

# **Entrepreneurship and Business Ownership In the Veteran Population**

by

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*The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States Government.*

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## Executive Summary

In recent years, increasing attention has been called to the entrepreneurial needs of America's veterans, particularly those veterans who have sustained a disability as a result of their active-duty service in the armed forces. Growing concerns about the inadequacy of services to veterans and service-disabled veterans who either own or wish to start a small business climaxed with the enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50).<sup>1</sup> This legislation included many recommendations of the Task Force for Veterans Entrepreneurship, an umbrella group including representatives of veterans organizations, in addition to individual veterans, which was originally created to advise the U.S. Small Business Administration (SBA) on how it and other federal agencies could better serve the veterans community. The Task Force continues to make recommendations to federal agencies on how to best assist veterans, but it has also taken on a pro-active role in advocacy for veterans entrepreneurship before the Congress and in the private sector.

Section 702 of P.L. 106-50 created the mandate for this study. It requires SBA's Office of Advocacy to develop information on the utilization of programs to assist small businesses owned and controlled by veterans and service-disabled veterans and to make appropriate recommendations to the Administrator of the Small Business Administration and to the Congress in order to promote the establishment and growth of these firms.<sup>2</sup>

The research team assembled for this study agreed that the following questions must be answered to meet the broad mandate of Section 702:

1. What is the current state of public and private programs used by veterans and/or service-disabled veterans who wish to start a small business or who currently own or operate a small business?
2. What is the level of entrepreneurship interest and activity in the veteran population?
3. What are the characteristics of businesses that veterans own or wish to start?
4. What is the potential for business ownership success in the veteran population?
5. What obstacles do veterans encounter in starting or managing a small business concern?
6. What has been the level of use of public or private small business programs by the veteran population? What types of experiences have veterans had with these programs?

New data on the level of entrepreneurship activity in the veteran and service-disabled veteran populations, on the potential for business ownership success in the veteran community, and on the propensity of veterans to use government programs will guide policymakers on the rational level of resources to commit to veteran entrepreneurship programs and activities. New data on the

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<sup>1</sup> Public Law 106-50; August 17, 1999.

<sup>2</sup> Section 702 of Public Law 106-50 amended the Office of Advocacy's charter, Public Law 94-305.

characteristics of businesses that veterans start, the obstacles and problems that they face and their prior experience with and use of public and private entrepreneurship programs will guide decision makers on the types of programs that should be supported. Finally, it is important to examine the differences in these parameters between veterans with and without service-connected disabilities. Answers to these questions, in conjunction with a clear picture of the current status of public and private small business programs for veterans, can serve as a framework for the improvement of programs and services.

The research team designed a survey to answer questions (2) through (6) above. The survey was administered by telephone to a sample of veterans in the U.S. residential population and to a sample of veteran-owned businesses drawn from a subset of the Dun and Bradstreet national database of businesses. Veterans in the residential population were screened for current business start-up activity or interest. (Those with such activity or interest will be referred to as “new veteran entrepreneurs.”) Both populations were screened for service-connected disability status.

To answer question (1) above, informal conversations took place between Waldman Associates and program staff and policymakers in the SBA as well as other federal agencies, on Capitol Hill, in state governments and in a number of private organizations. These conversations generated a picture of programs for new veteran entrepreneurs and current veteran small business owners.

### **ES.1 Residential Survey Highlights.**

1. The residential survey conducted during the summer of 2003 revealed that a significant 22 percent of veterans in the U.S. household population were either purchasing or starting a new business or *considering* purchasing or starting a new business.<sup>3</sup>
2. Although 62 percent of new veteran entrepreneurs planned to initially locate their business entirely in their residence, more than 67 percent of these prospective home-based business owners planned to expand beyond their residence in the “foreseeable future.”<sup>4</sup>
3. Veteran business start-ups appeared to be a positive factor for job creation. Almost 72 percent of new veteran entrepreneurs planned to employ at least one individual at the outset of their new business venture.<sup>5</sup>
4. Only 11 percent of new veteran-owned businesses were likely to be entirely dependant on the web. But almost 32 percent indicated that their business was likely to be 50 percent or more Internet-dependant.<sup>6</sup>
5. Resources and government programs were concerns of new veteran entrepreneurs. The difficulty of obtaining financing and the existence of useful public and private small business programs were high on the list of problems of new veteran entrepreneurs.<sup>7</sup>

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<sup>3</sup> See Table 14.

<sup>4</sup> See Table 16.

<sup>5</sup> See Table 17.

<sup>6</sup> See Table 18.

<sup>7</sup> See Tables 19 and 20.



