on their firm’s finances, as well as their workers’ safety and health.

5. **Ethnic-owned businesses are actively engaged in environmental sustainability planning.**
   
   White- (43%) and Latino-owned businesses (35%) reported a greater level of understanding of the impacts of environmentally sustainable practices on their business than Black- (28%) and Asian-owned businesses (27%). Asian- (28%) and Latino-owned businesses (27%) were more likely to report already having a formal environmental sustainability plan in place or that they are currently developing one. Black-owned businesses (45%) reported the greatest intent to develop a sustainability plan in the future compared to businesses owned by other racial and ethnic groups.
Access to Capital, the COVID-19 Pandemic, and Digital Technology

Businesses owned by entrepreneurs of color form a significant part of California’s economy and are integral to their communities. However, these business owners also experience outsized challenges not faced by their white peers, many stemming from an inability to access sufficient funds. Most small business owners obtain capital for their business from banks as opposed to other sources (e.g., personal savings or grants). However, racial and ethnic minorities are less likely to be approved for loans than equally credit-worthy white entrepreneurs. When they are approved for loans, their interest rates are often higher and their loan size smaller. This is especially true for Black business owners. Access to funding enables small business owners to navigate the challenges of starting a new business and remain open during economic downturns and crises, such as the COVID-19 pandemic recession.

The pandemic exacerbated inequalities between ethnic-owned businesses and their white-owned counterparts. Surveys of small business owners found that Black-owned businesses experienced larger drops in sales than white-owned businesses. From February to April 2020, the number of active Black-, Latino-, and Asian-owned businesses fell more drastically (-41%, -32%, and -26%, respectively) than for white-owned businesses (-17%). Active immigrant-owned businesses also fell by 36% over the same time period, twice the rate of native-owned businesses (-18%). Not only did non-white businesses suffer greater losses, but Paycheck Protection Program (PPP) funds were also disproportionately disbursed to non-minority communities during the early stages of the pandemic.

In addition to the inequitable allocation of government lifelines, many businesses faced inequities in technology and other assets useful for shifting enterprises from in-person to online. As business owners struggled to maintain their regular operations during the pandemic, owners were also urgently confronted with the need to develop an online presence. Access and engagement in digital technologies...
empower small businesses to market to customers across larger geographies and improve their productivity and economic performance. Digital technologies include tools and systems that allow businesses to conduct transactions in the virtual environment as opposed to relying solely on traditional in-person sales. Studies indicate that during the first year of the pandemic, metro areas with a high concentration of businesses with an online presence experienced greater economic returns (e.g., increased revenues), thus positively contributing to their communities’ economic resiliency. Despite the benefits associated with adapting to a digital economy, however, the engagement of ethnic-owned small businesses with digital technologies remains unclear and understudied.

Environmental Sustainability and Climate Change

Similarly, little is known about the perceptions and attitudes of small business owners—especially small business owners of historically underrepresented groups—regarding the effects of climate change and environmentally sustainable practices. Studies conducted to understand the unique relationship between business owners and climate change and sustainability have mostly focused on large corporations or were conducted outside the U.S. Existing research from other countries suggests that accessibility to environmentally sustainable practices and regulatory enforcement are associated with small businesses taking greater environmental action (e.g., increased recycling). The lack of U.S.-specific studies indicates a need to better study and support small businesses in the U.S. as they navigate the dynamic landscape that is environmental sustainability and climate change.

Additionally, in recent years, climate change has had a perceivable impact on businesses. In 2021, a small survey from the San Francisco Federal Reserve found that about one third of surveyed businesses felt climate change had already had “an observable impact on [their] firm’s revenues, costs, or investments,” and a majority expected this to be the case in the future. The increasing risk from climate change will likely have a disproportionate impact on minority-owned businesses, as who will need to stretch their financial resources to cover risk management strategies. There is a growing recognition of the need for new and targeted public policy and funding to assist these vulnerable businesses. Our survey and qualitative interviews provide additional insights into this looming crisis.

Research Contributions

This report presents the results of an exploratory study conducted with small business owners and business executives located in California to understand their experiences recovering from the COVID-19 pandemic, accessing financial capital, and engaging with digital technology, climate change, and environmentally sustainable practices. In our study sample, we prioritized business owners, entrepreneurs, and business executives from underrepresented backgrounds to address gaps in the literature on ethnic small business owners and expose racial and ethnic disparities. We performed statistical tests to assess whether differences observed among racial and ethnic groups were statistically significant. Significance was assessed at a p-value less than or equal to 0.10. We included the following four major groups in the analysis: Asian non-Latino, Black non-Latino, Latino, and white non-Latino (see Appendix A).
Study Design

Our approach included a broader examination of attitudes collected through a carefully crafted questionnaire fielded by telephone as well as collecting rich observations through structured interviews with business owners. Throughout the study, we leveraged the expertise of an advisory committee made up of representatives from community-based organizations, chambers of commerce, and other business-serving organizations representing entrepreneurs of color. The study was approved by the UCLA Institutional Review Board to protect the privacy and confidentiality of participants.

Telephone Survey

We partnered with survey vendor WestGroup Research to deploy the telephone survey. Given the explorative objective of this baseline research, we selected a telephone survey approach to allow surveyors to probe respondents and explain complicated topics such as “sustainability”. This survey mode allowed surveyors to keep the respondents engaged due to the length of the survey. This approach also allowed us to target businesses owned by people of color, particularly those with limited access to technology. To reach entrepreneurs of marginalized backgrounds, we used directory lists that focus on Latino-, Black-, and Asian-owned businesses to create the sampling frame. More details on sampling are available in Appendix A. We limited the scope of our study and criteria for participation to business owners, individuals in executive decision-making positions, or managers overseeing the day-to-day of the business. Respondents also had to represent small businesses, which we define as those with less than 500 employees—the definition used by the U.S. Small Business Administration (SBA).

The survey questionnaire consisted of 52 questions and was designed to take 25 minutes to complete. In addition to demographic questions related to the business owner, the survey covered the following modules:

1. Firm Characteristics
2. COVID-19 Impacts and Access to Capital
3. Adoption of Technology
4. Climate Change Impacts
5. Environmental Sustainability Practices
6. Emergency Preparedness
7. Energy Burden

A key asset of our team and partnership with WestGroup Research was the collective expertise in surveying minority business owners in a culturally competent manner. First, participants could take the survey in English, Spanish, Korean, or Mandarin. Participants were compensated with a $10 gift card. The final sample from the telephone survey included 610 respondents. Survey responses were collected from September 2022 through November 2022.

To examine racial and ethnic differences in the survey, we cross tabulated the responses to key questions and the race and ethnicity of the business owners. The findings below are based on cross tabulations that have a p-value of 0.10 or less. The reported proportions and percentages are taken from those tables. Future analyses will conduct additional statistical testing for specific within question item responses and outcomes, and estimate the independent influence of race and ethnicity after controlling for other characteristics.
Interviews

Our research team conducted six semi-structured 1 hour long interviews with small business owners and executives in California. The interview guide was designed to supplement the survey and sought to understand the participants’ lived experiences with concepts covered in the survey. The interview guide also included a glossary of definitions that interviewers could access if questions arose about the topics discussed. Interviews were conversational in nature and allowed space for both the interviewer and interviewee to discuss relevant topics and stories.

Interviewees were recruited using purposive sampling from the California survey respondents and were selected for diversity in identity (e.g., race and ethnicity, gender, etc.), industry type, and survey responses. Interviews occurred between December 2022 and May 2023 using Zoom. Interview participants were compensated with a $50 gift card.

Transcripts were used to develop narrative profiles that synthesize interview data and illustrate a story about each business owner or executive. Interviewees were given a choice to opt for anonymity and to review their respective narrative profiles before publication.

