

Business as Usual:

Entrepreneurs of Color in Texas Face Challenges in Technology, Climate Change, and Sustainability in a Post-COVID Economy

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This project builds on LPPI's research portfolio on [ethnic-owned businesses as engines for equitable recovery](#) and the UCLA's Center for Neighborhood Knowledge [COVID-19 Equity Research Initiative](#).

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 nations) 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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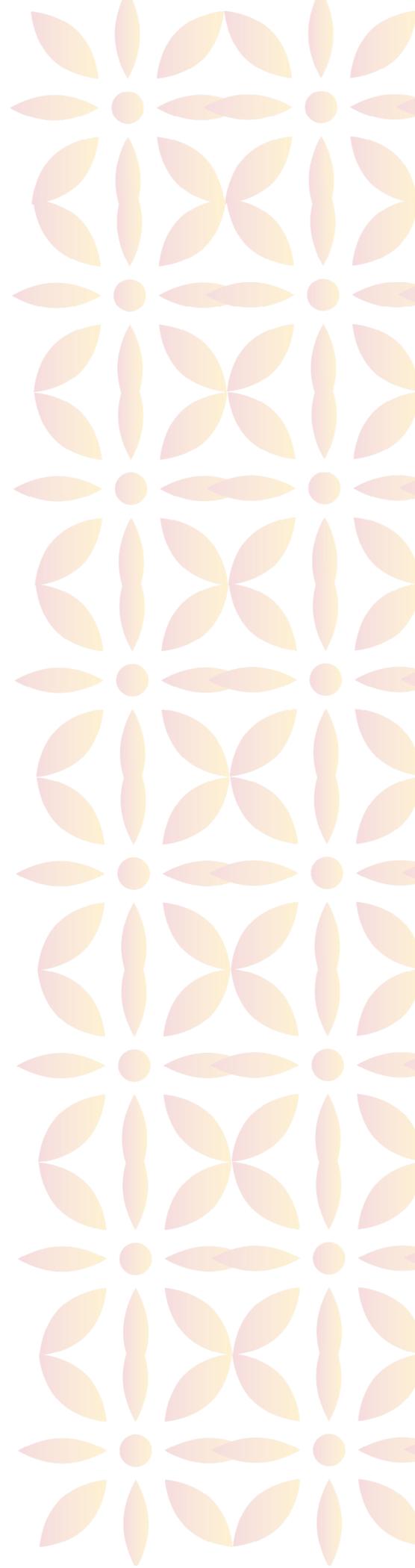
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Advisory Committee

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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Executive Summary

Texas is home to 3.1 million small businesses,¹ and members of racial and ethnic minority groups own 48% of small businesses in Texas.² Studies have demonstrated that ethnic-owned businesses³ face disproportionate challenges in starting and maintaining their businesses, including systemic barriers to accessing financial capital,⁴ new technologies they must adopt,⁵ challenges in accessing relief funds,⁶ and higher employee turnover during times of crises.⁷ 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, environmental sustainability 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 Texas. We compare survey responses to highlight racial and ethnic disparities and showcase the experiences of five entrepreneurs of color.

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

1. **Black- and Latino-owned businesses face more barriers than white-owned businesses to accessing financial capital.**

Black- and Latino-owned businesses were between two and three times more likely to report challenges to accessing capital compared to white-owned businesses (69%, 39%, and 23%, 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 barriers including low or poor credit scores (50% and 44%, respectively), unaffordable interest rates (72% and 62%), and insufficient forms of capital (75% and 61%).

2. **Ethnic-owned businesses continue to fight an uphill battle to recover from COVID-19.**

A greater share of Black-owned businesses (61%) reported experiencing a “large negative effect” from the COVID-19 pandemic than businesses owned by other racial and ethnic groups. A greater share of Black- (67%) and Latino-owned businesses (41%) than white-owned businesses (31%) anticipated a need for financial assistance or additional capital in the next six months.

3. **Small businesses with a lower engagement in online technology for sales also had a greater probability of falling victim to cybersecurity attacks.**

Among owners who conduct business online, Black-owned businesses were more likely to report using an e-commerce website as their primary platform for online transactions compared to Latino- and white-owned businesses (47%, 29%, and 24%, respectively). Latino- (15%) and Black-owned businesses (11%) were more likely to use social media as their primary platform for online transactions than white-owned businesses (7%). White- (20%) and Latino-owned businesses (20%) were twice as likely to have experienced a cyber security attack compared to Black-owned businesses (10%).

4. **Ethnic-owned businesses were more likely than white-owned businesses to acknowledge impacts of climate change.**

Black- (27%) and Latino-owned businesses (18%) were more likely than white-owned businesses (10%) to observe that climate change has impacted their business's finances. Black- (56%) and Latino-owned businesses (43%) 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, compared to white-owned businesses (33%). Black- (54%) and Latino-owned businesses (38%) were more than twice as likely to rank climate change as a high or medium priority than white-owned businesses (17%).

5. **Ethnic-owned businesses are actively engaged in environmental sustainability planning.**

Black- and Latino-owned businesses are more than twice as likely to report a greater intent to develop a sustainability plan in the future compared to white-owned businesses (41%, 27%, and 13%, respectively). A majority of white-owned businesses (69%) reported they do not anticipate the need to develop a sustainability plan in the future.

Introduction

Access to Capital, the COVID-19 Pandemic, and Digital Technology

Businesses owned by entrepreneurs of color form a significant part of Texas's economy and are integral to their communities. However, these business owners also experience outsized challenges not faced by their white counterparts, 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).⁸ However, racial and ethnic minorities are less likely to be approved for loans than equally credit-worthy white entrepreneurs.⁹ When they are approved for loans, their interest rates are often higher¹⁰ and their loan size smaller.¹¹ This is especially true for Black business owners.¹² Access to funding enables small business owners to navigate the challenges of starting a new business and remain open during economic downturns and crises,¹³ 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.¹⁴ From February to April 2020, the number of active Black-, Latino-, and Asian-owned businesses fell more drastically (-41%, -32%, and -26%, respectively) than white-owned businesses did (-17%).¹⁵ The number of active immigrant-owned businesses also fell by 36% over the same time period, twice the rate of native-owned businesses did (-18%).¹⁶ 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.¹⁷

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



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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.¹⁸ 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.¹⁹ 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.²⁰

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 environmental sustainability 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 environmental sustainability and regulatory enforcement are associated with small businesses taking greater environmental action (e.g., increased recycling).²¹ 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 stated that 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.²² The increasing risk from climate change will likely have a disproportionate impact on minority-

owned businesses, who will need to stretch their financial resources to cover risk management strategies as natural disasters increase in frequency.²³ There is a growing recognition of the need for new and targeted public policy and funding to assist these vulnerable businesses.²⁴ 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 Texas to understand their experiences recovering from the COVID-19 pandemic, accessing financial capital, and engaging with digital technology, climate change, and environmental sustainability. 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 bring to light 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.

Study Design

Our approach included a broader examination of attitudes collected through a carefully crafted questionnaire fielded by telephone as well as by collecting rich observations through semi-structured interviews with business owners. Throughout the study, we leveraged the expertise of members 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 interviewers 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).²⁵

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 Burden²⁶

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 622 respondents. Survey responses were collected from September 2022 through January 2023. We include the following three major groups in the analysis: Black non-Latino, Latino, and white non-Latino. Due to low sample sizes, we do not include Asian non-Latino or “other” identifying race and ethnicity-owned businesses in the analysis; however, we include some qualitative interview insights from one Asian-owned business owner.

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 five semi-structured 1 hour long interviews with small business owners and executives in Texas. 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 Texas survey respondents and were selected for diversity in identity (e.g., race and ethnicity, gender, etc.), industry type, and survey responses. Interviews occurred between March to April 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 Black, one as Asian, and one as Latino. Three of the businesses are owned by women. All interviewees are owners or major stakeholders. Two respondents belong to businesses with fewer than four employees, and the remaining have between five and 19 employees. These business owners are located in large cities in Texas, including Austin, Houston, and San Antonio.