6. Although active duty service in the U.S. military appeared to provide a significant proportion of new veteran entrepreneurs with skills needed for business ownership, the skill gains from previous business ownership or job market experience were even more pervasive throughout the population.<sup>8</sup>
7. Although use of public and private small business programs has been weak in the community of new veteran entrepreneurs, there was clearly no bias against program use *per se*; and the survey data provided evidence that properly constructed and well-advertised programs would be reasonably well-utilized.<sup>9</sup>

## **ES.2 Business Owners Survey Highlights.**

1. Almost 39 percent of current veteran business owners had their business operation entirely in their residence, lower than the 53 percent level among all small businesses.<sup>10</sup> A significantly greater proportion of service-disabled business owners had their business operation entirely in their residence than did veteran owners who were not service-disabled (52 percent vs. 38 percent).<sup>11</sup> The level of home-based business ownership by service-disabled veterans was nearly the same as that for all small businesses in general.
2. Home business location was dynamic in the veteran business owners community. Nearly 36 percent of those veteran business owners who had home-based businesses intended to have some or all of their business outside of their residence in the “foreseeable future.”<sup>12</sup>
3. As with new veteran entrepreneurs, Internet-dependant businesses did not dominate the population of current firms, but Internet use was not unimportant either. Almost 23 percent of owners indicated that their business was 50 percent or more dependent on the Internet.<sup>13</sup>
4. Knowledge of helpful government and private programs for small business owners in general, and for veteran small business owners in particular, were among the top problems for veteran business owners, both with and without service-connected disabilities.<sup>14</sup>
5. The human capital calculus for current veteran business owners was similar to that of the new veteran entrepreneur population. Business ownership skills gained in the military benefited a sizable proportion of the owners population.<sup>15</sup> But ownership skills gained from the labor market and previous business ownership were even more prevalent.<sup>16</sup>

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<sup>8</sup> See Tables 23 through 27.

<sup>9</sup> See Tables 28 through 33.

<sup>10</sup> See research sponsored by the Office of Advocacy entitled “Home-Based Business and Government Regulation” (February, 2004). Research summary at <http://www.sba.gov/advo/research/rs235.pdf>; full report at <http://www.sba.gov/advo/research/rs235tot.pdf>; appendices at <http://www.sba.gov/advo/research/rs235app.pdf>.

<sup>11</sup> See Table 36.

<sup>12</sup> See Table 37.

<sup>13</sup> See Table 41.

<sup>14</sup> See Tables 48 and 49.

<sup>15</sup> See Tables 42 through 44.

<sup>16</sup> See Tables 45 through 47.

6. A higher proportion of service-disabled veterans than of veterans without such disabilities (52 percent vs. 37 percent) benefited from technological training during active duty service which was ultimately of use in their business enterprises.<sup>17</sup>
7. Nearly the same proportion of current veteran business owners indicated that they used a small business program specifically designed for veterans (5.8 percent) as did new veteran entrepreneurs in the residential population (5.3 percent).<sup>18</sup> A greater proportion of service-disabled veteran business owners used veteran-specific small business programs (16.7 percent) than did veterans without service-connected disabilities (5.1 percent).<sup>19</sup>
8. The proportion of current veteran business owners indicating that they had used a general (non veteran-specific) small business program was higher (21.6 percent) than that of new veteran entrepreneurs in the residential survey who had used such programs (14.1 percent).<sup>20</sup>
9. As with the population of new veteran entrepreneurs, the potential for reasonably strong use by current veteran business owners of well-designed and well-advertised, veteran-specific programs was clearly indicated by the survey results. More than 96.3 percent of new veteran entrepreneurs who were unaware of such programs indicated that they would use them with more knowledge.<sup>21</sup> Similarly, more than 95 percent of current veteran business owners said that they would use such programs.<sup>22</sup>

### **ES.3 Integrated Results and Basic Program Conclusions.**

1. The data from both surveys suggested that the focus spurred by P.L. 106-50 in small business programs for veterans and service-disabled veterans was justified and continues to be worth the investment.
2. Programmatic attention to the challenges of home business ownership and Internet use in business enterprises would be useful to the veteran community.
3. Service-disabled veterans tended to have fewer business ownership skills than veterans without service-connected disabilities. The proportion of service-disabled veteran business owners and new veteran entrepreneurs who had previous business ownership experience was significantly smaller than that for other veterans.

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<sup>17</sup> See Table 44.

<sup>18</sup> See Tables 28 and 50.

<sup>19</sup> See Table 50.

<sup>20</sup> See Tables 31 and 54.

<sup>21</sup> See Table 30.

<sup>22</sup> See Table 53.

# 1. Introduction: Defining The Issue

In recent years, increasing attention has been called to the entrepreneurial needs of America's veterans, particularly those veterans who have sustained a disability as a result of their active duty service in the armed forces. Growing concerns about the inadequacy of services for veterans and service-disabled veterans who either owned or wished to start small businesses climaxed with the passage of the Veterans Entrepreneurship and Small Business Development Act of 1999, P.L. 106-50.<sup>23</sup> This legislation included many recommendations of the Task Force for Veterans Entrepreneurship, an umbrella group of representatives of veterans organizations, in addition to individual veterans, whose focus is advocacy on behalf of veterans entrepreneurship before the Congress, federal agencies and private sector organizations.