Three of the study participants interviewed identify as Latino, and the remaining three identify as Asian. Four of the businesses are owned by women. Four of the interviewees are owners or major stakeholders, and the remaining two are in executive management. Three respondents represent businesses with fewer than four employees, and four businesses are located in Los Angeles or Orange County.
Key Findings

Among the 610 survey respondents, nearly half of the businesses sampled had a Latino owner (49%) and more than two-fifths (44%) were women-owned (Table 1). About three-quarters of the respondents (77%) reported conducting business in a storefront location, and 42% indicated they were the business owner or a major stakeholder. More than half (53%) have five to 19 full- or part-time employees. Businesses surveyed were mostly located in Los Angeles and Orange Counties (41%). The findings included in this report are unweighted survey responses, and exclude data for the answer choices “don’t know/refuse” from total counts.

Table 1: Sample Characteristics of Survey Respondents

<table>
<thead>
<tr>
<th>Sample Characteristics</th>
<th>Total Count (n)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Race and Ethnicity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian</td>
<td>129</td>
<td>21%</td>
</tr>
<tr>
<td>Black</td>
<td>103</td>
<td>17%</td>
</tr>
<tr>
<td>Latino</td>
<td>300</td>
<td>49%</td>
</tr>
<tr>
<td>White</td>
<td>52</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Woman-Owned</strong></td>
<td>267</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Business Location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home-Based</td>
<td>133</td>
<td>22%</td>
</tr>
<tr>
<td>Storefront</td>
<td>472</td>
<td>77%</td>
</tr>
<tr>
<td><strong>Role in the Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner or Major Stakeholder</td>
<td>254</td>
<td>42%</td>
</tr>
<tr>
<td>Executive Management</td>
<td>205</td>
<td>34%</td>
</tr>
<tr>
<td>Manager Overseeing Day-to-Day</td>
<td>148</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 to 4</td>
<td>174</td>
<td>29%</td>
</tr>
<tr>
<td>5 to 19</td>
<td>321</td>
<td>53%</td>
</tr>
<tr>
<td>20 to 49</td>
<td>80</td>
<td>13%</td>
</tr>
<tr>
<td>50+</td>
<td>34</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Metropolitan Area</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bay Area</td>
<td>94</td>
<td>15%</td>
</tr>
<tr>
<td>Los Angeles and Orange County</td>
<td>253</td>
<td>41%</td>
</tr>
<tr>
<td>Rest of Southern California</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of California</td>
<td>117</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total Number of Businesses</strong></td>
<td>610</td>
<td></td>
</tr>
</tbody>
</table>

Note: The race and ethnicity question was asked in regard to the business owner. “Other” includes survey respondents who selected Native Hawaiian or Other Pacific Islander, American Indian or Alaskan Native Indigenous Community, “Other,” “Not sure or don’t know,” or if the participant selected two or more options that do not include Latino. Given the small sample of respondents representing “Other” race and ethnicity (n=26) business owners, they are not included in the analysis. Regions were defined using zip codes, zip code tabulation areas, and core-based statistical areas (See Appendix A).

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Key Finding 1a: Twice as many Black-owned businesses reported challenges to accessing capital compared to white-owned businesses.

Roughly two fifths (41%) of surveyed small businesses experienced challenges in accessing capital for their businesses, and there were considerable and statistically significant differences by race and ethnicity. Twice as many Black-owned businesses reported challenges to accessing capital, compared to white-owned businesses (60% and 29%, respectively). The rates of Latino- (38%) and Asian-owned businesses (37%) reporting challenges were substantially lower than for Black-owned businesses, but higher than for white-owned businesses.

Figure 1. Share of Businesses Experiencing Challenges to Accessing Capital by Race and Ethnicity of the Owner

Participants were asked to describe the sector or industry that best represented their firm. The most common industries represented in the sample were “professional, scientific, and technical services” (24%), “manufacturing” (16%), and “construction” (10%). The sample is not reflective of the distribution of businesses in California as reported in the 2021 Annual Business Survey (ABS)27 (See Table 3 in Appendix A for comparison). For example, we oversampled businesses in the “professional, scientific, and technical services” and “manufacturing” industries but undersampled businesses in “health care and social assistance” and “accommodation and food services.” Future releases analyzing these survey data will include sample weights to present findings more representative of California small businesses.
Key Finding 1b: Among those who reported experiencing challenges to obtaining funds or capital for their business, a greater share of Black- and Latino-owned businesses reported low or poor credit scores, unaffordable interest rates, and insufficient forms of capital as barriers.

Figure 2 displays the types of capital access challenges business owners reported experiencing, for those who reported facing any challenges. Observed differences by race and ethnicity are statistically significant for all three challenges presented. Black- and Latino-owned businesses were between two and three times more likely to report low or poor credit scores as a barrier to capital access compared to Asian-owned business (48%, 40%, and 16%, respectively). They were also twice as likely to report unaffordable interest rates as a challenge compared to Asian-owned businesses (69%, 61%, and 33%, respectively). Finally, although nearly half (52%) of Asian-owned businesses surveyed reported insufficient forms of capital as a barrier, Black and Latino business owners were 14 and 10 percentage points, respectively, more likely to report this challenge. About two-thirds of businesses surveyed (64%) reported not receiving enough funds; however, no statistically significant differences were observed by race or ethnicity for this fourth challenge.

Interviews with small business owners further illuminated the challenges small business owners experience to accessing capital. Guillermo Moran, the owner of a coffee roasting company, reflected on his experience accessing bank loans:

“We couldn’t use any bank financing when we tried to grow because the banks wouldn’t allow us to as a new business, being less than 3 years old. Later on, when we were more than 3 years old, we couldn’t get financing because we depended too heavily on one single account for revenue. It’s very, very, difficult in this country to really get financing for small companies, you know, or companies that want to expand.”

Jenny Magtangob, the owner of a recruitment agency, shed light on the difficulties she faced due to her limited capital when she started her business:

“I started my business with just a credit card and my unemployment that I saved for 6 months... I don’t have rich parents. So, [I used] the money I saved from my unemployment, plus credit cards, and luckily I lived with a friend.”

<table>
<thead>
<tr>
<th></th>
<th>Low or poor credit scores</th>
<th>Unaffordable interest rates</th>
<th>Insufficient forms of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>16%</td>
<td>33%</td>
<td>52%</td>
</tr>
<tr>
<td>Black</td>
<td>48%</td>
<td>69%</td>
<td>76%</td>
</tr>
<tr>
<td>Latino</td>
<td>40%</td>
<td>61%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Note: Given the small sample of respondents representing white-owned businesses (n=14) that reported experiencing challenges in accessing capital, they were not included in Figure 2.

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Born and raised in Los Angeles, Ken Chan, a second-generation Chinese-American, proudly runs Phoenix Bakery with his family. Started 85 years ago by Ken’s parents and uncle, Phoenix Bakery is the oldest family-owned bakery in the city. In the late 1930s, while many Chinese and Chinese-American Angelinos were opening grocery stores and laundromats, Ken’s mother saw a window of opportunity to try something different—a bakery filled with sweets longed for by her community. His mother’s thinking was, “Good times, bad times, people always want something sweet to eat,” which led to the bakery’s philosophy of “sweets for the sweet.”

Forty years later, in the 1970s, the bakery’s cake business took off, producing over 20,000 cakes per year. Nowadays, in addition to cakes, almond cookies, and sugar butterflies, Phoenix Bakery makes traditional Chinese pastries. The bakery’s clientele includes brand-new customers and an impressive foundation of returning customers and their families, some stretching across multiple generations.

While the business’s neighborhood changes due to gentrification, Ken and his family have tried to keep up by leveraging social media. His daughter handles most of the social media needs of Phoenix Bakery, and his son-in-law provides tech support with the bakery’s website at a subsidized rate. Ken balances his time replying to the many orders they receive via email and phone, and responding to Google and Yelp reviews. Each of their contributions showcases the importance of the whole family’s involvement in sustaining the bakery.

Although the bakery secured financial support and loans from both government and private institutions throughout the pandemic, Ken admits that the business took a hit. COVID severely impacted Phoenix Bakery in many respects: a 40-60% loss of revenue, early closure, and reduced employee hours. Many of the bakery employees filed for unemployment benefits. Ken first tried to apply for a PPP loan with his bank, but the bank said they had already reached their quota by the time the bakery’s application was filed. Luckily, this initial bank referred Ken to a secondary bank, where he was granted a first and second PPP loan. The bakery was able to get both loans forgiven. The majority of the funds were spent on employees (90%), with the rest used to cover some rent and utilities costs. In addition to the PPP grants, Ken was awarded an additional grant that allowed him to give bonuses to each of the bakery’s employees.