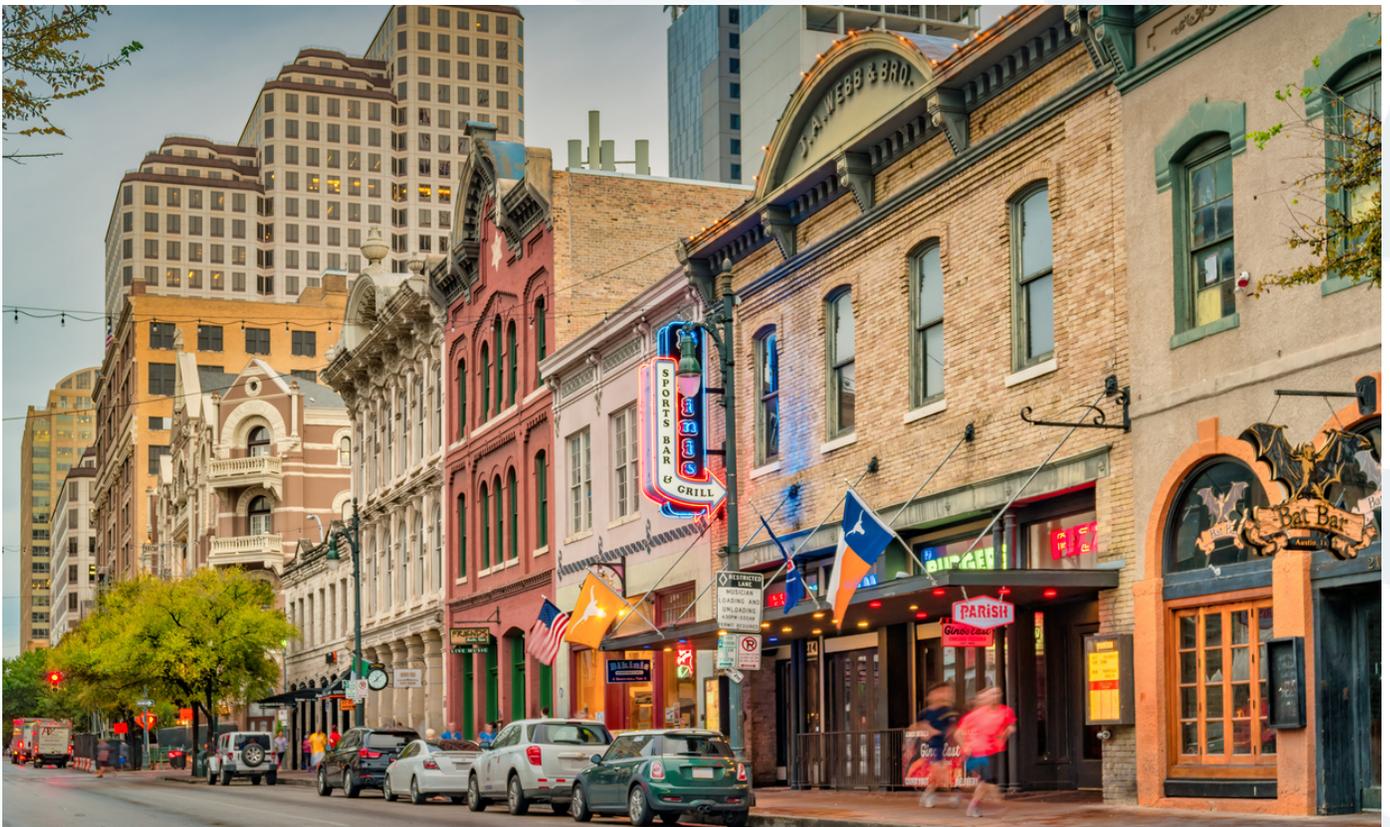
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Key Findings

Among the 622 survey respondents, half of the businesses sampled had a Latino owner (51%), and more than two fifths (44%) were women-owned (Table 1). The majority of the respondents (71%) reported conducting business in a storefront location, and nearly half (48%) indicated they were the business owner or a majority stakeholder. About four fifths (82%) of businesses surveyed have fewer than 20 full- or part-time employees. The businesses surveyed were mostly located in the Houston and Dallas Metropolitan Statistical Areas (MSAs). The findings included in this report are unweighted survey responses and exclude data for the answer choices “don’t know/refuse” from total counts.

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” (22%), “construction” (18%), “administrative and support and waste management and remediation services” (8%), and “transportation and warehousing” (8%). The sample is not reflective of the distribution of businesses in Texas as reported in the 2021 Annual Business Survey (ABS)²⁷ (See Table 3 in the Appendix for comparison). For example, we oversampled businesses in the “professional, scientific, and technical services” and “construction” industries but undersampled businesses in “health care and social assistance” and “accommodation and food services.” Future releases analyzing this survey data will include sample weights to present findings more representative of Texas small businesses.



Downtown Austin, Texas, USA
Photo Credits: benedek, Stock Photos

Table 1: Sample Characteristics of Survey Respondents

Sample Characteristics	Total Count (n)	Share
Race and Ethnicity		
Latino	316	51%
Black	163	26%
Asian	41	7%
White	78	13%
Other	24	4%
Woman-Owned		
	274	44%
Business Location		
Home-Based	177	29%
Storefront	438	71%
Role in the Business		
Owner or Major Stakeholder	297	48%
Executive Management	185	30%
Manager Overseeing Day-to-Day	135	22%
Number of Employees		
1 to 4	196	32%
5 to 19	311	50%
20 to 49	73	12%
50+	42	7%
Metropolitan Area		
Houston MSA	185	30%
Dallas MSA	157	25%
San Antonio MSA	84	14%
El Paso MSA	38	6%
Austin MSA	33	5%
Rest of Texas	125	20%
Total Number of Businesses	622	

Notes: 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=24) and Asian-owned businesses (n=41), they are not included in the analysis. Metropolitan areas were defined using zip codes, zip code tabulation areas, and core-based statistical areas (See Appendix A).

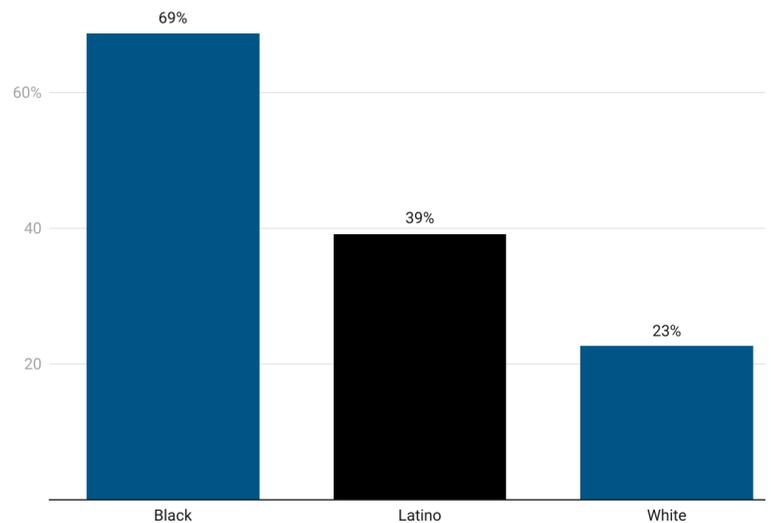
Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.



Key Finding 1a: Black- and Latino-owned businesses were more likely to report challenges to accessing financial capital compared to white-owned businesses.

Nearly half (46%) of surveyed small businesses experienced challenges in accessing capital for their businesses, and there are considerable and statistically significant differences by race and ethnicity. Three times as many Black-owned businesses reported challenges to accessing capital, compared to white-owned businesses (69% and 23%, respectively). The rates for Latino-owned businesses (39%) 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



Source: LPPi analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

Key Finding 1b: Among those who reported experiencing challenges in obtaining funds or capital for their business, a greater share of Black- and Latino-owned businesses reported low or poor credit scores, insufficient amount of capital, 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 white-owned business (50%, 44%, and 19%, respectively). Latino- and Black-owned businesses were also 15 and 25 percentage points more likely, respectively, to report insufficient amount of capital as a challenge compared to white-owned businesses (47%). This pattern continues with the third challenge: Latino- and Black-owned businesses were 11 and 25 percentage points more likely, respectively, to report insufficient forms of capital as a barrier. More than half (57%) of the businesses surveyed reported unaffordable interest rates as a challenge; however, no statistically significant differences were observed for this fourth challenge.

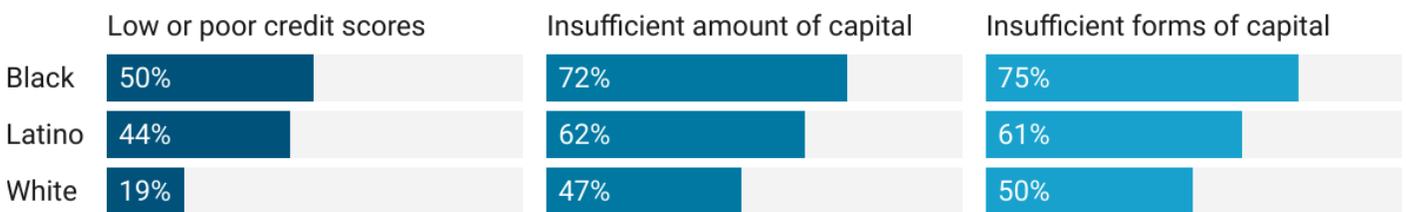
Interviewees shared their experiences with starting their businesses. A couple business owners shared that they self-funded their businesses from day one. Lisa Marie, owner of Trendy Place, a salon that offers wig services and consultation services, recalled:

“I can say that God helped me get off the ground. But as far as financially, no, I cashed out of my 401K to start my business, and I just kind of started from there.”

Similarly, LaTonya Jackson, a hair stylist and owner of The Hair Palace, also shared:

“...Opening the salon, it was all self-funded. I didn’t have any loan, like no business loan or anything.”

Figure 2. Challenges Experienced in Accessing Capital by Race and Ethnicity of Business Owner



Note: Only 7% of white-owned businesses (n=14) reported experiencing challenges in accessing capital.

Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

PROFILE:

Ben Tsai



Army Institute of Surgical Research Burn Center and Brooke Army Medical Center hyperbaric team using a dive chamber with PAHI PAH-VI ventilator to save hurricane Laura victims in Port Arthur, TX. Photo Credits: Pan-America Hyperbarics, Inc



Dr. Dick Rutkowski uses PAHI's Hyperbaric Oxygen Chamber in his company, the Hyperbarics Internationa, which provide tech diving and clinical hyperbaric medicine for professional and recreational divers. Photo Credits: Pan-America Hyperbarics, Inc

Ben Tsai was born in Taiwan and immigrated to Texas around 20 years ago. He is a pharmacist by training and began to pursue entrepreneurship in 2002 when he started his business, Pan-America Hyperbarics, Inc. Ben works in the medical device distribution industry, buying and selling medical devices. His business primarily distributes hyperbaric oxygen therapy devices. His leading customers are hospitals that work with Ben to equip their facilities with devices. Pan-America Hyperbarics, Inc. is

unique because Ben's brother, who lives in Taiwan, builds the medical devices and ships them to the United States for Ben to sell. Ben started his business because he wanted to contribute to his industry and be able to create his own schedule.