## 1.1 Public Law 106-50.

P.L. 106-50 was wide-ranging in scope. It included provisions both to clarify veterans' eligibility under existing small business programs, and to establish new types of assistance. For example, in the area of financial assistance, the eligibility of veterans and service-disabled veterans for participation in SBA's general business (or "7(a)") loan program was specified in statute,<sup>24</sup> as was their eligibility under the agency's Microloan program, which through intermediary lenders provides entrepreneurs with smaller working capital loans.<sup>25</sup> Veterans' eligibility was also clarified for SBA's so-called Delta Loan Program, which helps small contractors to transition from defense to civilian markets when they are adversely impacted by Department of Defense installation closings or program reductions.<sup>26</sup>

For businesses whose owners or principal employees are military reservists called to active duty, P.L. 106-50 provided new loan repayment deferral authorities for existing SBA business and disaster loans.<sup>27</sup> The same legislation also created a new, low-interest, economic injury disaster loan (EIDL) program to help qualified small firms suffering severe economic injury due to the activation of owners or key employees.<sup>28</sup>

P.L. 106-50 also provided for technical assistance to veterans and service-disabled veterans through SBA's management, training and counseling programs. SBA was directed to provide such help through its entrepreneurial development partners, including the Service Corps of Retired Executives (SCORE) program and its more than 10,500 volunteer counselors;<sup>29</sup> through the Small Business Development Center (SBDC) network, with more than 1,100 locations throughout the Nation; and through cooperation with the Department of Veterans Affairs and its own national network of veterans service providers.<sup>30</sup>

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<sup>23</sup> Public Law 106-50; August 17, 1999.

<sup>24</sup> *Ibid.*, Section 401.

<sup>25</sup> *Ibid.*, Section 403.

<sup>26</sup> *Ibid.*, Section 404.

<sup>27</sup> *Ibid.*, Section 402(a).

<sup>28</sup> *Ibid.*, Section 402(b).

<sup>29</sup> *Ibid.*, Section 301.

<sup>30</sup> *Ibid.*, Section 302.

In the realm of federal contracting, P.L. 106-50 established for the first time a statutory goal that not less than 3 percent of all federal prime and subcontract dollars should go to small business concerns owned and controlled by service-disabled veterans.<sup>31</sup> The legislation also established a reporting mechanism to track agencies' progress towards meeting this goal.<sup>32</sup> Subsequent to the original enactment of this 3 percent goal, the Veterans Benefits Act of 2003 provided federal contracting officers with new sole source and restricted competition authorities, contracting preferences which it is hoped will help agencies meet their goals for contracts to small firms owned and controlled by service-disabled veterans.<sup>33</sup> P.L. 106-50 further added such firms to those enumerated in prior law as being entitled to maximum practicable consideration in the award of subcontracts by federal prime contractors.<sup>34</sup>

P.L. 106-50 also created entirely new programs and institutions. For example, it established a federally chartered entity known as the National Veterans Business Development Corporation, often referred to as simply the Veterans Corporation.<sup>35</sup> This non-profit, 501(c)(3) corporation was envisioned as a coordinator of public and private resources. Its mission statement is to "create a more prosperous Veterans Community and a stronger national economy by fostering entrepreneurship and business opportunities for Veterans, including Service Disabled Veterans" through access to training and mentoring, access to capital and services, and access to markets.<sup>36</sup> The Veterans Corporation has established a variety of programs, services and benefits for its members, and has grown steadily since its inception.

Another new entity created by P.L. 106-50 was the Advisory Committee on Veterans Business Affairs, established to "serve as an independent source of advice and policy recommendations" to the President, the Congress, and the SBA Administrator.<sup>37</sup> The Committee has 15 members appointed by the Administrator, of whom eight must be veterans who are small business owners and seven must be representatives of veterans organizations. Members serve without compensation. The Committee meets at least three times annually, and it has the power to hold hearings and obtain information relevant to its mission from federal agencies. The Committee must transmit an annual report to the Congress and the President describing its activities and any recommendations developed for the promotion of veterans entrepreneurship.

Public Law 106-50 also established within the SBA an upgraded Office of Veterans Business Development, headed by an Associate Administrator for Veterans Business Development who is responsible for "the formulation, execution, and promotion of policies and programs of the Administration that provide assistance to small business concerns owned and controlled by veterans...and...service-disabled veterans."<sup>38</sup> SBA's Office of Veterans Business Development

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<sup>31</sup> Ibid., Section 502.

<sup>32</sup> Ibid., Section 601.

<sup>33</sup> Public Law 108-183, Section 308, December 16, 2003.

<sup>34</sup> Op. cit., Section 501.

<sup>35</sup> Ibid., Section 202.

<sup>36</sup> The National Veterans Business Development Corporation, *Corporate Report for Fiscal Year 2003*, p. 2. For this report and additional information on the Veterans Corporation, see <http://www.veteranscorp.org/>.

<sup>37</sup> Op. cit., Section 203.

<sup>38</sup> Ibid., Section 201.

maintains a website which explains its mission and activities; this website also offers links to a variety of resources for veterans, both within and outside of SBA.<sup>39</sup>

Finally, P.L. 106-50 included a variety of provisions relating to reports and the collection of data. One of these provisions, Section 702, was the mandate for this study.<sup>40</sup> It required SBA's Office of Advocacy to provide statistical information on the utilization of programs by small business concerns owned by veterans and service-disabled veterans and to make appropriate recommendations to the Administrator of the Small Business Administration and to the Congress in order to promote the establishment and growth of those concerns.