“I think one of the benefits of COVID that helped us [is] it taught us a little bit how to run more efficiently,” Ken explained. Today, he and his family are still using many of the same models they
employed during the pandemic. For example, the bakery’s email orders skyrocketed during the pandemic, and today, they are continuing to attend to customers’ communication needs and preferences over email.

Ken says that “we try to do our best” when it comes to environmental sustainability. They try to conserve water, change faucets, and install environmentally friendly toilets. Although Ken will make any modifications that the city, county, or state requires with regard to climate change or the environment, he expresses that he’s dealing with more pressing business issues.

Ken and his family have made various improvements to the bakery to address the energy burden. He discusses his desire to use light-emitting diode (LED) lighting in the bakery. He shares how “a few years ago, the Department of Water and Power had a grant or a program where we exchange all our fluorescent lights to LEDs, and we were able to do that.” Now, he hopes to do that with signage outside of the bakery through a grant he recently applied for from the National Preservation Trust Fund. The cost of changing neon signs to LED lighting is $16,000.

“I think the biggest drawback to any emergency preparedness or sustainability plans is time. You know, the human resource aspect of who’s going to do it, who’s going to maintain it. I think that’s the same issue you would have with any family-run business.”

Although the initial idea for the business has sustained through time, Phoenix Bakery has evolved with generational ownership transitions, new technologies, and concerns about climate change to adapt to its customers and surroundings. Now, Ken and his family are trying to make it to 100 years, staying true to the tradition and recipes of a multi-generational, family-owned business. He and his siblings hope to see their children return to help bring the business to that milestone. However, there has never been an expectation for family members to dedicate themselves to the business. Across generations, everyone was encouraged to discover their own careers with the knowledge that the bakery was always there. After all, preserving the business has always been the responsibility of the whole family, “I guess you could say the American Dream.”

Phoenix Bakery’s Signature Strawberry Whipped Cream Cake.
Photo Credits: Phoenix Bakery

Profile: Ken Chan | 15
Key Finding 2a: Twice as many ethnic-owned businesses reported a “large negative effect” by the COVID-19 pandemic than white-owned businesses.

We asked respondents to describe the impact COVID-19 had on their small business. Close to two thirds of all respondents (64%) reported that COVID-19 negatively impacted their business. Less than one fifth (15%) reported a positive impact from the pandemic. Among respondents who reported a negative impact, ethnic-owned businesses were at least twice as likely to report a “large negative effect” (vs. a “moderate negative effect”) compared to white-owned businesses (Figure 3). Observed racial and ethnic differences for the reported impact of COVID-19 are statistically significant. Additionally, 77% of all businesses surveyed applied for financial assistance from the federal, state, or local government during the pandemic with no statistically significant differences by race and ethnicity of the business owner.

Figure 3. Businesses Who Experienced a Large Negative Impact due to COVID-19

Five out of six interviewed business owners and executives reported a negative experience with the COVID-19 pandemic. Dora Herrera, who is in executive management at her family’s Mexican restaurant, Yuca’s, described the challenges she faced keeping the business alive during COVID-19. When asked about how the pandemic impacted Yuca’s at large, she recalled:

“One day, we had a line out the door; the next day, it was dead. And then it stayed like that for about two years. And some people would come in, but never enough, like never enough to make the day. . . I remember one time I told my sister, I said, ‘If the money doesn’t come in Friday or Saturday, we’re gonna have to close on Monday.’ And the money, the PPP grant, dropped on Saturday. We were that close to just closing.”

Source: LPR analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Key Finding 2b: A greater share of Black-owned businesses anticipate a need for financial assistance or additional capital in the next six months, compared to businesses owned by other racial and ethnic groups.

Figure 4 presents data for actions that businesses expect needing to take in the next six months as part of their recovery from COVID-19. Nearly half (46%) anticipated needing financial assistance or additional capital. This problem varies across racial and ethnic groups and the observed differences were statistically significant. About three quarters (73%) of Black-owned businesses were likely to experience this issue, while less than one third (29%) of Asian-owned businesses fall into this category.

Figure 4. Need for Financial Assistance as Part of COVID-19 Recovery by Race and Ethnicity of Business Owner

Additional anticipated actions included the need to identify a new supply chain and hire new employees. One-third (34%) of respondents reported the need to address the former while 76% of all respondents said they will need to identify and hire new employees in the next six months, with no statistically significant differences by race and ethnicity.

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.

Although we were not able to interview Black entrepreneurs due to low response rates while recruiting participants, interviews with Asian and Latino business owners revealed the urgent need to identify and hire new employees. Ken Chan shed light on his experience with needing to replace employees:

“You know we’re a little short in the kitchen. COVID had an impact. Some of our older employees decided to retire when COVID hit. We lost one of our Chinese pastry bakers, ‘cause the lady retired. We’ve been looking for over 3 years to try to find a replacement.”
Originally from San Diego, David Kim moved to Pennsylvania in the second grade. He now operates a trucking and storage company, Hillhurst Transportation, that began about 15 years ago. His business specializes in picking up containers from the port of San Diego and delivering them to warehouses where they are stored. From the warehouses, David’s company delivers products to stores from coast to coast in the U.S. His business has four U.S. warehouses, about 60 trucks to support the delivery of items from the warehouse, and over 90 employees.

Before starting his current business, David owned a different company that created tools for the transportation and storage industry. He became involved in the transportation and warehouse industry as a side project but quickly became involved full-time. When reflecting on who helped him get his current business off the ground, he stated that his wife has always been critical in providing him the support to operate his business successfully. David states, “If she hadn’t said, ‘Listen, I’ll stay home and take care of the kids,’ there’s no way I could have been able to strike out on my own, take many risks, and dedicate 15, 16, or 18 hours a day to starting a business.” David also recognizes how much support his customers have provided him to launch and grow his business.

David describes the importance of the drivers, administrative team, and warehousing staff that support Hillhurst Transportation’s day-to-day operations. His employees extend from San Diego to Seattle to Virginia. Initially, they began operations in San Diego but later opened the Seattle warehouse and continued to expand in other cities and states. The warehouse locations began to gain more and more customers, enabling the business to grow significantly and be financially prosperous. David attributes his company’s success thus far to the values he has implemented into his business model. The well-being of his customers and employees drives the business operation. He sees his business as a vehicle for good for his customers, his staff and their families, and the community at large. This approach seems to work well for David’s company; his customers are asking for expansions to other states, a signal of tacit client support for his company’s values.

David prioritizes his staff’s well-being, and ensures that he shares success with them. At a time when the business was doing particularly well, an employee of 8 years, Jon, approached David to let him know that he might get a call from a loan company seeking an employer reference. Jon had applied for a loan to pay for his daughter’s quinceañera. David responded to Jon by saying,
“Hey, listen, man. You don’t want to pay the interest on that loan. If you need a loan and just tell me how much you need, and if it’s within reason, we can do it.” He ended up loaning Jon the money. In this case, and in many others, David shares his business’s success and financial stability with the folks who keep it afloat—the employees.

“We exist more as a shepherd of good service and profitability. We know we’re not the reason the business exists, but we are here to guide it, and when you guide it, much like a flock of sheep, you gotta make sure that the sheep are fed. You know you’re not gonna get great wool from a hungry sheep, and that’s kind of the way we view how we guide our business, and thus far, it’s proven to be the right approach.”

Amid COVID-19, Hillhurst Transportation experienced a positive impact. Throughout the pandemic, trucking and storage needs only increased. The company saw favorable circumstances for COVID-19—the staff was safe and able to social distance whether working at the warehouses or driving trucks. The pandemic allowed the business to continue work due to the increased need for transportation of goods. Even though finances were stable during the pandemic, David decided to apply for the initial round of PPP funding, as times were uncertain, and he wanted that financial security blanket. He received the money and ensured his business and staff would be financially stable as the pandemic ensued. David decided to stop taking PPP after the first round because it was determined that the business could sustain its payroll with continued operations.