The COVID-19 pandemic almost closed Pan-America Hyperbarics, Inc.'s doors. Before the pandemic, the company had relied on traveling to hospitals to close deals with new clients and perform maintenance on existing technology. When travel became dangerous because of the spread of COVID-19, Ben lost almost \$3 million in potential sales. The company survived but has still not financially recovered from the lack of revenue.

Ben applied for government COVID-19 financial assistance to push his business through the pandemic. His first priority was that he did not want to lay off any of his employees. He stated, "They've been loyal. They've been there for me, and they have a family just like me. What are they going to do if I lay them off? For a couple of years, it was bad. So we did whatever we could to survive, and I'm proud to say, I didn't let anyone go."

Ben uses basic technology in day-to-day operations and recognizes that there is room for technological growth. Pan-America Hyperbarics, Inc. currently utilizes fax, phone, and video conferencing regularly. Ben's adoption of video conferencing has allowed them to meet with potential clients online instead of traveling to meet them in person, as was the protocol prior to the pandemic. He also has established the use of tablets to have his training and programs for the devices to show potential clients advertisements for his devices. Although Ben has a website, it is not used often, as the company relies on word-of-mouth referrals and interactions with customers to maintain and build a client base. When reflecting on whether there are additional technologies that would elevate the capabilities of his business, Ben stated, "I'm sure there's technology out there that can help us. We better do it faster and efficiently. However, we don't know what's available out there and if the price is affordable."

Ben is aware of climate change and how it impacts the world around him. He reflected, "We live in Texas. We know how climate change could be, and people can get hurt. I believe we are

accelerating. We're not doing any better. We're actually probably past the tipping point." A father of young children, he thinks about how he can attempt to ensure a safer future for the younger generation. Ben and the staff at Pan-America Hyperbarics, Inc. have taken steps toward sustainability by recycling and reducing waste. Over the last few years, Ben has experienced the impact of climate change firsthand. During the power outages in Texas due to extreme weather, Ben had to adapt quickly and invest in generators and solar panels to ensure that his business could continue to operate. Ben invests ample money and resources into sustainability and climate change efforts, especially related to emergency planning because of his lived environment.

“They’ve been loyal. They’ve been there for me, and they have a family just like me. What are they going to do if I lay them off? For a couple of years, it was bad. So we did whatever we could to survive, and I’m proud to say, I didn’t let anyone go.”

Ben wants to learn more about sustainability efforts he can take in his business to do better. He wants Pan-America Hyperbarics, Inc. to be a green building, but acknowledges that will not happen anytime soon. He has looked into efforts like installing light-emitting diode (LED) bulbs throughout the warehouse for years, and has just recently implemented it despite the cost of thousands of dollars for the materials and labor required. For Ben and his business, the desire to integrate sustainability is there. It's the resources that are not always available or affordable.

Ben reflected that “there’s only one earth. We all live here. I have to care. I hope I still have a few more years to stick around. We like

the world to be safe and clean, and even after we are gone, we can hopefully leave a better world for the next generation.”

Ben sees his business as successful if they are financially stable and able to provide quality customer service to their clients. He stated, “Our knowledge and commitment to customer service is number one in the industry, hands down. No question, even our competitors admit it, when it comes to customer service, we reign supreme—no one is close to us.” Doing right by their clients is held to a high standard at Pan-America Hyperbarics, Inc. Over the subsequent years, Ben hopes that his business will recover from the financial crisis that the COVID-19 pandemic brought, and begin to thrive once again.



PAHI's Hyperbaric Oxygen Chamber being used in concussions treatment.
Photo Credits: Pan-America Hyperbarics, Inc

Key Finding 2a: A greater share of Black-owned businesses reported a “large negative effect” from the COVID-19 pandemic.

We asked respondents to describe the impact COVID-19 had on their small business. Two thirds of all respondents (67%) 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, Black-owned businesses were 15 to 18 percentage points more likely to report a “large negative effect” (vs. a “moderate negative effect”) compared to white- and Latino-owned businesses, respectively (Figure 3). Observed racial and ethnic differences for the impact of COVID-19 are statistically significant. Additionally, 69% 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 or ethnicity of the business owner.

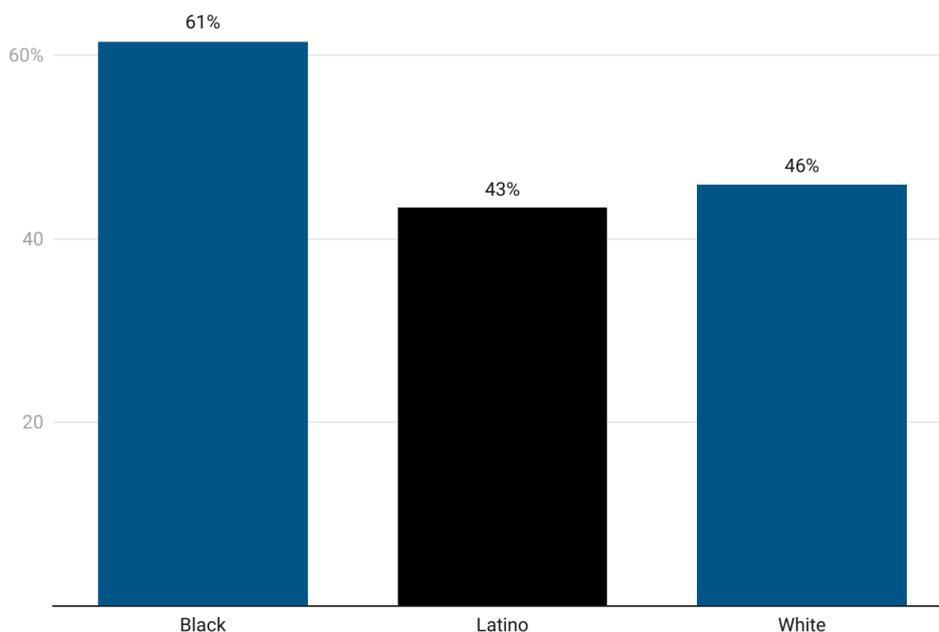
Most interviewees dealt with increased challenges and uncertainty in the face of COVID-19 and applied for financial assistance. Richard Lopez, owner of Performer’s Academy, reflected:

“We applied for COVID-19 [financial] assistance [because] we wanted to keep the doors open and keep everybody employed. We lost quite a bit of revenue during that COVID year (2020) and in order for me to maintain payroll I needed to take out a loan because we didn’t know how long it was going to last or what was going on.”

Lisa Marie also experienced unpredictability during the pandemic. She shared:

“What led me to apply to COVID financial assistance was because sales were down. It was weeks we didn’t make anything, like nothing and I had to pull from savings just to stay afloat.”

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



Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

Key Finding 2b: A greater share of Black- and Latino-owned businesses, compared to white-owned businesses, anticipate a need for financial assistance or additional capital in the next six months.

Figure 4 presents data for actions that businesses anticipate needing to take in the next six months as part of their recovery from COVID-19. Nearly half (48%) anticipate they will have difficulties obtaining financial assistance or additional capital. This problem varies across racial and ethnic groups, and the observed differences were statistically significant. Twice as many Black-owned businesses were likely to experience this issue compared to white-owned businesses (67% and 31%, respectively). Latino-owned businesses reported the need for financial assistance at a lower rate than Black-owned businesses but were 10 percentage points more likely to than white-owned businesses.

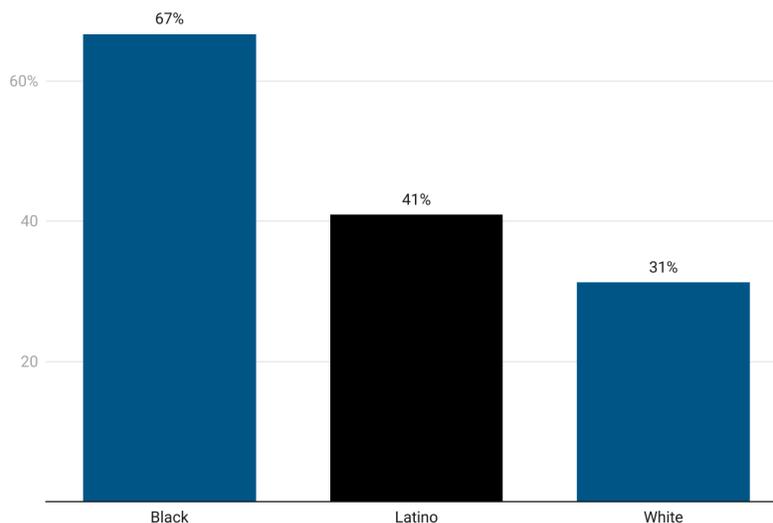
Additional actions included the need to identify a new supply chain and hire new employees. More than one third (38%) of

respondents reported the need to address the former, while 77% 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.

The financial burden of the pandemic still lingers for many business owners. One interview participant, Ben Tsai, shared that his business has not been able to financially recover during the last three years. He stated:

“[The pandemic] almost killed us. It probably will kill us. Who knows? Yeah, it is a tough time. We couldn’t travel. We couldn’t do business. I lost probably overall in the past three years I would say more than three million dollars in potential sales. . . In the past three years we haven’t had business. [Business] is worse than it was, so I don’t think I can keep up. . . I might have to close the [business]’ door.”