## 1.2 This Study's Purpose and Design.

A number of questions must be answered to meet the broad mandate of Section 702. First, it is important to assess the current state of public and private programs intended to assist veterans and/or service-disabled veterans who wish to start a small business or who currently own a small business. Secondly, the level of entrepreneurship interest and activity in the veteran population must be gauged.

Beyond these two basic questions, others must be addressed. What are the characteristics of new firms started by veterans? Are they home-based? To what extent do they use technology? Further, what is the potential for business ownership success in the veteran population? What obstacles do veterans encounter in starting or managing a small business concern or in self-employment? And finally, veterans' use of existing public and private small business programs must be gauged. Do veterans use small business programs intended to meet the needs of veterans and service-disabled veterans? Do they use small business programs in general? For that matter, do veterans use government programs at all?

There are little recent data on veteran entrepreneurship activity. The most important source available as this study was being prepared was the U.S. Census Bureau's *Characteristics of Business Owners* (CBO), part of the 1992 Economic Census.<sup>41</sup> This authoritative, though dated, research includes data on businesses owned by veterans, by Vietnam-era veterans, and by disabled veterans. Service-disabled veterans are not included in CBO data as a separate group. The CBO data are presented in four tables which disaggregate the universe of all firms by industry division,<sup>42</sup> by firm size based on receipts,<sup>43</sup> by firm size based on number of employees,<sup>44</sup> and by the legal form of organization of the firm.<sup>45</sup> Data in each of these tables is also is disaggregated into various socio-economic cohorts.<sup>46</sup> Unfortunately, the 1997 Economic Census did not include information on veteran business ownership.

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<sup>39</sup> For additional information, the website can be accessed at <http://www.sba.gov/vets/>.

<sup>40</sup> Ibid., Section 702. See also the note in this report's Executive Summary.

<sup>41</sup> U.S. Census Bureau, *1992 Economic Census: Characteristics of Business Owners (CBO)*. See <http://www.census.gov/prod/3/97pubs/cbo-9201.pdf>.

<sup>42</sup> Ibid., pp. 62-63, Table 7a, Veteran Status of Business Owner by Industry Division: 1992.

<sup>43</sup> Ibid., pp. 64-65, Table 7b, Veteran Status of Business Owner by Receipts Size of Firm: 1992.

<sup>44</sup> Ibid., pp. 66-67, Table 7c, Veteran Status of Business Owner by Employment Size of Firm: 1992.

<sup>45</sup> Ibid., p. 68, Table 7d, Veteran Status of Business Owner by Legal Form of Organization of Firm: 1992.

<sup>46</sup> These include the cohorts of Hispanic-owned businesses, Black-owned businesses, Other minority-owned businesses, Women-owned businesses, and Non-minority male-owned businesses.

More timely data on veterans come from the Department of Veterans Affairs, which in 2001 conducted its fifth national survey of veterans.<sup>47</sup> Although this survey generated demographic, socioeconomic and other data, it produced minimal data on the entrepreneurial activities, problems or potential of the veteran or service-disabled veteran population.

This study attempts to fill this data void and to provide insights into the questions noted above on veteran and service-disabled veteran entrepreneurship activities. At the center of the study is a survey instrument that was administered nationwide to a residential population of veterans who began their active duty service after the Korean War period,<sup>48</sup> and to a population of veteran business owners from all conflicts and peacetime periods.<sup>49</sup> The research team considered that those who served their active duty during and before the Korean War conflict were in an age bracket that rendered them less likely to be starting new firms or self-employment activities. However, it was recognized that veterans in that age bracket were likely to be *current* small business owners.

Originally, the research team intended to administer the survey to a third population consisting entirely of service-disabled veterans. However, administrative difficulties prevented the research team from obtaining from the Department of Veterans Affairs a current listing of service-disabled veterans. Fortunately, the number of completed responses from service-disabled veterans in the household and business populations was sufficient to provide statistically reasonable estimates of service-disabled parameters, as well as credible comparisons between the service-disabled and non service-disabled populations.<sup>50</sup>

In addition to collecting the survey data, the research team conducted informal conversations with policymakers and program staff in the SBA and other agencies of government that administer programs for veterans and/or small business owners, as well as with Congressional staff and program and policy staff in a number of state governments. These consultations were held in order to provide context on the current status of programs focused on veteran entrepreneurship. Survey data and current program analysis should together provide the guidance that is contemplated by P.L. 106-50.

Chapter 2 presents a demographic overview of the veteran population. Chapter 3 summarizes the current status of public and private small business development programs for veterans. Chapter 4 outlines the development of the survey instrument used in this study. Chapter 5 describes the experimental design and survey method. Chapter 6 discusses the final disposition of the survey data and discusses data quality issues. Chapter 7 presents the results of the residential survey. Chapter 8 does the same for the business owners survey. Chapter 9 presents policy implications of the study.

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<sup>47</sup> See <http://www.va.gov/vetdata/SurveyResults/index.htm> for additional information.