David is consistently working on environmental sustainability efforts within his business to help positively impact people and the environment. His business is cognizant of how its carbon footprint impacts the environment, especially with the number of trucks it has: “I own 60 trucks and put particulate matter out there daily. I run hundreds of thousands of miles every month. So we’re effectively putting carbon into the air and depleting that ozone. So we’re very, very much aware.” David has now transitioned to utilizing electric forklifts for his warehouses. Furthermore, he is now looking towards upgrading all of his trucks to electric to ensure that they are part of the solution to the pollution created by the industry.

To David, success means having a thriving business where everyone involved is cared for. He believes that to operate a successful business, everyone must be accounted for when making decisions. With his business steadily growing, he sees the importance of educating himself and others on ensuring sustainability. He states, “We exist more as a shepherd of good service and profitability. We know we’re not the reason the business exists, but we are here to guide it, and when you guide it, much like a flock of sheep, you gotta make sure that the sheep are fed. You know you’re not gonna get great wool from a hungry sheep, and that’s kind of the way we view how we guide our business, and thus far, it’s proven to be the right approach.” David hopes to continue to grow Hillhurst Transportation with a community of care to ensure longevity for his business and all involved.
Key Finding 3a: Among owners who conduct business online, Black- and Latino-owned businesses were the most likely to use social media as their primary platform for online transactions.

Among businesses with an online presence, respondents were asked to describe what platforms they used for online transactions (Figure 5). Close to one third (32%) of all businesses use an e-commerce platform for online sales, with little variation by race or ethnicity. Social media usage, however, varied more drastically, with Black- and Latino-owned businesses being the most likely to use social media for online transactions (22% and 14%, respectively). The observed differences by race and ethnicity are statistically significant.

Most survey respondents use the web to conduct business. Only about one fifth (22%) do not use any web-based platform for sales. Nearly half of these believe that using the web is “not effective for my business.” Other reasons mentioned include cost, lack of knowledge, and concern for safety.

Although interviewees did not speak explicitly about the use of social media for online transactions, their stories shed light on the use of e-commerce platforms, such as delivery service applications. Dora Herrera discussed the difficulties she has faced with using delivery platforms:

“The delivery companies all want like a huge cut. They tell you 15%, but then it’s 15% plus a 3% credit card fee, plus the driver gets to keep all the tips. So suddenly, the employees aren’t getting any tips. It just adds up after a while. But during COVID it was essential to use the delivery companies because we wanted to keep our customers happy.”

Figure 5. Social Media Use for Online Transactions by Race and Ethnicity of Business Owner

Source: LPPi analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Born in the Philippines, Jenny Magtangob moved to the United States in 2001 at 25 years old. She began a career in healthcare staffing and recruitment, but in January 2018, she was laid off. Six months later, she decided to start her own staffing and recruitment agency, Registry Ally, using credit cards and unemployment payments.

Registry Ally provides recruitment services to healthcare organizations. Jenny subscribes to various crowd-staffing platforms that provide her with lists of jobs to recruit for. She advertises job openings on various job boards to reach job seekers. Jenny also interviews interested candidates to determine if she would like to represent them. In this process, she curates candidate materials and profiles to submit applications to healthcare agencies or direct clients. Jenny is strategic; her experience in the industry positions her to be selective about which jobs to target and which recruits to coach.

Jenny’s income can be very unreliable. She is paid well when she places her candidate at a job, so long as that candidate stays and performs well. She does not get paid well, or at all, when the candidate leaves their new placement before their guarantee period ends. Her fate is in the hands of circumstances that her clients face and the choices they make to optimize their interests. In response to the instability of her work, Jenny often supplements her small business income by working for a construction company, assisting with compliance and bookkeeping.

Registry Ally’s best year to date was during the COVID-19 pandemic. The staffing agency placed many healthcare workers and had access to exclusive orders for workers for the COVID vaccination and testing clinics. Unfortunately, the COVID clinics started closing after communities got vaccinated. Jenny’s revenue went down, and it has been difficult ever since. She is currently unable to pay herself even a minimum wage because of her financial burden.

Registry Ally applied for and received financial assistance to endure the pandemic as orders from direct clinics had disappeared at the onset. Jenny received the first and second PPP loans, the SBA Economic Injury Disaster Loan (EIDL), and the California Small Business COVID-19 Relief Grant Program. Most of the COVID financial assistance was used for advertising and for Jenny’s salary. All of this funding came when Registry Ally was doing well in 2020 and 2021. Because circumstances have
worsened since then, the money is running out and Jenny wishes she could receive more assistance.

Jenny feels that technology helps people run businesses more efficiently, but she faces barriers to implementing technology in her business. She wishes she had more technology knowledge so she would not have to hire technology contractors so much. Jenny knows that her clients would benefit from having a more fully integrated website that allows them to submit application materials instead of organizing everything over email. She has also been a victim of cyber attacks when hackers accessed her information on a recruitment website. She began using Norton Identity Protection services to help stop the hackers.

“[I] can’t slack off. Business is cyclical and goes up and down. The worst thing you can do is quit. So you know when you feel bad, you lay down for a few days and then get back up.”

Climate change is not top of mind for Jenny. She believes the government will prepare the proper infrastructure for people to survive climate change. She stated that “Good weather, bad weather, my people have to go to work.” However, she did notice that during the vaccination process, many contract workers called out of clinics in New York because the weather was unpredictable and affected temporary staffing. As for environmental sustainability, Jenny tries to buy used technologies, such as printers and office furniture, to give these items a second lease on life. She uses her tech items for two years or longer and doesn’t upgrade technologies (like cell phones) just because a new model becomes available. Jenny’s desire to develop an emergency preparedness plan for her business is low right now because “monetary survival is the priority.”

Success for Registry Ally looks like “generating enough to hire people—enough recruiters, admin, managers, so that (she) can oversee the whole thing instead of doing micro things for the business to grow.” Currently, Registry Ally employs one recruiter on a commission basis who is a medical director for a Wellness Center in Thailand. Recruiting is a demanding job, and to sustain her business, she says she “can’t slack off. Business is cyclical and goes up and down. The worst thing you can do is quit. So you know when you feel bad, you lay down for a few days and then get back up.” Jenny recalls a time between September and December 2022 when she submitted around 300 candidates for hiring, and only two were hired. She has noticed that the market is changing, many more qualified people are becoming available, and competition is steepening. However, she still holds on to hope. In 5 to 10 years, Jenny wants to branch out into international recruitment, have offices in the Philippines and East Coast, and hire more staff. Jenny recognizes how hard it is to run a business alone and wants to find good people who care about the company as much as she does.
Key Finding 3b: A greater share of Asian-owned businesses reported having experienced a cybersecurity attack compared to Black-, Latino-, and white-owned businesses.

While online sales are important, there are risks associated with conducting business online. Approximately one fifth (18%) of respondents stated their business has been a victim of a cybersecurity attack and Asian-owned businesses were the likeliest to report experiencing a cybersecurity attack (27%), followed by Latino (18%), white (16%), and Black-owned businesses (11%). The observed differences by race and ethnicity are statistically significant.

Figure 6. Experience with Cyber Security Attacks by Race and Ethnicity of Business Owner

Two of our six interviewees told us they were victims of cybersecurity attacks. Guillermo Moran recalled his experience with online scammers, stating:

“It’s very risky, technology, because it helps you, but at the same time, there are scams. Just recently I got scammed out of $69,000. I’m still hurting from that. And the problem is that if they [scammers] target a small business, not a big company, nobody goes against them. There is no government agency that is prosecuting them. You are at the scammers’ mercy. That’s the problem with technology.”