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



Source: LPPi analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

PROFILE:

LaTonya Jackson



Hair stylist and owner of the Hair Palace, LaTonya Jackson
Photo Credits: LaTonya Jackson

LaTonya Jackson comes from generations of hair stylists in Austin, Texas. Her great-aunt had a beauty shop behind LaTonya's grandmother's house, and LaTonya's mother opened her own beauty school. LaTonya received her instructor's license at her mother's beauty school before opening her hair salon, The Hair Palace, in 2011. LaTonya shared two reasons for opening the salon she co-owns with her sister: "One, I don't like working for other people, and, two, I just felt like it would be more cost-effective for me to own the salon."

The Hair Palace provides all types of hair-related services, such as extensions, locks, and braids, with a predominantly Black clientele. They also sell hair care and beauty products. When the salon was closed during the pandemic, LaTonya also began making and selling T-shirts and masks to help generate income.

The pandemic affected LaTonya's business in two major ways. First, inflation has caused the cost of hair and beauty products to skyrocket. She shared how the increased cost of Paul Mitchell Tea Tree Special Shampoo is a "prime example" of this. Prior to the pandemic, this shampoo was \$38 per gallon, and now it is \$57 per gallon. She also mentioned the price of a tube of color and gloves has almost doubled. She had to increase the price of her services due to this. Second, LaTonya's business has seen a decrease in the frequency of client visits. She explained, "Now, a lot of people work from home. So when people don't have places to be, then the need for them to be as concerned about their appearance is not as great. And I think a lot of people are using YouTube and TikTok, looking and seeing how to do different things online," therefore relying less on salons. Due to these combined factors, LaTonya has seen a decrease in revenue.

Regarding pandemic financial assistance, LaTonya stated, "The most I ever received in PPP was \$5,600, and our rent is \$2,200. So that just lets you know what type of assistance they gave me." She discussed the challenges she faced in receiving financial assistance compared to others. She shared, "In my opinion, it's really like no assistance...it seemed like there was always some roadblock for me. I don't know what it was, but basically, just feel like I didn't get any assistance and not anything that was sustainable, so like, you know, we got behind a little bit."

Most new customers find LaTonya and her sister on booking sites or Google and Yelp reviews. Since LaTonya has been online for 14 years, there are reviews and pictures that prompt clientele to contact her for appointments. LaTonya and her sister communicate with their clients through phone calls, text messages, and booking sites. Although this booking process has worked for her business thus far, LaTonya would like a more user-friendly website to streamline her booking process. She recalled her attempt to build a professional website, saying, "I am not a web designer... there are some pictures and stuff up there [on my website], but it could be better."

LaTonya does not expect climate change to impact the flow of The Hair Palace since she thinks that "there's always going to be a need for people to get services, whether it's color, getting a

protective style, or getting extensions, they're going to want to get something done because we're a society where people care about their appearances." At the same time, LaTonya notices more freezing temperatures in Texas. She explained, "It's getting really, really cold. A lot colder than it used to get here, and we're having these freezes that mess up our A/C at the shop, and we have to come get a service." She also notices that business also slows down in the summertime due to the extreme heat. She describes how "with ethnic hair in the summertime, it's a lot slower because people with natural hair tend to like not want to get it done as frequently...or get styles that last longer, like protective styles, because it gets so hot. If it's really hot for longer periods of time, then I'll have fewer people coming in to get services."

Although most materials LaTonya buys for her salon are pre-

"I need to know more about what goes into packaging and stuff for products that we use...I just learned that the clothing industry contributes a lot to pollution, which I didn't know. I wasn't aware of that, right? So I need more information on what all goes into making products that we use for hair."

packaged, she buys hair without the packaging and notices that when customers come in with their own hair, it has lots of packaging. She thoughtfully reflected on this by sharing, "I could look for things that are, look for products that are packaged in recycled materials and recycled packaging." LaTonya has not noticed that different manufacturers put their products in recyclable packaging or use less packaging. She believes that manufacturers spend a lot of money on packaging rather than providing quality products, using hair as an example. To avoid unnecessary packaging, LaTonya gets her hair delivered "just

wrapped up in a rubber band."

She feels the need to better understand the impact of environmental sustainability practices on her business. Specifically, LaTonya emphasized, "I need to know more about what goes into packaging and stuff for products that we use...I just learned that the clothing industry contributes a lot to pollution, which I didn't know. I wasn't aware of that, right? So I need more information on what all goes into making products that we use for hair." LaTonya is willing to learn more in order to develop an environmental sustainability plan for her business. She remains curious about what materials she can use for her business besides plastic bottles, such as biodegradable bottles, or hair products with fewer chemicals. She requested support with understanding how the hair industry contributes to environmental degradation.

Since the commercial cost of energy went up, LaTonya has experienced difficulties with the energy bills for The Hair Palace. She said that the bill "seemed like it almost doubled at times." Finances, specifically working capital, also restrict her from developing an emergency preparedness plan, which would require her to purchase a generator. LaTonya questions the usefulness of an emergency preparedness plan, saying, "But emergency preparedness for what? You know?"

For LaTonya, success in her business is "staying booked and busy!"

Key Finding 3a: Black-owned businesses were more likely to report using an e-commerce website as their primary platform for online transactions compared to Latino- and white-owned businesses.

Key Finding 3b: Latino- and Black-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). Approximately one third (34%) of all businesses use an e-commerce platform for online sales. Results indicate a significant variation by race and ethnicity. Black-owned businesses were nearly twice as likely to report using an e-commerce website as their primary platform for online transactions compared to white-owned businesses (47% and 24%, respectively). They were also 18 percentage points more likely than Latino-owned businesses to report using an e-commerce website for sales. Social media usage, on the other hand, was much lower for surveyed businesses. About 1 in 7 businesses (13%) use social media as their primary platform for sales, with Black- and Latino-owned businesses being the most likely to report using social media for online transactions (11% and 15%, respectively) than white-owned businesses (7%). The observed differences by race and ethnicity are statistically significant.

Most survey respondents utilize the web to conduct business. More than one quarter (27%) do not use any web-based platform for sales. Nearly half of these believe that using the web is “not effective for [their] business” and cite a concern for safety. Other reasons mentioned include a lack of capacity for conducting business online and cost.

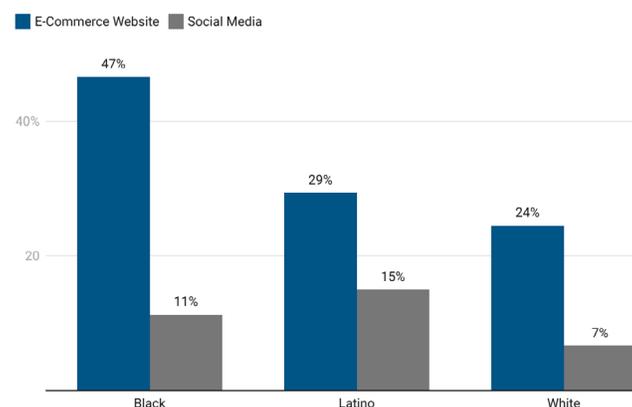
Interviewees shed light on the barriers businesses face while trying to establish an online presence and keep up with technology demands. Ben Tsai shared his business’ difficulties with adapting to new technologies:

“Well, technology is evolving and is always [getting] better, if you can afford it. I’m sure there’s something out there that can help us. We better do it faster. Do it cheaper. However, you don’t really know what it is (the technology), and most of it is a little bit more than we can afford. A simple software, and you’re talking about thousands of dollars, or sometimes hundreds of dollars a month.”

When asked if she had enough technological skills to support her business, Lisa Marie expressed that she has a lack of resources to support her needs. She stated:

“I do have enough technological skills, [it’s] just a matter of having some kind of support. So right now, I just have one employee, and she’s part-time. If I had more revenue to make payroll, I feel like we’d be a lot better. But, I’m doing a little bit of everything almost solo, so that weighs heavily on how we’re moving right now.”

Figure 5. Social Media 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 January 2023.



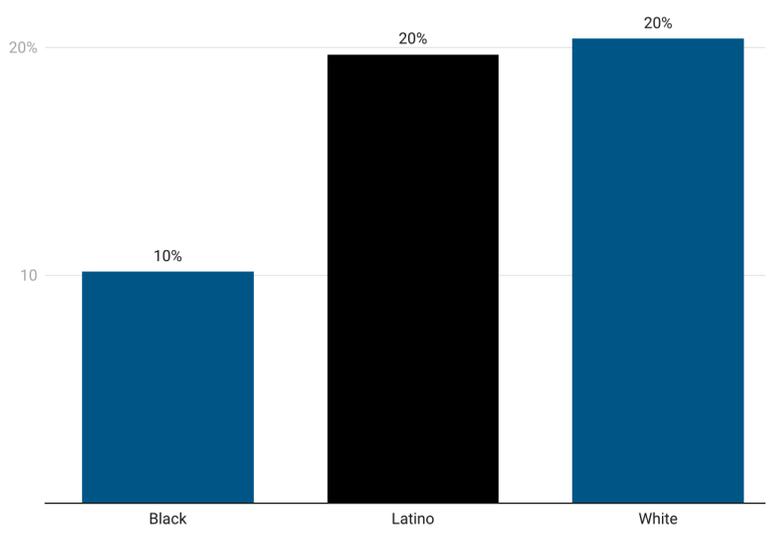
Key Finding 3c: White- and Latino-owned businesses were twice as likely to report having experienced a cybersecurity attack compared to Black-owned businesses.

While online sales are important, there are risks associated with conducting business online. Approximately one fifth (17%) of respondents stated their business has been a victim of a cybersecurity attack. White- and Latino-owned businesses were twice as likely to report experiencing a cybersecurity attack compared to Black-owned businesses (20%, 20%, and 10%, respectively). The observed differences by race and ethnicity are statistically significant.