<sup>48</sup> Specifically, after January 31, 1955.

<sup>49</sup> Because this research is federally-sponsored, the surveys constituted an “information collection” subject to provisions of the Paperwork Reduction Act, as amended, (44 U.S.C. 3501 et seq.) and its implementing regulations (5 C.F.R. 1320). Accordingly, after a thorough review of this project’s purposes, methodology and response burden, approval to conduct these surveys was obtained from OMB’s Office of Information and Regulatory Affairs under OMB Approval Number 3245-0340 (Expiration date: April 30, 2006).

<sup>50</sup> As will be shown in the chapter on the survey instrument, a service-disabled veteran is defined as a veteran with a service-connected disability rating from the Department of Veterans Affairs.

## 2. An Overview of the Veteran Population

As of September 30, 2002, the Department of Veterans Affairs (DVA) estimates that there were 25.6 million veterans in the United States, approximately 12.3 percent of the total population who were age 20 and older.<sup>51</sup> Of the total U.S. veteran population, it is estimated that in 2002 1.7 million, or 6.5 percent, were female.<sup>52</sup> The overall number of veterans has been falling in recent years, and the DVA projects that this trend will continue through 2030, as depicted in Table 1 which shows estimates of the future veteran population made by the Department's Office of the Actuary.<sup>53</sup>

**Table 1: Veteran Population Estimates and Projections.**

<b>Year (as of 9/30)</b>	<b>Veterans (Millions)</b>
2002	25.618
2003	25.179
2004	24.737
2005	24.290
2010	22.030
2015	19.867
2020	17.975
2025	16.388
2030	15.035

Department of Veteran Affairs data show that, as of September 30, 2002, Vietnam-era veterans comprised the largest single period-of-service group at 7.6 million.<sup>54</sup> Peacetime veterans comprise the second largest group at 6.5 million.<sup>55</sup> In addition, there are approximately 4.3 million "single conflict" World War II veterans,<sup>56</sup> 3.2 million "single conflict" Gulf War Veterans,<sup>57</sup> and about 3.0 million "single

<sup>51</sup> The veteran population is an estimate of the Department of Veteran Affairs. For additional information, including state-by-state data, see <http://www.va.gov/vetdata/demographics/index.htm>. The 12.3 percent share is derived by dividing the population of veterans age 20 and older (99.95 percent of all veterans) by the general population of comparable age. For additional information on the latter estimate, see the U.S. Census Bureau's *Statistical Abstract of the United States: 2003*; Section 1, page 13, Table No. 11, Resident Population By Age and Sex: 1980 to 2002, at <http://www.census.gov/prod/2004pubs/03statab/pop.pdf>.

<sup>52</sup> Department of Veterans Affairs estimate, op. cit.

<sup>53</sup> Ibid.

<sup>54</sup> Department of Veterans Affairs estimate; see <http://www.va.gov/vetdata/ProgramStatics/index.htm> and link to "U.S. Veteran Population, 2002." If we add to this total those veterans who served both during the Vietnam era and in other conflicts as well, the total number of veterans with some service in the Vietnam era is 8.3 million. This includes 338,000 who served in both the Vietnam era and in the Gulf War; 257,000 who served in the Vietnam era and in the Korean conflict; and 140,000 who served in the Vietnam era, in the Korean conflict, and in World War II.

<sup>55</sup> Ibid. The DVA data divide "peacetime" into three periods. Of the 6.5 million peacetime veterans, 3.5 served between the Vietnam era and the Gulf War, 2.8 million served between the Korean conflict and the Vietnam era, and approximately 200,000 peacetime veterans served prior to the Korean conflict.

<sup>56</sup> Ibid. Adding to this total those veterans who served both during World War II and in other conflicts as well, the total number of veterans with some service in World War II is 4.8 million. This includes 329,000 who served in both World War II and the Korean conflict; and 140,000 who served in the Vietnam era, in the Korean conflict, and in World War II.

<sup>57</sup> Ibid. Adding to this total those veterans who served both during the Gulf War and in other conflicts as well, the total number of veterans with some service in the Gulf War is 3.6 million. This includes 338,000 who served in both the Gulf War and during the Vietnam era.



conflict” Korean veterans.<sup>58</sup> These “single conflict” populations do not add to the total number of veterans because they do not include those veterans who served in multiple conflicts.