Jenny Magtangob also faced unexpected challenges when her cybersecurity was at risk. She reflected:

“Somebody was trying to use my credit card by posting ads in ZipRecruiter. I knew because my credit card notifies me when a certain amount is reached. They hacked my Indeed too. These hackers would create a fake email address. They would post the ad, and they would use my company. So there are fake companies posting just to get information from applicants. So I called my credit card company. They told me to check and change all my passwords. That’s when I signed up for a cybersecurity software.”
Born in Yucatán, a state in the Southeast of Mexico, Dora Herrera and her family moved from Mexico to British Honduras, now modern-day Belize, when she was ten years old. There, she learned English before settling in Los Angeles 5 years later. She recalled that Yucatán once “seceded from Mexico and became its own country, and it has its own national anthem.” She added that people from Yucatán do not say they are Mexican; rather, there is “big pride for the state that has its own mind.” Although her life began in Yucatán, Dora says she’s “actually been here [the United States] longer than Mexico…like 50 years here, 10 there.”

Dora’s family business, Yuca’s traces its origin to an idea that Socorro, her mother, had for sharing the authentic taste of Mexico and traditional Yucatán recipes. Affectionately known as “Mama Yuca,” Socorro opened the original “hut” in Los Feliz on April 1, 1976, launching and operating the business out of an 8-by-10-foot building. Yuca’s menu in Los Feliz is small and includes carnitas, burgers, and a couple of Yucatán recipes, matching the compact space. The newer Pasadena location is 500 square feet, about five times the size of the original, and has an expanded menu including “nachos, quesadillas, plates, fried plantains, and fries to go with each burger.”

Just as the menu and space has grown, Dora’s role at Yuca’s, along with the contributions from her parents and siblings, has evolved and expanded over the years. Like many small family-owned businesses, she and her family members take on multiple responsibilities in order to keep the business running. Dora’s start at Yuca’s was humble; her mother insisted she begin with sweeping the parking lot before working up to becoming a manager. Later, Dora worked on public relations for the restaurant, becoming their “social media maven.” Now, she also works as a catering manager and even landed a coveted contract for the Super Bowl Tailgate Party in 2022.

Even with Yuca’s countless accolades and the steady stream of customers for decades, the business suffered during the pandemic. Dora recalled, “One day, we had a line out the door; the next day, it was dead. And then it stayed like that for about two years. And some people would come in, but never enough, like never enough to make the day.” Dora and her family continue to feel the repercussions of the pandemic on their businesses but remain committed to keeping their doors open. They considered raising food prices by 10% to account for the rising costs of food and production. She said, “I’m serving carne asada; Starbucks is serving flavored water, and people are willing to pay five bucks for a cup of coffee, but they don’t want to pay $11 for a burrito…do you know how much more a burrito costs to make?” It is a struggle to keep all customers satisfied while also dealing with inflation and other factors affecting the restaurant.

Although the pandemic hit Yuca’s hard, Dora shared moments
of success, hard work, and hope that have kept her family’s restaurant running. Their PPP loan arrived days before Dora and her sister thought they would have to close their doors. The PPP loan granted them “a little breathing room” and allowed some time for business to pick back up again.

During the pandemic, Dora’s colleagues, who run the Latino Restaurant Association and Community Relations for SoCal Gas, started a project in Pasadena called the Pasadena Food Hug to provide free meals for first responders. The project garnered private and corporate sponsorships, allowing Yuca’s to receive 100% payment for providing food to first responders. This month-long endeavor developed into a year-long project that helped to keep Yuca’s and other restaurants open and to feed essential workers.

Dora thinks about the impact that climate change will have on future generations, specifically mentioning her nieces and their children, and tries to leave “less of a [carbon] footprint.” She believes that in the next 10 years, there will be a visible climate change impact on the business, so she does everything she can to slow it down, both personally and professionally. Dora has been reducing, reusing, and recycling since “before it was cool.”

When asked if Yuca’s has an emergency preparedness plan, Dora replied, “No, we just cross our fingers.” The restaurants’ small space and other priorities bump emergency preparedness down her priority list. She continued, “...we have fire extinguishers, we have overhead, you know, so we are prepared for the expected stuff. For the unexpected stuff, not so much. I think we just hope and pray that it’s never going to happen. I mean, like an earthquake, how can you prepare for that?”

Success, to Dora, is “doing the same thing every day, and having people still love having the same thing every day.” In 5 to 10 years, she hopes the restaurant is more of a “sit-down place with a bar where we can have mariachi every night...where people will come and celebrate all of their milestones.” For Dora, the key to getting to this point is that she’s “always learning” via educational business cohorts, and implementing as she learns.

Yuca’s leverages various technologies to promote and maintain both locations. Dora believes they have the necessary abilities and access to the technology needed to sustain the business. She has a complicated relationship with delivery services, even though they were integral for business during the pandemic. While delivery companies keep customers happy, especially during the pandemic, they drain the financial resources coming into the business, and subsequently into the pockets of Yuca’s employees.
Key Finding 4a: Black- and Asian-owned businesses were more likely to report that they expect climate change to have an observable impact on their firm’s finances, as well as on their workers’ safety and health.

Our analysis shows that 20% of respondents reported climate change has had a current observable impact on their firm’s revenue, costs, or investments. Reporting of current impacts did not vary significantly by race or ethnicity of the business owner. We understand that the impacts of climate change will continue to grow, therefore, we also asked participants about anticipated impacts. Figure 7 presents the share of businesses who anticipate climate change will impact their firm’s revenue, costs, or investments as well as their workers’ safety and health in the future. Black- and Asian-owned businesses were 17 and 12 percentage points, respectively, more likely than white-owned businesses to anticipate climate change will impact both their firm’s finances and workers’ well-being. The observed differences are statistically significant.

The diversity of experiences can be seen in David Kim’s and Dora Herrera’s interviews. David Kim shared the ways in which his business both influences and is influenced by climate change and climate change mitigation. He stated:

“I own 60 trucks, and I’m putting particulate matter out there every single day. I run hundreds of thousands of miles every month. So we’re effectively putting carbon [dioxide] into the air... We’re very, very much aware. We’ve transitioned from propane power forklifts, and most of our locations, to electric forms of energy. I purchased a $250,000 electric yard hostler instead of using a diesel yard hostler. I went to the Nicola truck demonstration here in Oakland a few months ago, in hopes of transitioning our semi trucks to electric trucks... So we are not impacted by the negative side of climate change, but we’re very much aware of what causes it. And we’re taking steps to help mitigate those factors, so that we have the ability to affect change in a positive way.”

Figure 7. Share of Business Owners Anticipating Impacts of Climate Change on Firm Finances and Worker Safety and Health by Race and Ethnicity

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Dora Herrera, on the other hand, does not currently expect climate change to play a role in her business’ operations. She stated:

“If we didn’t pay attention to climate change, I don’t think it would impact us immediately. But in a way it would, I mean we could choose to ignore [climate change] and still have a business, but we’re choosing not to [ignore it] by recycling, by doing the organic thing, even [with] our supply chain, like who you get your meat from, who you get your produce from, all that.”

We further examined how small businesses prioritize risks resulting from climate change relative to other business risks. More than half of the businesses surveyed ranked climate change as a low priority (57%). Less than one fifth (17%) ranked climate change as a high priority. We did not observe differences in ranking by race and ethnicity to be statistically significant.

Interviewee and Argentinian restaurant owner Luciano Alcorta is uncertain about how his business is going to prioritize climate change. He reflected:

“Climate change goes beyond my understanding... I’m not sure how we’re going to learn to navigate. Obviously we need more help to understand and to adapt. But we need a combination of landlords being reasonable, business owners to become creative and the government to see how they can help out, maybe trying to be more efficient in trying to open new places or adapt to new (government) codes or creating new ones or those kinds of things. I think it will be fundamental for the city governments to react and try to get help in a way for us to better navigate those kinds of crises that are going to happen more and more.”
Originally from Patagonia, a southern region of Argentina near the Atlantic Ocean coast, restaurateur Luciano Alcorta migrated to the United States in the early 2000s with his brother. Since living in the United States, he became a father to two girls, ages 10 and 12. Luciano began his journey opening restaurants in the Los Angeles region in 2008 with his brother. His brother went to culinary school and worked at various restaurants throughout Argentina, and later opened his own restaurant in Argentina. When they moved to the United States in 2002, the brothers discussed their goal to open a restaurant within the States. In 2008, the dream came true, and they opened their first restaurant called Malbec Argentina Cuisine in Pasadena, California.

