



U.S. Small Business Administration
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Small Business Research Summary

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DIFFERENCES BETWEEN VETERAN AND NON-VETERAN-OWNED BUSINESSES

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I. Purpose of Study

The purpose of this study is to determine which are the financial and industrial characteristics that may distinguish veteran-owned businesses (VOBs) from non-veteran-owned businesses, and Vietnam-veteran-owned businesses (VVOBs) from other veteran-owned businesses. The results of this study provide insight into some of the effects of public policy on veterans and help guide programs designed to assist veterans.

Although studies of the distribution of Vietnam veteran employment have been made, little is known about the distribution of VOBs. More precisely targeted resources of Federal veteran assistance programs could result from knowledge of the characteristics of VOBs.

II. Highlights

- o Vietnam veterans and other veterans become entrepreneurs at different times, with different training--both in and out of the services--and with different resources at their disposal.
- o While Vietnam veterans make up 7.8 percent of the work force, 7.5 percent of the businesses examined were owned by Vietnam veterans. If the sample is representative, then a Vietnam veteran is as likely to own a business as anyone else in the work force.
- o Although VOBs are on the average smaller, no clear and reliable financial differences were detected between veteran-owned and non-veteran-owned businesses. Businesses owned by Vietnam veterans, however, appear to be smaller, younger and more in need of capital than other businesses--including other VOBs.
- o VVOBs, VOBs, and businesses in general differed significantly in their distribution across industries in 1982.

The business categories in which VOBs and VVOBs are overrepresented and underrepresented (i.e., have high or low marginal concentrations, respectively). The concentration of VOBs in an industry is defined as the ratios between the fraction of VOBs in that industry and the fraction of all businesses that are VOB's. The following table lists in descending order the degree of such overrepresentation or underrepresentation.

VOBs Overrepresented

Wholesaling
Manufacturing

VVOBs Overrepresented

Manufacturing
Agriculture, Forestry and Fishing
Wholesaling
Services

VOBs Underrepresented

Finance, Insurance and Real Estate, Retailing
Transportation, Communications and Other Utilities
Agriculture, Forestry, and Fishing

VVOBs Underrepresented

Finance, Insurance and Real Estate
Mining
Transportation, Communications and Other Utilities
Retailing

III. Scope and Methodology

Financial statements for random samples of firms were required. These included non-VOBs, VVOBs and other VOBs. The SBA Ownership Characteristics Survey (OCS), was matched against Duns Financial Profiles (DFP) files to obtain financial statements.

Examination of the portion of firms found on the Duns Market Identifier (DMI) files revealed the sample was too small. Another sample was then drawn from the DMI files; the Dun and Bradstreet Information Reports were searched to determine which of these businesses fell into each of the three ownership categories.

The sampling and searching procedure was repeated until the following number of firms in each of the three categories were obtained. The collection of these firms is referred to as File A:

Non-veterans	10,355 businesses
Other veterans	3,430 businesses
Vietnam veterans	1,112 businesses

Dun and Bradstreet (D&B) then matched the DFP files against the businesses in File A, and the following numbers of firms with financial statements in each of the categories resulted. This collection is referred to as File B:

Non-veterans	5,106 businesses
Other veterans	1,550 businesses
Vietnam veterans	461 businesses

File B was examined and it was determined if any characteristics could be defined in terms of the available financial and business information that would distinguish the non-VOBs, VVOBs, and other VOBs from each other.

Although this sample is more than adequate for conventional statistical analyses where a hypothesis is being tested, a different situation applies here. What is being examined are several firm characteristics in each category to determine which characteristics will distinguish at least two of the three categories.

It is difficult to form hypotheses about how the financial characteristics of VOBs and non-VOBs might differ significantly. Such differences might be determined by pre-induction characteristics, in-service training or inception dates of VOBs and might remain evident after many years, and are likely to be extremely subtle.

Using a conventional discriminant analysis requires a hypothesis about which financial variables and what algebraic function of these variables would capture the essential differences between the veteran owned, Vietnam veteran owned and non-veteran owned businesses. The study found no reasonable basis for such a hypothesis.

IV. Summary

This study attempted to determine which financial and industrial characteristics, if any, distinguish veteran owned businesses from non-VOBs and VVOBs.

The analysis of data samples from Dun & Bradstreet's Market Identifiers and Financial Profiles did not reveal significant financial differences between veteran-owned and non-veteran owned businesses. Small financial differences between businesses owned by Vietnam veterans and other businesses appear to be related to the former group's smaller size and more recent origin.

Marked differences, however, were found between the distribution of each of the three groups of businesses across industries. Most of these differences cannot be attributed to the imbalances of growth of new businesses in each industry at the inception times of the veteran-owned and Vietnam-veteran-owned businesses.

The complete report is available from
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