During the Department of Veteran Affairs’ most recent National Survey of Veterans (NSV), conducted between February and November of 2001, 13.8 percent of veterans identified themselves as having a service-connected disability rating.<sup>59</sup> A slightly greater proportion of male veterans identified themselves as having a service-connected disability rating than did females, 13.8 percent vs. 13.5 percent, respectively.<sup>60</sup> As expected, the DVA’s estimate of the number of veterans actually receiving compensation for service-connected disabilities at all rating levels (i.e., 0 to 100 percent) was somewhat lower than the number of veterans who in the NSV reported themselves as having such disabilities. DVA estimated that 9.0 percent of all veterans were receiving compensation for service-connected disabilities as of September 30, 2001 (during the NSV time frame), including 8.9 percent of male veterans and 10.1 percent of female veterans.<sup>61</sup>

**Table 2: NSV Distribution of Veteran Population by Service-Connected Disability Status.**

	<b>All Veterans</b>	<b>Male Veterans</b>	<b>Female Veterans</b>
Service-Disabled	13.8 %	13.8 %	13.5 %
Non Service-Disabled	85.1 %	85.1 %	85.6 %
Unknown	1.1 %	1.1 %	0.9 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Table 3 presents the age distribution of the veteran population and that for the U.S. population of age 20 and over in 2002.<sup>62</sup> and shows that veterans were older than the general population. While 50.6 percent of the general population (age 20 and over) belonged to the 20 to 44 age group, only 21.5 percent of the veteran population belonged to this age cohort. On the other hand, 38.2 percent of veterans were age 65 and older, while only 17.2 percent of the general population belonged to this age cohort.<sup>63</sup>

<sup>58</sup> Ibid. Adding to this total those veterans who served both in the Korean conflict and in other conflicts as well, the total number of veterans with some service in the Korean conflict is 3.7 million. This includes 329,000 who served in both the Korean conflict and in World War II; 257,000 who served in both the Korean conflict and during the Vietnam era; and 140,000 who served in the Korean conflict, in World War II, and during the Vietnam era.

<sup>59</sup> Department of Veterans Affairs, 2001 National Survey of Veterans, Final Report, p. 4-12. This report can be accessed at <http://www.va.gov/vetdata/SurveyResults/index.htm>.

<sup>60</sup> Ibid.

<sup>61</sup> See Table 7L at <http://www.va.gov/vetdata/demographics/VP2001adjsn.htm> for detail on service-disabled veterans receiving compensation (Code “SC only”). To derive the percentages of service-connected veterans reported above, the numbers of these veterans were divided by the numbers of all veterans in the equivalent cohorts displayed in Table 1L at the same site.

<sup>62</sup> This adjustment in the data for the general population was made because veterans aged less than 20 comprise an extremely small fraction of the total veteran population (11,811 out of 25,618,274, as of September 30, 2002, according to DVA data cited in Table 1L at the site noted in the preceding footnote), but this age cohort represents 28.1 percent of the general population (81.022 million out of 288.369 million, as of July 1, 2002, according to U.S. Census Bureau estimates published in the *Statistical Abstract of the United States: 2003*, Section 1, page 13, Table No. 11, Resident Population By Age and Sex: 1980 to 2002. This source can be accessed at <http://www.census.gov/prod/2004pubs/03statab/pop.pdf>.

<sup>63</sup> Op. cit., Table 1L for veterans data from DVA. Census data derived from op.cit, Section 1, pp. 16-17, Table No. 14, Resident Population by Race, Hispanic Origin, and Single Years of Age: 2002.



**Table 3: Distribution of Total U.S. Resident and Veteran Populations by Age Cohort.**

<b>Age Cohort</b>	<b>U.S. Population (20 and older)</b>	<b>Veteran Population (20 and older)</b>
20-24	9.7 %	1.2 %
25-29	9.1 %	2.8 %
30-34	10.1 %	4.6 %
35-39	10.6 %	5.7 %
40-44	11.1 %	7.2 %
45-49	10.3 %	7.9 %
50-54	9.1 %	10.3 %
55-59	7.2 %	13.0 %
60-64	5.6 %	9.2 %
65-69	4.6 %	9.3 %
70-74	4.2 %	10.2 %
75-79	3.6 %	9.6 %
80-84	2.6 %	6.5 %
85-89	1.4 %	2.1 %
90-94	0.6 %	0.4 %
95-99	0.2 %	0.1 %
100+	0.0 %	0.0 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

Table 4 shows the educational attainment of the veteran population in 2001. In the universe of all veterans, 88.7 percent had high school or higher degrees, with 23.0 percent having bachelor's degrees or higher. Among male veterans, 88.1 percent had high school or higher degrees, and 22.7 percent had bachelor's degrees or higher. Female veterans showed somewhat higher levels of educational attainment with 98.1 percent having high school or higher degrees, and 28.2 percent having bachelor's degrees or higher.<sup>64</sup>

**Table 4: NSV Educational Attainment in the Veteran Population.**

<b>Educational Level</b>	<b>All Veterans</b>	<b>Male Veterans</b>	<b>Female Veterans</b>
Less than High School Graduate	11.1 %	11.7 %	1.7 %
High School Graduate or GED	29.9 %	30.5 %	20.5 %
Post High School Education and/or Training	35.8 %	34.9 %	49.4 %
Bachelors Degree or Higher	23.0 %	22.7 %	28.2 %
Unknown	0.2 %	0.2 %	0.2 %
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

During calendar year 2002, the veteran population tended to fare better in the labor market than non-veterans. According to the Bureau of Labor Statistics, veterans had a 4.7 percent unemployment rate,

<sup>64</sup> Department of Veterans Affairs, 2001 National Survey of Veterans, Final Report, p. 3-6. This report can be accessed at <http://www.va.gov/vetdata/SurveyResults/index.htm>. High school degrees include GEDs.

while non-veterans (age 20 and over) had an unemployment rate of 5.2 percent.<sup>65</sup> As Table 5 shows, this was not entirely uniform throughout the population, however. Male veterans in the 45-54 age range had a higher unemployment rate than male non-veterans (4.6 percent vs. 4.1 percent). By contrast, female veterans in the 45-54 age cohort had a slightly lower unemployment rate than female non-veterans (3.4 percent vs. 3.8 percent).