Family is instrumental to Luciano. His father was a businessman and instilled a mentality in him to work diligently to own his businesses. Luciano and his brother first had the opportunity to start their business when they heard about an Italian Argentinian restaurant on Green Street in Pasadena closing down. The restaurant’s location reminded them of Palermo Street in Buenos Aires, Argentina, inspiring them to purchase it. Luciano expressed that Pasadena Street has a “lot of trees, a lot of shade of those trees. And it’s very beautiful to walk around and nice and peaceful for a long time. There is traffic, but it was like a natural connection when we saw it.” During this time, the 2008 recession made it difficult to go through a bank to afford a location for their restaurant. However, Luciano applied for and received a SBA loan, which allowed him to transition to ownership more smoothly.

Luciano and his brother ensure that their food focuses on their Argentinian roots and exposes people to their culture, while embracing the French and Italian techniques Luciano’s brother learned while in culinary school. They ensure that their culture, identity, and childhood memories are prominent in their business. This original location in Pasadena gave way to them opening another restaurant in 2016 located in Eagle Rock. At first, they worried about the success of both restaurants since Argentinian food was less popular within the Los Angeles region. However, they found that many individuals loved the diversity of food they offer. To Luciano, ensuring people receive a new experience immersed in culture is critical to their business.

Malbec Argentina Cuisine faced challenges when the COVID-19 pandemic hit. During the pandemic, the Eagle Rock restaurant transitioned to a casual restaurant focused primarily on takeout rather than dine-in. This led to the Pasadena staff being moved to the Eagle Rock location to support the transition to takeout-only...
service. Luciano felt confused and frightened by the uncertainty. He was forced to let go of some staff members due to financial strain and inability to pay wages. To Luciano, “[the pandemic] was challenging and confusing. We tried to do our best, just putting our heads together and saying, ‘Okay, let’s rethink the whole process.’” We know that businesses took to online platforms to remain competitive and viable. From Luciano, we also learned that restaurant owners also transitioned to offer delivery options because of regulations set forth by the government for safety. Luciano explained that SBA and PPP loans supported his business throughout the pandemic. These loans were used to continue restaurant operations and to pay the remaining staff.

“It would be nice to create a place where we can have a discussion with the people making the decisions and discuss all our issues. The amount of issues we have, not only as restaurants, like in small business, and the community in general, is a lot.”

Luciano strongly advocates for sustainability practices in his restaurants and actively works to minimize harmful practices toward the environment. At Malbec Argentina Cuisine, they engage in efforts to use fewer plastic utensils and containers. Luciano mentions, “I think the people here in LA are very conscious about what to use to take the food home, what to order.” He sees the future of restaurants adapting effectively to bring about sustainability, especially by sourcing ingredients locally, which helps the environment and local economy. Although Luciano engages in sustainable practices, the changing climate brings about financial issues, like energy burden that leads to extensive electricity consumption during heat waves in the region. He advocates for business owners to minimize their waste and hopes that people begin engaging in more sustainable practices to safeguard the future of the youth. He discusses how his daughters, at such a young age, are conscious of the reality of climate change.

Luciano hopes that, with time, the government becomes more actively engaged in working with local businesses to bring about innovative solutions to climate change and emergencies. One recommendation that Luciano offers is to establish community gathering centers to discuss local issues with elected officials: “It would be nice to create a place where we can have a discussion with the people making the decisions and discuss all our issues. The amount of issues we have, not only as restaurants, like in small business, and the community in general, is a lot.” Collaboration is central to Luciano’s vision for small businesses, which would enable more individuals to live well and provide for their communities.
Key Finding 5a: White- and Latino-owned businesses reported greater levels of understanding of the impacts of environmentally sustainable practices on their business than Black and Asian-owned businesses.

Following the module on climate change, we asked participants to identify their level of understanding regarding the impact of environmentally sustainable practices on their business (Figure 8) as understanding sustainability will be critical to adjusting to climate change. Survey findings reveal one third (33%) reported they had a “very good” understanding of environmental sustainability. There are, however, statistically significant differences by race and ethnicity. A greater share of white-owned businesses reported a “very good” level of understanding (43%), followed by Latino- (35%), Black- (28%), and Asian-owned businesses (27%).

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.

Figure 8. Businesses Reporting a Very Good Understanding of the Impact of Environmental Sustainability, by Race and Ethnicity of the Owner

All six interviewees expressed at least a foundational understanding of what environmentally sustainable practices are for their business, some more than others. They also conveyed a need to prioritize their business’s financial success before being able to tackle issues like environmental sustainability. While Ken Chan engages in environmentally friendly practices like recycling, he reflected that:

“I really don’t think about climate change that much regarding the business... You know, it’s basically our priority [to ask], ‘Can we get more help in the kitchen? Can we bring back our Chinese baker? Find the cake decorator? And, you know, still maintain a profit?’ You know, whatever comes up [regarding climate change] in the city or county, we’ll kind of deal with it at that particular time.”

Key Finding 5b: Asian- and Latino-owned businesses were more likely to report already having a formal environmental sustainability plan in place or that they were currently developing one.
Key Finding 5c: Black-owned businesses reported the greatest intent to develop a sustainability plan in the future.

We also examined whether respondents had developed a formal environmental sustainability plan and the status of that plan (Figure 9). Among all businesses surveyed, 26% reported that they either already had a plan or were currently developing one. Asian- and Latino-owned businesses were 5-7 percentage points more likely to fall in this category compared to Black- and white-owned businesses. Almost half (45%) of Black-owned businesses reported that although they have not had the opportunity to design a plan, they intend to in the future, the highest share in this category of any racial or ethnic group. They were also the least likely (33%) to report they did not anticipate the need for a sustainability plan. Observed differences by race and ethnicity are statistically significant.

However, a large majority of businesses surveyed (45%) did not believe that such a plan is needed. The most common reason given by all businesses for not planning for sustainability was cost, including lack of funds and other financial constraints.

Figure 9. Development of a Formal Environmental Sustainability Plan, by Race and Ethnicity of Business Owner

While a few of the interviewees expressed in-depth understandings of what environmental sustainability looks like in their respective industries, none of the six reported having a formal sustainability plan. David Kim, who has thoroughly integrated sustainability practices into his business, reflected on why he does not have a formal plan:

“I think a formal sustainability plan is meant for people who have actual formal staff members with titles, multi-billion dollar corporations that can afford, you know, a Vice President of Sustainability. But as a small trucking company, that role falls on me and my partner.”

Luciano Alcorta shared that while he is open to think about what sustainability planning looks like for his business, he also does not have a formal plan and expressed concern about not knowing exactly what to prepare for. He said:

“When you have a small business like a restaurant, when you have so many hours of the day being occupied, it’s a challenge to prepare for everything. The pandemic put us in a good perspective of what could come (in terms of emergencies), [but] we’re not prepared for everything. I wish I could say that, but we are more sensitive to what could happen. I’m not sure how you can prepare for extreme heat, but I think the conversations are happening and I’m hopeful that we’ll come up with something that will help us. I mean, we’re not 100% unprepared for everything, but at the same time, it’s hard to imagine what we need to prepare for and what could be the challenge.”
Originally from El Salvador, Guillermo Moran migrated to the United States in 2009. He has a bachelor’s degree in Chemical Engineering from the University of Texas at Austin and an MBA in Finance from the Wharton School of Business of the University of Pennsylvania in Philadelphia.

Guillermo started his coffee roasting company, EcoDelight Coffee LLC, in February 2011. Since he was a child, he has loved the art of coffee roasting. He comes from a family that has been growing coffee beans for five generations. His grandfather had a small coffee roasting company near his hometown in the mountains of El Salvador.

From that passion, Guillermo, and his Costa Rican friend, Rodolfo, started EcoDelight Coffee LLC, a coffee roasting company that supplies roasted coffee beans both wholesale and retail. They purchase coffee beans from family farms in Guatemala, Nicaragua, Colombia, Costa Rica, Mexico, and Brazil, and then roast and package them in Northern California.

