

SMALL BUSINESS RESEARCH SUMMARY

Analysis of Hispanic-Owned Companies

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Purpose

Hispanic-owned businesses are the largest category of minority-owned firms in the United States. Yet relatively little is known about the socio-economic environment in which these businesses operate. To learn more about Hispanic-owned businesses, particularly those that are fast-growing, in comparison with the entire business sector, the Office of Advocacy contracted with Cognetics Marketing Services, Inc., to look at the income and demographic characteristics of the neighborhoods surrounding three categories of businesses: all firms, all Hispanic-owned firms, and fast-growing Hispanic-owned firms, also known as "Hispanic gazelles."

Cognetics compared the household income and Hispanic composition of neighborhoods surrounding each of these types of businesses to determine whether Hispanic businesses operate in an environment that is measurably different from other firms in terms of income and demographics. Additionally, the study examined the data to see whether Hispanic gazelles more closely resembled other Hispanic businesses or the entire business sector.

Scope and Methodology

Cognetics linked data from the Census Bureau and Dun and Bradstreet Corporation (D&B) to derive the needed information on the businesses and the neigh-

borhoods in which they operate. The Census Bureau divides the country into smaller areas called census tracts for reporting income and demographic data. Using 1990 Census of Population data, Cognetics classified neighborhoods into three income classes (under \$25,000, \$25,000-\$49,999, and \$50,000 or more) and three demographic groups (less than 10 percent Hispanic, 10-49 percent, and 50 percent or more).

To obtain business information, Cognetics used data on firms from the D&B data base of companies for December 1994 and December 1998. This file comprises information on both corporate and noncorporate businesses, drawn from a variety of public and private sources. Although D&B verifies some of the information, the number of employees and the demographics of the firm's owners may not be consistently defined by the sources supplying the data or checked by D&B. Cognetics defined the neighborhood of each establishment by using three boundaries: 1) the census tract within which the business resides; 2) an area defined by a one-mile radius from the firm; and 3) an area defined by a three-mile radius from the firm.

According to Cognetics, D&B defined a firm as Hispanic if it is at least 51 percent owned by Hispanics and if its management and daily business operations are control led by Hispanics. Cognetics defines Hispanic gazelles as firms that were Hispanic-owned in 1998 and had an employment