**Table 5: Unemployment in Selected Groups of Veterans and Non-veterans.**

Cohort	Males & Females	Males	Females
Age 20 and over - veterans	4.7 %	4.7 %	5.0 %
Age 20 and over - non-veterans	5.2 %	5.4 %	5.1 %
Age 20 – 44 - veterans	5.7 %	5.7 %	5.9 %
Age 20 – 44 - non-veterans	6.0 %	6.0 %	5.9 %
Age 45 – 54 - veterans	4.5 %	4.6 %	3.4 %
Age 45 – 54 - non-veterans	4.0 %	4.1 %	3.8 %
Age 55 – 64 - veterans		4.2 %	
Age 55 – 64 - non-veterans		4.4 %	

Table 6 lists the ten states with the largest veteran populations in 2002.<sup>66</sup> Together, they accounted for more than half of all U.S. veterans. California ranked first with 2.4 million veterans, more than nine percent of the total U.S. veteran population. Complete information for all states and by period of service can be found at the source cited.

**Table 6: Top Ten States by Number of Veterans.**

State	Veteran Population (thousands)	Share of Total U.S. Veteran Population
California	2,392	9.3 %
Florida	1,846	7.2 %
Texas	1,701	6.6 %
New York	1,254	4.9 %
Pennsylvania	1,210	4.7 %
Ohio	1,086	4.2 %
Illinois	945	3.7 %
Michigan	865	3.4 %
North Carolina	779	3.0 %
Virginia	764	3.0 %
<b>Total</b>	<b>12,842</b>	<b>50.1 %</b> <sup>67</sup>

<sup>65</sup> Estimates from Current Population Survey (CPS) data collected by the Bureau of Labor Statistics for the U.S. Census Bureau; see <http://www.va.gov/vetdata/ProgramStatics/index.htm> and its link #5, “Labor Force Status and Unemployment of Selected Groups of Veterans and Non-veterans, Calendar Year 2002.”

<sup>66</sup> Department of Veterans Affairs; see <http://www.va.gov/vetdata/ProgramStatics/index.htm> and its link #3, “U.S. Veteran Population by State and Period of Service as of September 30, 2002.”

<sup>67</sup> The total share exceeds the sum of the state shares by 0.1 % due to rounding.

### 3. Small Business Programs for Veterans

For the purposes of this study, Waldman Associates conducted informal conversations with program staff and policymakers in the Small Business Administration, and in other federal agencies, on Capitol Hill, in state governments, and in a number of private organizations, in order to identify programs for new veteran entrepreneurs and current veteran small business owners.

#### 3.1 Small Business Administration Programs

The primary federal agency providing financial and business development assistance to small firms and aspiring entrepreneurs is the U.S. Small Business Administration, an independent agency chartered in 1953.<sup>68</sup> SBA encourages participation by qualified veterans in all of its various financial and business development programs.<sup>69</sup> A variety of special outreach programs for veterans are coordinated by SBA's Office of Veterans Business Development (OVBD), established for this and other purposes pursuant to Public Law 106-50.<sup>70</sup> OVBD supports Veteran Business Outreach Centers and it further leverages its resources and extends its outreach efforts throughout the Nation by the use of designated Veteran Business Development Officers in each of SBA's 70 district offices.

##### *Financial Assistance*

Table 7 below depicts the levels of financial assistance which SBA provided to veteran-owned firms in Fiscal Years 2000 through 2003. SBA's largest general purpose business loan guaranty program is often referred to as the "7(a)" program after the section of the Small Business Act under which it is authorized.<sup>71</sup> So-called "504" or "CDC" financings provide long-term capital asset financing through non-profit certified development companies (CDCs) which provide small businesses with leveraged, long-term, fixed-interest second-mortgage financing using funds raised through the sale of SBA-guaranteed CDC debentures.<sup>72</sup> Microloans are smaller direct loans made by non-profit, non-bank, community-based lenders called "intermediaries" which obtain funds from SBA for their lending activities, but make their own credit decisions.<sup>73</sup> Military reservist economic injury disaster loans (MREIDLs) are low-interest loans made directly by SBA to help qualified small firms suffering severe economic injury and working capital deficiencies due to the "call-up" into active duty status of owners or key employees who belong to the national guard or military reserves.<sup>74</sup> These specialized disaster loans are relatively new, first appearing in Fiscal Year 2002.<sup>75</sup>

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<sup>68</sup> SBA's basic legislative charter, the Small Business Act of 1953 and the Small Business Investment Act of 1958, is codified at 15 U.S.C. 631 et seq.

<sup>69</sup> For information on SBA programs and offices, see <http://www.sba.gov/>.