When Guillermo and Rodolfo first started out, they had a coffee roasting company as well as a coffee shop. Unfortunately, during the first year of operation they struggled financially and lost nearly $100,000. Fortunately, Guillermo found that “God had mercy on us, and we got a visitor over there at the coffee shop. And you know, three months later, we were the coffee supplier for the largest company in the world… for Apple.”

From there, they immediately bought another coffee roaster machine from Costa Rica and moved into a bigger facility in Sonoma County, closer to the Apple headquarters. They went from roasting 500 to 40,000 pounds of coffee beans a month. Guillermo depended on the upfront payment they were receiving from Apple, and experienced difficulties securing any bank financing, as “it is very difficult in this country to really get financing for small companies that want to expand.”

After supplying coffee to Apple for 3 years, Guillermo and Rodolfo were given a three-month notice that their collaboration would come to an end. This sudden decision caused much stress to both partners, who went their separate ways due to the turmoil. Rodolfo and Guillermo disagreed about whether or not they should declare bankruptcy—Rodolfo wanted to declare in order to protect his other business back in Costa Rica, while Guillermo did not want to because he did not “come to this country to declare bankruptcy.” From there, Guillermo bought Rodolfo out of the business and moved to a smaller location. Now, Guillermo runs EcoDelight Coffee LLC and primarily supplies to small coffee shops in the Bay Area, as well as a new casino in Elk Grove.
COVID-19 hit Guillermo and EcoDelight Coffee LLC very hard. The business’s sales hit rock bottom at the beginning of the pandemic. Guillermo could no longer afford to pay rent for the room he was living in at the time, so he was forced to move into an office at the roasting plant. Shortly thereafter, he applied for and secured funding in form of a PPP loan and the COVID-19 EIDL Program. He shared that he was able to secure this funding because he is skilled at finances and has a good education. The funding from those programs helped Guillermo pay the bills, including the $5,000 per month rent for the space to run his facilities. This funding also allowed him to develop a new web page and electronic marketing to meet the consumer surge in online shopping.

There are many sustainability practices that EcoDelight Coffee LLC adopts: getting their coffee from farms with trees that migratory birds rely on, not buying from farmers who plant near water sources so that fertilizers, pesticides, or insecticides do not contaminate the water, and minimizing fumes from the coffee burner with water pressure.

Guillermo explicitly considers environmental sustainability in his business model. He uses the word “Eco” in his business name because of ecological consciousness and commitment. There are many sustainability practices that EcoDelight Coffee LLC adopts: getting their coffee from farms with trees that migratory birds rely on, not buying from farmers who plant near water sources so that fertilizers, pesticides, or insecticides do not contaminate the water, and minimizing fumes from the coffee burner with water pressure.

Guillermo sees an intricate relationship between climate change and his business. The farmers he purchases coffee from often face events becoming more severe with climate change like thunderstorms and hurricanes that impact crop production. Guillermo says that the farmers may have to change their growing and harvesting practices if climate change-related events continue to worsen. With an ever-changing climate, he realizes that sustainability practices will develop, and he is staying open and curious about these opportunities. He does not currently have a long-term emergency preparedness plan, but plans to create one once he is more financially secure.

To Guillermo, success means having a long-lasting business. EcoDelight Coffee LLC has not been financially sustainable for the last couple of years due to the loss of its relationship with Apple and the economic consequences related to COVID-19. Guillermo would love to see his business in a place where he can have “some air to breathe” and feel financially secure and sustained.

As a man in his late 60s, Guillermo did not grow up with much technology. Before moving to the U.S., he worked as a sales and marketing manager for a German company in El Salvador, where he developed some computer literacy. Combining that background with curiosity about technology, Guillermo is improving his understanding of EcoDelight Coffee LLC’s web page and social media presence. He leans on developers and technology experts to assist him with this part of the business, and recognizes that his expertise is in the actual coffee roasting.

While Guillermo primarily sees technology as a tool and a blessing, he has experienced challenges with it. Recently, he lost $69,000 through an Internet scam. This was frustrating, as Guillermo believes these scams only happen to small businesses. He is disappointed that no government agency prosecutes the scammers hurting small businesses like his.
Conclusion

Throughout this report, we presented the results of a baseline study aimed at bringing to light the experiences of small business owners in accessing financial capital while recovering from COVID-19 and having to adapt to new technologies, climate change, and environmental sustainability practices. Our survey findings on Black- and Latino-owned businesses align with previous studies highlighting the systemic barriers ethnic-owned businesses face to obtain capital. Although our interviews do not include Black business owners or executives, findings from our interviews reflect the challenges ethnic-owned businesses face in acquiring capital. Entrepreneurs interviewed shared their experiences with struggling to obtain funds needed for starting and expanding their businesses. This lack of access to funds and capital places businesses in a more precarious financial footing to keep their doors open during times of economic uncertainty, such as the COVID-19 pandemic.

Our findings on the impact of the recent pandemic indicate that ethnic-owned businesses continue to be disproportionately impacted by COVID-19. Twice as many ethnic-owned businesses reported that COVID-19 had a “large negative effect” on their business and nearly three quarters of Black-owned businesses surveyed reported a need for financial support in the near future. One entrepreneur described how the pandemic created an unreliable flow of income for her family’s restaurant, making her family business heavily reliant on government support in the form of PPP loans. Likewise, since the pandemic, one business owner continues to feel the effects of the pandemic as he continues his 3-year-long search for a new pastry baker. Entrepreneurs of color, and Black business owners especially, are caught in a vicious cycle of systemic barriers to accessing capital and being financially unprepared for emergencies that leave them in greater need of capital to thrive.

Despite the growing demand for businesses to adopt platforms for online commerce, approximately only one third of surveyed small businesses reported using an e-commerce website as their primary platform for online transactions. Most interviewees reported not using e-commerce websites because of the nature of their respective industries or a lack of expertise about technology generally. Survey findings revealed that although engagement in online technology is not high among ethnic-owned businesses, they are at great risk of cybersecurity attacks with Asian-owned businesses representing a greater share of respondents who have fallen victim. Qualitative findings supported this insight, as two interviewees who regularly use the Internet for sales were victims of cybersecurity attacks. Additionally, our survey findings about Black- and Latino-owned businesses having greater social media presence may reflect the collectivist values of both communities to connect and build more informal relationships with clients.

Both interview and survey findings revealed that business owners and executive management have varying levels of understanding about climate change and how it may impact their business. Some interviewees expect climate change to majorly disrupt their operations, while others did not anticipate climate change to impact their business at all. Additionally, survey results demonstrate a greater share of Black- and Asian-owned businesses anticipate climate change to impact their business’s finances and their workers’ safety. Despite the impending effects of climate change, fewer than one fifth of businesses surveyed rank it as a high business priority. Unfortunately, the constraints of everyday survival for small businesses leave few opportunities to tackle the longer-term challenges such as climate change and environmental sustainability.

Given the likely impacts of climate change on many businesses, sustainability planning is essential to adjusting to new and emerging environmental realities. Latino-owned businesses surveyed were consistent in both their understanding of the impacts of environmental sustainability as well as their
development of a sustainability plan. They were the second most likely group to report both a “very good” understanding of sustainability as well as the second most likely group to report having or currently developing a sustainability plan. Despite not ranking as high, nearly half of Black-owned businesses reported an intention to develop a sustainability plan in the future, demonstrating both an interest and commitment to sustainability. Both survey and interview data suggest that business owners of historically marginalized backgrounds observe there to be a lack of readily available information, time, and other resources that could better allow them to engage in environmentally sustainable practices that would equip them to address climate change.