Yvette Cheeks, owner of Professional Health Care Education Service, a continuing nursing education company, shared her concerns regarding privacy and conducting business online. She stated:

“I’m uncomfortable with the merchant processing online. I’m concerned about my student and patient confidentiality, and I’ve had identity theft myself, so very conscientious about how we use our information, and it’s just concerning to me that people’s information is passed so readily.”

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



Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

PROFILE: Lisa Marie



Photo Credits: Wirestock, Stock Images



Photo Credits: Renata Hamuda, Stock Images

Lisa Marie is a Black entrepreneur who grew up in Baltimore, Maryland, and always dreamed about being a businesswoman. She grew up selling miscellaneous items at the local flea market with her mother, so being an entrepreneur was “always in her.” She started her business, My Trendy Place, as a side hustle while working in corporate America. The business serves two purposes: to sell high-end hair replacement systems for women going

through cancer, alopecia, and other forms of medically related hair loss, and to sell fashionable clothing. My Trendy Place has a suite inside an office building in Katy, Texas, where Lisa Marie offers private consultations and wig services. Their tagline is “We can help you look good and feel amazing.”

Two factors influenced Lisa Marie to start her business. First, she was fired from corporate America because she found a derogatory email from her manager in her inbox where she was called “Black” and “fat,” and told that her boss did not think Lisa Marie spent “more than two days in college.” Shocked at this explicit show of racism and misogyny, Lisa Marie took the email to the Human Resources department to get a new supervisor. Her request was unfulfilled, and she was fired 6 months later. Second, she had booked a wig installation appointment with an Asian woman who was well known in her area. Prior to the appointment, Lisa ordered a curly wig from an African American-owned company she found online and took her own measurements. When Lisa arrived at her hair appointment, the hairstylist shaved her hairline and tried to place the wig on, but it did not fit. Laughingly and mortified, she said, “She didn’t do her homework.” These experiences eventually motivated her to start a business where she could supply quality wigs and practice self-expression. She started My Trendy Place and has been in business for nearly 20 years.

Lisa Marie reflected, “God has been good to my business,” and even during COVID, “when things got really scary, God always provided.” When COVID-19 struck, Lisa Marie thought to herself, “All these pivots!” Lisa had to cope with disaster and major changes just years prior when her building collapsed due to Hurricane Harvey. This completely halted her revenue for some time. The collapsed building was especially unfortunate due to its ideal location for foot traffic, but Lisa Marie had to pivot and re-open in a new space.

With Harvey and then COVID-19, she stated, “Well, I didn’t close; I’m still here today. It’s a little uncomfortable because things have changed drastically, but I’m still in business, I’m still in business.” She had no formal business plan and “kind of winged it.” She says she “faked it until she made it” getting through the pandemic. The pandemic really affected Lisa Marie’s mental health—“It’s

hard to admit, but it's the truth." Prior to the pandemic, My Trendy Place had a healthy number of employees, and she would buy lunch for her whole team twice a month because "the money was rolling right." COVID shut the world down, and she felt like she was on "life support." She was unsure how long the pandemic or her business would last.

Success for My Trendy Place is "knowing that we've helped change a woman's perspective about herself, that we've helped empower her."

My Trendy Place received a PPP loan and Economic Injury Disaster Loan (EIDL). These loans helped with payroll and advertising. There were weeks when there was not a single sale, and she pulled from savings to stay open. Now she's left wondering what will happen next because the "back up [plan] to the back up [plan] is gone."

Lisa Marie desires greater technological assistance to enhance her business operations. Currently, she has one part-time staff member on her team. Due to limited revenue, she is unable to bring in additional hires. She says, "Moving everything around solo really is a heavy lift." She is currently enrolled in a digital learning program sponsored by Verizon and completes courses every week. Before the pandemic, My Trendy Place relied on word of mouth. "People know who we are. We were the leader in the market for a long time until everything just came to a crash." Certain industry giants have presented challenges for small businesses such as hers, and it can be difficult to compete. Presently, Lisa Marie's focus has shifted towards leveraging advertising and social media as means to potentially boost their revenue.

Conversations around environmental sustainability overwhelm Lisa Marie. She would "like more information about it" because she knows "tapping out" is not the right answer. Lisa Marie

recognizes that climate change will continue to force people to prepare for and survive disasters. From Hurricane Harvey and COVID, Lisa Marie learned to "jump in and fit where you can." She feels that climate change is indescribable and does not think there are many choices to stay ahead of what is happening. She has heard of climate change affecting hair loss from stress and the climate and thinks her business is well situated to respond to that need for both men and women. She feels "most people will find a way to look good and buy the products."

Most of My Trendy Place's emergency preparedness plans are around finance. She has seen revenue come in waves - three days in a row with excellent sales and four weeks of nothing. Aware of the need, she remains committed to adapting and staying flexible in order to sustain her business. Lisa Marie continues to prioritize the teachings she gained from the Goldman Sachs 10K Small Business Program, which emphasized embracing opportunities, empowering individuals, and implementing aggressive growth strategies.

As hard as it gets, "giving up is not an option." Success for My Trendy Place is "knowing that we've helped change a woman's perspective about herself, that we've helped empower her." It brings Lisa Marie immense joy to realize that she provides clients with good quality products and a curated experience that makes clients feel good from the inside out.

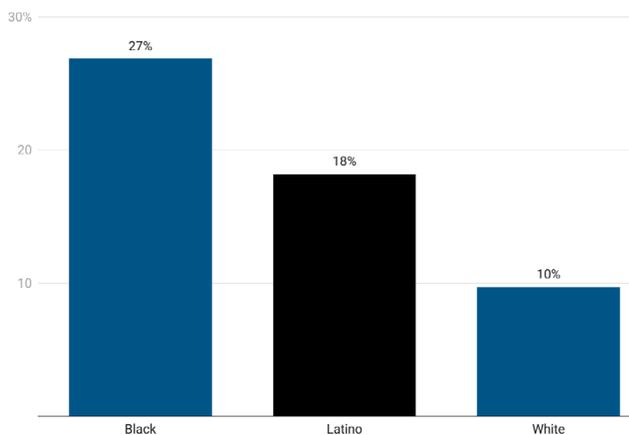


The Riverwalk in San Antonio Texas
Photo Credits: dszci, Stock Photos

Key Finding 4a: Black- and Latino-owned businesses were more likely to report that climate change has had an observable impact on their business’s finances.

Our analysis shows that although only 20% of respondents reported that climate change has had a current observable impact on their firm’s revenue, costs, or investments, reporting varied significantly by race and ethnicity of the business owner. Black- (27%) and Latino-owned businesses (18%) were more likely to report this observation than white-owned businesses (10%). The observed differences are statistically significant.

Figure 7. Current Impacts of Climate Change on Firm Finances by Race and Ethnicity of Business Owner



Source: LPPi analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

Interviewed business owners reflected on the ways that climate change has or will affect their finances and operations. Lisa Marie stated:

“Climate change has affected my business. I’ve had to change the way I do things. I’m not saying that it’s always a bad thing; I learned a lot from [Hurricane] Harvey. You just got to jump in and fit where you can. But in regards to climate change, it’s constant, and we just have to find ways to prepare to be okay with it.”

LaTonya Jackson reflected on how recent severe winters in Texas have affected business operations. She expressed:

“I think about climate change, but I don’t know what to do about it. I think about it as far as it’s getting really, really cold—a lot colder than it used to get here, and we’re having these freezes that end up messing up our A/C at the shop. We have to come get a service. I don’t know how or what or why that happens. I’m assuming that’s from climate change. I don’t know.”

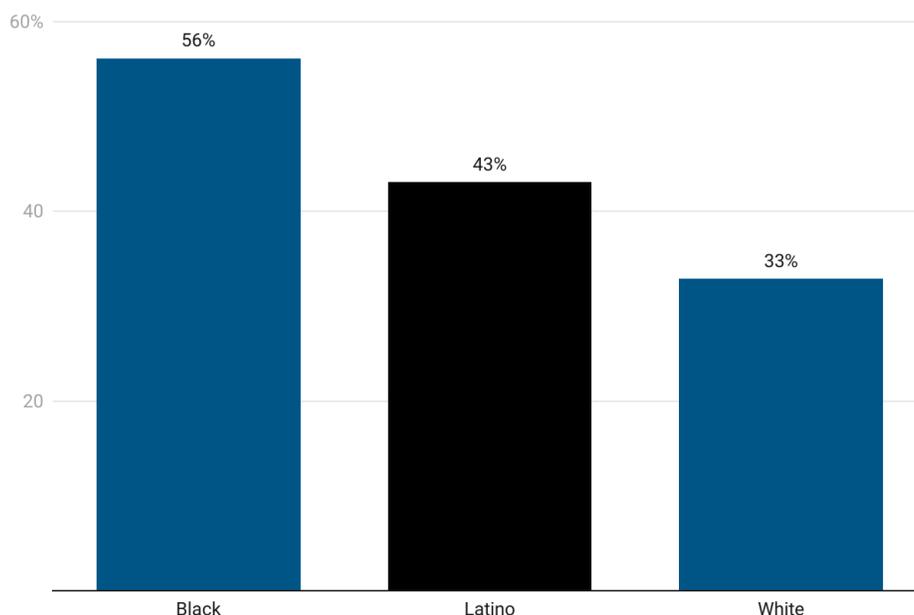
Key Finding 4b: Black- and Latino-owned businesses were more likely to report that they expect climate change to have an observable impact on their firm’s finances, as well as their workers’ safety and health.

We understand that the impacts of climate change will continue to grow; therefore, we also asked participants about anticipated impacts. Figure 8 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 Latino-owned businesses were 23 and 10 percentage points, respectively, more likely than white-owned businesses to anticipate climate change will impact both their firm’s finances and workers’ well-being.

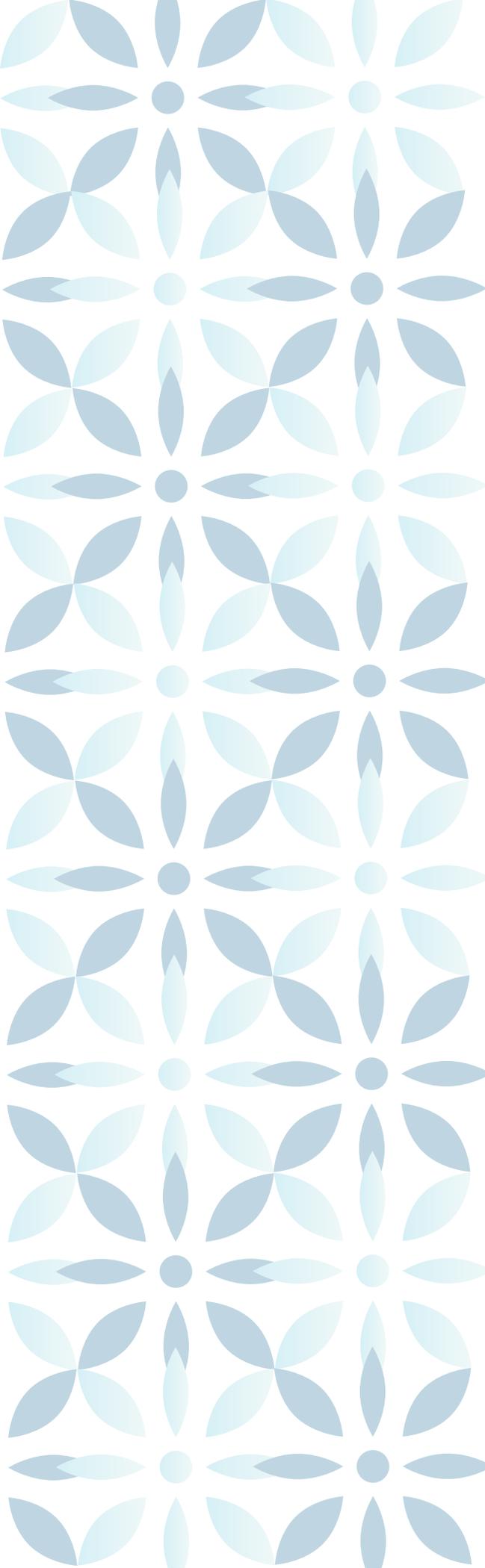
Richard Lopez shared the ways that he thinks about climate change when it comes to his business. While climate change’s effects on his business are not at the forefront of his mind currently, he does anticipate that climate change may alter the way he conducts business. He expressed:

“I don’t necessarily think about climate change in terms of how it’s affecting our business. I know it’s getting warmer. Whenever we have to go and do a marching band clinic in San Antonio, it’s not unusual for us to get to a 100-degree day. We’re going to be out there in the sun, They don’t stop classes and rehearsals. I know that eventually it’s gonna come a time where they go, ‘Okay, it’s just too hot. We can’t do this.’ Once that happens, we’ll have a game plan for how we’re going to get these classes taught without being stopped because it’s too hot, but I don’t spend a lot of time thinking about that right now.”

Figure 8. Share of Business Owners Anticipating Impacts of Climate Change on Firm Finances and Worker Safety and Health by Race and Ethnicity



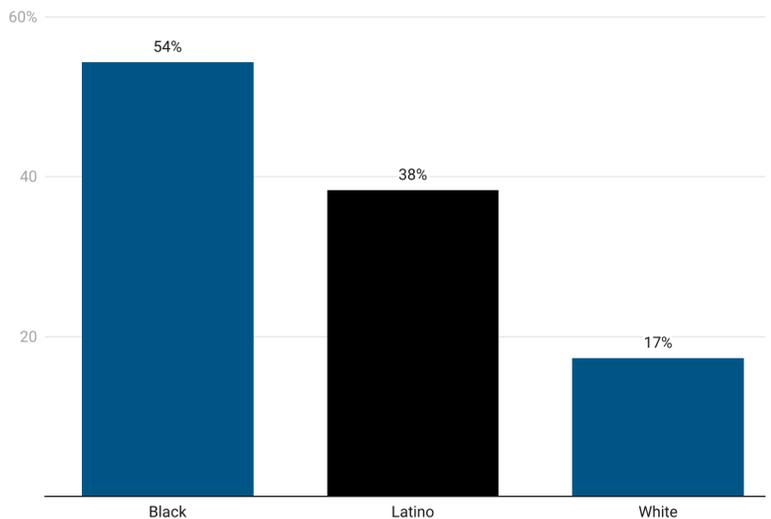
Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.



Key Finding 4c: Black- and Latino-owned businesses are more than twice as likely to prioritize climate change as a high or medium priority.

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 (60%). However, we did observe differences in ranking by race and ethnicity of the business owner to be statistically significant. Figure 9 presents the share of businesses that rank the risks resulting from climate change as a high or medium priority. Black-owned businesses were more than three times as likely to rank climate change as a high or medium priority compared to white-owned businesses (54% and 17%, respectively). Latino-owned businesses were more than twice as likely (38%) to rank climate change as a high priority than white-owned businesses.

Figure 9. Businesses Prioritizing Climate Change as a High or Medium Priority by Race and Ethnicity of Business Owner



Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.

PROFILE: Richard Lopez



Photo Credits: Roberto Galan, Stock Images



Photo Credits: Art Wager, Stock Images

Richard Lopez was born in California to a military family and moved to San Antonio, Texas, as a child. He has been in San Antonio ever since. He started his business, Performer's Academy, in 1996. Originally a dance studio, Performer's Academy now serves as a consultant that provides marching band drills, horn line visuals, and color guard choreography. Richard initially started the dance studio with a partner. However, about 16 years ago, he took on full ownership of Performer's Academy. Since transitioning to a consulting business, Performer's Academy has provided choreography to over 82 schools nationwide. Richard's primary clients include high schools and universities, especially those in Texas.

Before the COVID-19 pandemic, Richard and his team could go to schools to provide in-person services. With nationwide school closures in 2020, Performer's Academy could no longer visit their contracted schools to teach the performance directors and students the band drills, horn line visuals, and color guard choreography. The closures led to a decline in business. Richard reflected, "We lost quite a bit of revenue during that COVID year (2020), so for me to maintain payroll, I needed to take out a loan because we didn't know how long it would last or what was going on. And so I said, 'Okay, it's you know, it's there for me to take. I'm going to take it and keep these doors open. Keep everybody employed and do what we can.'"

Technology utilization had already been critical for operations at Performer's Academy. However, with the pandemic, they were able to explore virtual options for consulting services. From a hardware standpoint, the business uses Apple products for most tasks. One iMac is used specifically for video editing, while another is used to manage marketing and financial matters. Richard also invested in a third iMac to generate band drill, horn line, and color guard choreography content and to store potential projects being sent out to high schools and universities.

Access to these iMacs provides Performer's Academy with efficient ways to generate as many projects as possible, especially during the summer when business is at its busiest. All computer devices have access to Dropbox, which enables the business to keep track of multiple projects at once and allows different staff members to access the same content whenever needed. Zoom has also been critical for all staff meetings and for potential consulting projects that are not local to Texas. So much of the work has gone remote, so Richard utilizes Zoom for staff calls, such as to an employee who lives in Okinawa, Japan. The integration of technology devices and capabilities has enabled the team to function well, even with staff abroad. According to Richard, the use of technology has enabled them to generate about 80% of their revenue during the summer due to the efficiency and rapidity of the technology, rather than manually producing the content for clients.

Climate change is an issue that the Performer's Academy has seen gradually worsen. Richard sees it affecting his business directly due to the extreme heat waves experienced in Texas. Extreme heat brings on a new challenge to adapt performance choreography indoors when outside conditions threaten the safety of clients and staff. Richard stated, "I know it's getting warmer whenever we have to go and do a marching band clinic, and we're outside in San Antonio; it isn't unusual for us to get to 100, 103 degrees on a day; eventually, there is going to come a time where it's just too hot." Richard says he believes Performer's Academy is prepared for the increasing temperatures and can uniquely adapt the routines taught to clients once that day comes. A few years ago, Richard developed potential plans to address the rising temperatures by studying the models Montana schools implemented when temperatures were too cold to perform outside. He plans to adopt similar models for clients in Texas as temperatures continue to increase. He intends to be able to adapt his business based on climate change realities.

"I know it's getting warmer whenever we have to go and do a marching band clinic, and we're outside in San Antonio; it isn't unusual for us to get to 100, 103 degrees on a day; eventually, there is going to come a time where it's just too hot."

For Richard, emergency readiness for any event is critical to decision-making, hence his focus on staying up-to-date with his business management and operations. At all times, Performer's Academy is ready to change its business model according to real-time events. Richard ensures that all staff are immediately brought into a meeting and asks for everyone's input on the best way to adjust situationally. This mentality was present during the pandemic and in response to extreme heat. While Richard is the leader, he sees value in integrating the thoughts and concerns of

his staff into business planning and organization.

Part of this decision-making process has led Richard to engage in environmentally sustainability practices. All the computers utilized to create content are recycled once their performance speeds decline - they are either given back to the manufacturer or to employees for their personal use. Across the business, Richard uses digitization of documentation rather than paper to reduce waste production. Additionally, Richard makes an effort to minimize energy consumption. At the end of the day, employees ensure that all lights and devices are powered down. Performer's Academy does what it can to engage in environmental sustainability practices.