As ethnic enterprises continue to grow in number, it is imperative that they be incorporated equitably in economic development processes as well as environmental sustainability planning. They play a vital role in their communities through job creation, generation of revenue, and promotion of social and cultural diversity. As highlighted in our findings, small business owners are facing increasing demands in the form of environmental sustainability, which is becoming more urgent as climate change continues to produce global warming, more extreme weather, and greater and more frequent natural disasters. This, on top of navigating the aftermath of a pandemic and keeping up with a quickly evolving digital economy, has small business owners stretched thin, vulnerable, and in need of capital, information, and resources to remain thriving and active participants in their communities.
Appendix A: Methodology

Sampling

The study population was drawn from proprietary business lists purchased by WestGroup Research from Marketing Systems Group. We supplemented the proprietary business data set with a combination of sources, including business directories available through Business to Business Yellow Pages, the AtoZdatabases, Yelp, and Chamber of Commerce websites. This approach allowed us to increase the odds of getting a response from small businesses; however, the disadvantage of this approach is that these lists are not representative of all industries. With the support of the Advisory Committee, additional recruitment was also conducted by reaching out directly to business-serving organizations to invite their members to sign up as study participants.

Race and Ethnicity

We created mutually exclusive race and ethnicity categories using responses from the following survey question:

What is the racial or ethnic background of the owner or owners of the business?

a. Non-Latino White
b. Latino
c. Black or African American
d. Asian
e. Native Hawaiian or Other Pacific Islander
f. American Indian or Alaskan Native Indigenous Community
g. Other: (please specify)
h. Not sure or don’t know

Latino includes survey participants who selected Latino alone or in combination with any other option. The following rules were used to create the mutually exclusive categories. Non-Latino White, Black, and Asian include survey participants who only selected the option Non-Latino White, Black or African American or Asian, respectively. “Other” includes survey respondents who selected Native Hawaiian or Other Pacific Islander, American Indian or Alaskan Native Indigenous Community, “Other,” “Not sure or don’t know,” or if the participant selected two or more options that do not include Latino.

Assigning Businesses into Geographic Analytical Regions

Businesses were grouped into “core-based statistical area” (CBSA) based on their geographic location. We used a ZIP Code Tabulation Area (ZCTA)-to-CBSA crosswalk derived from Missouri Geocorr to assign businesses to their respective CBSAs and from here into analytical regions. Table 2 reports the CBSA and their assigned region.

Table 2. Analytical Regions

<table>
<thead>
<tr>
<th>Core-based Statistical Area</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles - Long Beach - Anaheim</td>
<td>Los Angeles and Orange County</td>
</tr>
<tr>
<td>San Francisco - Oakland - Berkeley</td>
<td>Bay Area</td>
</tr>
<tr>
<td>San Jose - Sunnyvale - Santa Clara</td>
<td>Bay Area</td>
</tr>
<tr>
<td>Riverside - San Bernardino - Ontario</td>
<td>Rest of Southern California</td>
</tr>
<tr>
<td>San Diego - Chula Vista - Carlsbad</td>
<td>Rest of Southern California</td>
</tr>
<tr>
<td>Residual (all of the other establishments not located in above)</td>
<td>Rest of California</td>
</tr>
</tbody>
</table>
Environmental Sustainability

We simplified data analysis related to the understanding of environmental sustainability impacts by collapsing responses from the following survey question:

How well do you feel you understand the impact of environmental sustainability practices on your business?
   a. We have a plan in place
   b. We are in the process of developing a plan
   c. We have not had the opportunity to design an environmental sustainability plan yet, but plan to in the future
   d. We do not anticipate the need for such a plan

Response options “We have a plan in place” and “We are in the process of developing a plan” are presented as a single category.

Distribution of Industries

Table 3 presents a comparison between the distribution of firms by industry sectors in California based on the 2021 ABS to our sample of small businesses. It also reports information on median earnings of workers by industry using microdata from the 2021 American Community Survey. Most notably, our sample overrepresents businesses with higher earnings such as “professional, scientific, and technical services” (24% vs. 16%), and underrepresents businesses in lower earning sectors such as “accommodation and food services” (3% vs. 9%), and “retail trade” (7% vs 9%). Our sample also overrepresents businesses in “manufacturing” (16% vs. 4%) and “administrative, and support, and waste management, and remediation services” (9% vs. 5%), and further undersampled businesses in “health care and social assistance” (4% vs. 13%).

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### Table 3. Distribution of Industry Sectors for California and Survey Sample

<table>
<thead>
<tr>
<th>Industry</th>
<th>California</th>
<th>Study Sample</th>
<th>Median Earnings</th>
<th>Industrial Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture forestry fishing and hunting</td>
<td>2,676</td>
<td>5</td>
<td>1%</td>
<td>$25,000</td>
</tr>
<tr>
<td>Mining quarry and oil and gas extractions</td>
<td>486</td>
<td>0</td>
<td>0%</td>
<td>$69,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>576</td>
<td>0</td>
<td>0%</td>
<td>$93,000</td>
</tr>
<tr>
<td>Construction</td>
<td>76,269</td>
<td>64</td>
<td>10%</td>
<td>$44,200</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>33,240</td>
<td>100</td>
<td>16%</td>
<td>$55,000</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>48,218</td>
<td>43</td>
<td>7%</td>
<td>$45,000</td>
</tr>
<tr>
<td>Retail trade</td>
<td>68,111</td>
<td>41</td>
<td>7%</td>
<td>$27,300</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>25,343</td>
<td>24</td>
<td>4%</td>
<td>$35,000</td>
</tr>
<tr>
<td>Information</td>
<td>19,397</td>
<td>15</td>
<td>2%</td>
<td>$80,000</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>28,703</td>
<td>17</td>
<td>3%</td>
<td>$71,000</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>48,824</td>
<td>19</td>
<td>3%</td>
<td>$45,800</td>
</tr>
<tr>
<td>Professional scientific and technical services</td>
<td>124,840</td>
<td>144</td>
<td>24%</td>
<td>$80,000</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>2,791</td>
<td>0</td>
<td>0%</td>
<td>$70,000</td>
</tr>
<tr>
<td>Administrative and support and waste management and remediation services</td>
<td>40,556</td>
<td>0</td>
<td>9%</td>
<td>$30,000</td>
</tr>
<tr>
<td>Educational services</td>
<td>14,357</td>
<td>8</td>
<td>1%</td>
<td>$48,000</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>96,525</td>
<td>23</td>
<td>4%</td>
<td>$45,000</td>
</tr>
<tr>
<td>Arts entertainment and recreation</td>
<td>28,362</td>
<td>7</td>
<td>1%</td>
<td>$25,000</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>65,159</td>
<td>18</td>
<td>3%</td>
<td>$16,900</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>45,556</td>
<td>27</td>
<td>4%</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

**Total for all sectors** | **763,943** | **610** |

Sources: 2021 Annual Business Survey, available online and 2021 U.S. Census Bureau’s American Community Survey Public Use Microdata Sample, available online; LPPI analysis of original survey data collected by WestGroup Research from September 2022 to November 2022.
Endnotes

1 In their state profiles, the U.S. Small Business Administration (SBA) defines small businesses as independent businesses having fewer than 500 employees. SBA Office of Advocacy, “2022 Small Business Profile: California,” August 31, 2022, available online.

2 SBA Office of Advocacy “2022 Small Business Profile: California.” We estimated the share of racial and ethnic minorities by using reported non-Hispanic white business divided by the sum of respondents reporting their ethnicity and race. The complement of this is the estimated percentage owned by people of color.

3 Throughout this report, we use the terms “ethnic-owned businesses” and “minority-owned businesses” interchangeably. Minority group members in the U.S. include, but are not limited to, individuals of Asian, Black, Latino, and Native American backgrounds.

4 Timothy Bates and Alicia Robb, “Has the Community Reinvestment Act Increased Loan Availability among Small Businesses Operating in Minority Neighbourhoods?” Urban Studies 52, no. 9 (July 1, 2015): 1702–21, available online.


9 Bates and Robb, “Has the Community Reinvestment Act Increased Loan Availability among Small Businesses Operating in Minority Neighbourhoods?”

10 Bates and Robb, “Greater Access to Capital Is Needed to Unleash the Local Economic Development Potential of Minority-Owned Businesses.”


12 Ibid.


16 Ibid.

17 Fairlie and Fossen, “Did the Paycheck Protection Program and Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?”


26 Survey findings from the module on Emergency Preparedness and Energy Burden were excluded from this report but will be made available in future releases.

27 The 2021 ABS has a reference year of 2020, and data reflect the pay period that includes March 12, 2020, during the onset of the COVID-19 pandemic.