When asked about success, Richard stated that COVID-19 has broadly shaped the success of his business. Richard was able to expand services online and provide support to clients virtually. This exemplifies Richard's success model—being able to adapt as needed in adverse times, all while supporting the needs of his clients and his staff.



Photo Credits: sshepard, Stock Images

Following the module on climate change, we asked participants to identify their level of understanding regarding the impact of environmental sustainability practices on their business, as understanding sustainability will be critical to adjusting to climate change. Survey findings reveal approximately one third (29%) reported a “very good” understanding of environmental sustainability with no significant variation by race or ethnicity of the business owner.

Business owners we interviewed expressed varying levels of understanding of environmental sustainability. Most shared ways in which they try to integrate sustainable practices into their businesses. Ben Tsai expressed his stance on environmental sustainability:

“Of course we are concerned about the environment and sustainability. There’s only one Earth. We all live here. I got to [care], and I hope I still have a few more years to stick around. We like the world to be safe, to be clean even after we are gone—we can leave a hopefully better world for the next generation. But that’s why we recycle, we reuse, you know, we try to preserve everything.”

Similarly, LaTonya Jackson has implemented some environmental sustainability practices into her business. She shared the ways in which she tries to be environmentally friendly:

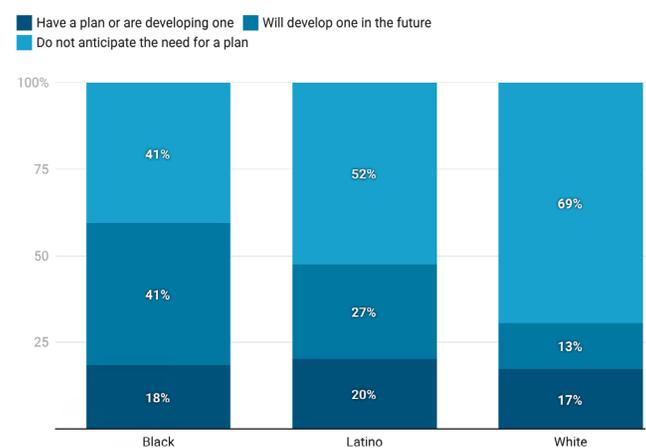
“When I buy hair from the manufacturers, I don’t get it in the package. They do a lot of packaging and I feel like a lot of the money goes into the way it appears which takes away from the quality of the hair itself. So when I get hair it’s just wrapped up in a rubber band. . . Also, when I don’t have customers, I don’t go to the shop, so I’m not using lights, I’m not running the electricity all day.”

Key Finding 5a: Black- and Latino-owned businesses were more than twice as likely to report a greater intent to develop a sustainability plan in the future.

Key Finding 5b: A majority of white-owned businesses reported they do not anticipate the need 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 10). Among all businesses surveyed, 19% reported that they either already have a plan or are currently developing one, with little variation by race and ethnicity of the business owner. Black- and Latino-owned businesses, however, were more than twice as likely to report that although they have not had the opportunity to design a plan, they intend to in the future compared to white-owned businesses (41%, 27%, and 13% of businesses). White-owned businesses were also the most likely (69%) to report they do not anticipate the need for a sustainability plan. Observed differences by race and ethnicity are statistically significant.

Figure 10. Development of a Formal Environmental Sustainability Plan by Race and Ethnicity of Business Owner



Source: LPPI analysis of original survey data collected by WestGroup Research from September 2022 to January 2023.



Colorful Food Trucks Parked in Dallas, Texas.
Photo Credits: Blulz60, Stock Images

Almost all interviewed business owners shared that they do not have a formal sustainability plan due to a lack of resources such as time or information. Lisa Marie expressed how she views environmental sustainability:

“I need to have more information about it [environmental sustainability]. I believe I just kind of tap out when it comes [to environmental sustainability]. It’s a little too much for me.”

Yvette Cheeks is curious about how her business can help contribute to environmental sustainability and stated a desire for more information:

“[I need] maybe a better understanding of what we could do [to support environmental sustainability] if I go into my next space. Besides the plants and the light switches. What else could we possibly do at a reasonable level?”

Ben Tsai shared that while he is open to thinking more about a sustainability plan, he does not know where to begin. He reflected on the options he has considered as well as the limitations he faces to engaging in sustainability:

“Well, what else can I do? I don’t know. Tell me, what can I do to help, and we’d like to help contribute. But when we have to use something, but we want to make sure we’re using it as much as we can, and we’re minimizing the waste. I don’t know what else we can do. I know we thought about buying an electrical vehicle. It looks good, but I don’t know if an electric vehicle is really the solution. It may be part of it but I really doubt it will solve the larger problem, you know. But I think solar power may be a good thing, but I don’t own the building. I can’t really tell my landlord what to do.”

PROFILE:

Yvette Cheeks



Founder and owners of Professional Health Care Education Service (PHES), Yvette Cheeks.
Photo Credits: Yvette Cheeks

Yvette Cheeks is the daughter of a Black entrepreneurial military family who calls Houston home. She recalls growing up in a family where “people worked for themselves.” In 2001, Yvette opened her business—Professional Health Care Education Service (PHES). PHES is a continuing nursing education company primarily focused on supporting nurses who have been out of the profession for more than 4 years in their quest to return to work. PHES offers mini-semesters and clinicals so that nurses can prove competency for their licensure and return to serving patients. PHES also offers traditional continuing education courses online, in person, and by mail to nurses who would like to refresh their skills. In 2006, Yvette expanded her business by beginning to offer immunization services after she noticed clinical sites started requiring nurses and health care students to comply with specific vaccine requirements in order to work.

Before starting her own business, Yvette worked in corporate health care. In this space, she felt “she could never break the ceiling.” She was not being promoted or advanced to work in the spaces she wanted to. She recalls, “Everybody liked me and patted me on the back, but I couldn’t get up the corporate structure.” Yvette recounted how, in the 1980s, she wanted to teach Cardiopulmonary Resuscitation (CPR) and Advanced Cardiovascular Life Support (ACLS) in Texas. At that time, you needed to be invited to teach. She never got invited, even after scoring 100 on the exam. She stated, “Even during that time, we still just had so much racism, so many blocks.”

In that corporate space, Yvette learned that, “When people get to know me, they like me, but they don’t like us in general, and it can’t be too many of us. It’s like we’re not their kind of people; they don’t want to have to worry about what they say at lunch and those kinds of things. They just feel more comfortable with their own people, and it’s not always as deep as we think it is, but it limits our opportunity, so I just could not move up.” Anti-Black racism and social exclusion drove Yvette to start her own business to provide herself with economic opportunity and a social window to create programming with her community in mind.

Yvette wears several hats in her business. She “cleans the bathrooms, does accounting, orders supplies, and [does] customer service when it’s slow.” Two years before the pandemic, PHES had reached equilibrium, a point where she did not need to be in person every day and could travel without worry. She was even thinking about semi-retirement. However, COVID threw that stability “out of the water” and they are “back where [they] started again.”

PHES sought out government loans to get through the pandemic. Yvette received PHES’s first PPP loan which, although forgiven, she had to pay taxes on. This first loan was for a small amount because PHES had a lot of employees who were 1099s, contract workers, or not considered full time because of seasonal surge employment, which limited the number of employees she could report. Yvette thinks that 100 is the magic number of employees for being able to receive a decent loan, and that her small loan

was unfair given that her business had been around for almost 20 years at the time of application. Additionally, Yvette received an EIDL loan. However, it is not forgivable. She worries about the fact this debt is owed even if she dies before repaying it. She states, “We’re almost through the last of our EIDL loan, and I’ve got to try and figure out how to survive, to fight another day, and how to rewire, reimagine the business model.”

“When people get to know me, they like me, but they don’t like us in general, and it can’t be too many of us. It’s like we’re not their kind of people; they don’t want to have to worry about what they say at lunch and those kinds of things. They just feel more comfortable with their own people, and it’s not always as deep as we think it is, but it limits our opportunity, so I just could not move up.”

Yvette continued to pay her staff during the pandemic because she wanted to keep their families “safe and cared for.” She wanted them to “know that their loyalty over the years meant something.” She “charged her cards up” and paid staff out of personal credit cards, hoping the government would repay her—however, not much came.

Yvette is interested in learning more ways to practice environmental sustainability within PHES’s capacity. Currently, the business recycles, invests in indoor plants to purify their air, uses automatic sensor lights, and conserves air conditioning when not in the office. The business has experienced an energy burden, and has tried to navigate that by insulating the walls.

Additionally, Yvette inquired about placing a generator on the roof to reduce the energy burden, but the landlord said that if Yvette does that, the generator would belong to the building, regardless of whether Yvette funds it or not. Even though these efforts are all at a financial cost to PHES, they take part in hopes that their electric costs will decrease and that they will be more environmentally friendly.

Being situated on the Gulf Coast, Yvette thinks about weather disasters, especially as they relate to business technology. As part of the clinic’s emergency plan, if a storm is headed toward them, the staff must back up the computers and move them to a safer part of the building.

Yvette constantly asks herself, “How can I be of service in my community?” Although she has experienced struggles throughout her career and business development, she is grateful for having had success for so many years and the opportunity to aid her community. Yvette feels that her mission has been accomplished and she has lived a life of service.

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.²⁸ Findings from our interviews reflect the challenges ethnic-owned businesses face to acquiring capital. Two of the five interviewees shared their experiences with struggling to obtain funds needed for starting their businesses, both sharing how they were self-funded. 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. Ethnic-owned businesses reported that COVID-19 had a “large negative effect” on their business and twice as many Black-owned businesses surveyed reported a need for financial support in the near future. Interviewee Ben Tsai described how his business has not fully recovered financially from the loss of potential sales during the pandemic. 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 online 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. Interviewees shared their difficulties with adapting to new technologies, citing cost, as well as a lack of staff capacity. On the other hand, survey findings revealed that Black-owned

businesses in Texas are especially tech-savvy, representing the highest use of e-commerce platforms of sales as well as the lowest share of businesses who reported experiencing cybersecurity attacks. Qualitative findings also shed light on how small business owners weigh the benefits of engaging in online transactions against the concerns for privacy for both their business and their clients. 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.²⁹

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. Survey findings reveal Black- and Latino-owned businesses were more likely to observe climate change currently impacting their business. One interviewee, Lisa Marie, specifically cited Hurricane Harvey, which ravaged Texas in 2017, as an example of a natural disaster she has had to learn from. Additionally, survey results demonstrate a greater share of Black- and Latino-owned businesses anticipate climate change to impact their business's finances and their workers' safety in the future. They were also more than twice as likely to rank climate change as medium to high priority compared to white-owned businesses. Our findings reflect the reality that Texas is one of the states most impacted by natural disasters in the U.S.,³⁰ with small business owners left with little choice but to brace for impact as climate change continues to challenge their ability to endure.

Given the likely impacts of climate change on many businesses, sustainability planning is essential to adjusting to new and emerging environmental realities. Despite survey findings indicating that only one third of businesses have a very good understanding of how environmental sustainability practices impact their business, Black- and Latino-owned businesses were more than twice as likely to report an intention to develop a

sustainability plan in the future. This demonstrates 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 that could better allow them to engage in environmental sustainability practices that would equip them to better 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.³¹ 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.



Fort Worth Stockyards, a national historic district with restaurants and shops in Fort Worth, Texas.
Photo Credits: Thomas Faull, Stock Images

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 Metropolitan Statistical Areas

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 presented them as their more commonly known MSAs. CBSAs refer collectively to MSAs. Table 2 reports the CBSA and their assigned respective metropolitan area.

Table 2. Metropolitan Areas

Core-based Statistical Area	Metropolitan Statistical Areas
Houston - The Woodlands - Sugar Land	Houston MSA
Dallas - Fort Worth - Arlington	Dallas MSA
San Antonio - New Braunfels	San Antonio MSA
El Paso	El Paso MSA
Austin - Round Rock - Georgetown	Austin MSA
Residual (all of the other establishments not located in above)	Rest of Texas



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 Texas 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” (22% vs. 15%), and underrepresents businesses in lower earning sectors such as “accommodation and food services” (3% vs. 9%) and “retail trade” (6% vs 10%). Our sample also overrepresents businesses in “construction” (18% vs. 11%) and “transportation and warehousing” (8% vs. 4%), and further undersampled businesses in “health care and social assistance” (6% vs. 13%).

Table 3. Distribution of Industry Sectors for Texas and Survey Sample

Industry	Texas		Study Sample		Median Earnings	Industrial Cluster
Agriculture forestry fishing and hunting	-	-	2	0%	\$28,800	Middle
Mining quarry and oil and gas extractions	5,818	1%	3	0%	\$75,000	High
Utilities	980	0%	3	0%	\$62,000	High
Construction	47,622	11%	113	18%	\$38,000	Middle
Manufacturing	17,830	4%	44	7%	\$50,000	Middle
Wholesale trade	24,594	6%	41	7%	\$49,000	Middle
Retail trade	45,067	10%	38	6%	\$25,000	Low
Transportation and warehousing	16,969	4%	50	8%	\$40,000	Middle
Information	5,528	1%	7	1%	\$54,000	High
Finance and insurance	20,142	5%	13	2%	\$59,000	High
Real estate and rental and leasing	23,796	5%	17	3%	\$45,000	Middle
Professional scientific and technical services	66,374	15%	139	22%	\$70,000	High
Management of companies and enterprises	2,386	1%	2	0%	\$79,000	High
Administrative and support and waste management and remediation services	25,153	6%	51	8%	\$25,000	Low
Educational services	7,406	2%	5	1%	\$45,000	Middle
Health care and social assistance	54,686	13%	36	6%	\$36,000	Middle
Arts entertainment and recreation	7,608	2%	6	1%	\$18,000	Low
Accommodation and food services	40,996	9%	17	3%	\$13,500	Low
Other services (except public administration)	26,907	6%	35	6%	\$25,000	Low
Total for all sectors	436,419		622			

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 January 2023.

Note: Information about the number of Texas businesses in the "agriculture forestry, fishing, and hunting" industry was omitted because of missing data in the 2021 ABS.

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: Texas,” August 31, 2022, [available online](#).
- 2** SBA Office of Advocacy “2022 Small Business Profile: Texas.” 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](#).
- 5** Karen L. Middleton and Kent Byus, “Information and Communications Technology Adoption and Use in Small and Medium Businesses: The Influence of Hispanic Ethnicity,” *Management Research Review* 34, no. 1 (January 1, 2011): 98–110, [available online](#).
- 6** Robert Fairlie and Frank M. Fossen, “Did the Paycheck Protection Program and Economic Injury Disaster Loan Program Get Disbursed to Minority Communities in the Early Stages of COVID-19?” *Small Business Economics* 58, no. 2 (February 1, 2022): 829–42, [available online](#).
- 7** Shinae L. Choi, Erin R. Harrell, and Kimberly Watkins, “The Impact of the COVID-19 Pandemic on Business Ownership Across Racial/Ethnic Groups and Gender.” *Journal of Economics, Race, and Policy* 5, no. 4 (December 1, 2022): 307–17, [available online](#).
- 8** Timothy Bates and Alicia Robb, “Greater Access to Capital Is Needed to Unleash the Local Economic Development Potential of Minority-Owned Businesses,” *Economic Development Quarterly* 27, no. 3 (August 1, 2013): 250–59, [available online](#).
- 9** Bates and Robb, “Has the Community Reinvestment Act Increased Loan Availability among Small Businesses Operating in Minority Neighbourhoods?”
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- 11** Timothy Bates and Alicia Robb, “Impacts of Owner Race and Geographic Context on Access to Small-Business Financing,” *Economic Development Quarterly* 30, no. 2 (May 1, 2016): 159–70, [available online](#).
- 12** *Ibid.*
- 13** Bates and Robb, “Greater Access to Capital Is Needed to Unleash the Local Economic Development Potential of Minority-Owned Businesses.”
- 14** Nicholas Bloom, Robert S. Fletcher, and Ethan Yeh, “The Impact of COVID-19 on US Firms,” Working Paper, National Bureau of Economic Research, January 2021, [available online](#).
- 15** In his article, Fairlie defines an active business as one that is currently operating; an inactive business is defined as temporarily or permanently closed. Robert Fairlie, “The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months after Widespread Social-Distancing Restrictions,” *Journal of Economics & Management Strategy* 29, no. 4 (2020): 727–40, [available online](#).
- 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?”
- 18** Emmanouil Tranos, Tasos Kitsos, and Raquel Ortega-Argilés, “Digital Economy in the UK: Regional Productivity Effects of Early Adoption,” *Regional Studies* 55, no. 12 (December 2, 2021): 1924–38, [available online](#).
- 19** Karen Mossberger, Nicholas F. Martini, Meredith McCullough, and Caroline J. Tolbert, “Digital Economic Activity and Resilience for Metros and Small Businesses during Covid-19,” *Small Business Economics* 60, no. 4 (April 1, 2023): 1699–1717, [available online](#).
- 20** Timothy Bates, William D. Bradford, and Robert Seamans, “Minority Entrepreneurship in Twenty-First Century America,” *Small Business Economics* 50, no. 3 (March 1, 2018): 415–27, [available online](#).
- 21** Andrea Revell, David Stokes, and Hsin Chen, “Small Businesses and the Environment: Turning over a New Leaf?” *Business Strategy and the Environment* 19, no. 5 (2010): 273–88, [available online](#).
- 22** Hishgee Jargalsaikhan, Leduc Sylvain, and Luiz E. Oliveira, “Business Survey on Climate-Related Risk,” San Francisco Federal Reserve, March 21, 2022, [available online](#).

- 23** Benjamin Collier and Marc Ragin, “As Climate Risk Grows, So Will Costs for Small Businesses,” *Harvard Business Review*, August 16, 2022, [available online](#).
- 24** Addisu Lasthitew, “Small Business Green Recovery Fund to Power US Climate Transition,” *Brookings Research* (blog), March 1, 2021, [available online](#).
- 25** SBA Office of Advocacy, “Frequently Asked Questions,” March 2023, [available online](#).
- 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. Although the ABS is not specific to small businesses, 99% of Texas businesses represented in the 2021 data set have 500 or fewer employees.
- 28** Bates and Robb. “Has the Community Reinvestment Act Increased Loan Availability among Small Businesses Operating in Minority Neighbourhoods?”; Bates and Robb, “Greater Access to Capital Is Needed to Unleash the Local Economic Development Potential of Minority-Owned Businesses.”; Bates and Robb. “Impacts of Owner Race and Geographic Context on Access to Small-Business Financing.”
- 29** Denise E. Williams, Monica C. Gavino, and David W. Jackson. “Latino Entrepreneurs and Technology Usage: Ethnic Identity, Resistance, Self-Efficacy.” *Journal of Business Diversity* 17, no. 1 (2017): 93-109, [available online](#).
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