<sup>70</sup> For additional information on SBA's Office of Veterans Business Development and its programs and services, see <http://www.sba.gov/vets/>. SBA also maintains a general veterans portal with links to other sites at <http://www.sba.gov/businessop/special/veterans.html>.

<sup>71</sup> For additional information on the 7(a) loan program, see <http://www.sba.gov/financing/sbaloan/7a.html>.

<sup>72</sup> For additional information on the 504 program, see <http://www.sba.gov/financing/sbaloan/cdc504.html>.

<sup>73</sup> For additional information on microloans, see <http://www.sba.gov/financing/sbaloan/microloans.html>.

<sup>74</sup> For information on MREIDLs, see [http://www.sba.gov/disaster\\_recov/loaninfo/militaryreservist.html](http://www.sba.gov/disaster_recov/loaninfo/militaryreservist.html).

<sup>75</sup> MREIDLs were first authorized by Section 402(b) of Public Law 106-50 (August 17, 1999).

With the exception of MREIDLs, the various types of financial assistance which SBA provides to veteran-owned businesses are the same generic programs which are available to all qualified small businesses. The agency does, however, make special marketing and outreach efforts to encourage veterans to use these programs.

**Table 7: SBA Financial Assistance to Veterans, FY 2000 – FY 2003.** <sup>76</sup>

Year	7(a) Loans	504 Financings	Microloans	MREIDLs
FY 2000: number	4,810	407	190	
dollars	\$1,157,384,000	\$162,448,000	\$2,185,493	
FY 2001: number	4,693	412	201	
dollars	\$1,032,568,000	\$174,947,000	\$3,007,561	
FY 2002: number	5,446	438	193	47
dollars	\$1,265,820,000	\$209,069,000	\$2,631,733	\$3,544,000
FY 2003: number	6,733	511	180	77
dollars	\$1,108,677,000	\$241,802,000	\$2,156,041	\$6,589,000

During the four year period depicted in Table 7, SBA provided 21,682 7(a) loans to veteran-owned businesses for a total of \$4,564,449,000. The average size 7(a) loan to veterans over this period was approximately \$211,000, about the same as the \$213,000 average for all 7(a) loans in this time frame. SBA also provided 1,768 section 504 financings to veteran-owned firms during these four years for a total of \$788,266,000. The average size of a 504 financing to veteran-owned firms was \$456,000, 1.4 percent larger than the \$440,000 average for all 504 financings in the same period. An additional 764 microloans to veterans were approved for \$9,981,000 in this time frame, for an average loan of approximately \$13,100, 2.3 percent larger than the \$12,800 average for all microloans during these four years.<sup>77</sup> SBA also approved 124 MREIDLs in Fiscal Years 2002 and 2003 for a total of \$10,133,000, with an average loan size of approximately \$81,700.

The overall level of SBA financial assistance to veterans was relatively stable in terms of dollars during the four-year FY 2000 through FY 2003 period. For all four types of financings in Table 7 combined, the FY 2003 dollar total of \$1,359,224,000 was 2.8 percent higher than the \$1,322,017,000 provided in FY 2000. However, the number of SBA business financings to veterans through these four programs increased 38.7 percent from a total of 5,407 in FY 2000 to 7,501 in FY 2003. This substantial increase in the number of financings to veterans reflected an overall trend in SBA lending towards leveraging available resources to provide financial assistance to more clients. The dollar value of all SBA financings of the four types in Table 7 increased 17.0 percent from a total of \$12,367,409,000 in FY 2000 to \$14,466,106,000 in FY 2003; but in the same period the number of these financings increased by 51.8 percent from 50,546 in FY 2000 to 76,716 in FY 2003.<sup>78</sup>

<sup>76</sup> All data was supplied by SBA's Office of Financial Assistance.

<sup>77</sup> According to SBA's Office of Financial Assistance, the agency approved a total of 205,677 7(a) loans for \$43,893,119,000 during FY 2000 through FY 2003. SBA also approved 22,121 section 504 financings for \$9,714,349,000 and 9,758 microloans for \$124,916,867 during this period.

<sup>78</sup> According to SBA's Office of Financial Assistance, in FY 2000 the agency approved 43,748 7(a) loans for \$10,523,437,000, 4,565 section 504 financings for \$1,819,630,000, and 2,233 microloans for \$24,342,000. In FY 2003, the agency approved 67,306 7(a) loans for \$11,267,689,000, 6,863 section 504 financings for \$3,161,024,000, 2,470 micoloans for \$30,804,000, and 77 MREIDLs for \$6,589,000.

### *Business Development Counseling*

In addition to financial assistance, SBA also provides a variety of business development and counseling services to veteran-owned small businesses. The two primary vehicles for in-depth counseling (including assistance in developing business plans, conducting marketing studies, and solving specific problems) are the agency's Small Business Development Center (SBDC) and Service Corps of Retired Executives (SCORE) programs. The SBDC program is a cooperative effort between SBA and its partners in the private sector and educational institutions. Business development assistance is provided by professional counselors through a network of more than 1,100 community-based service centers located throughout the country.<sup>79</sup> Through the SCORE program, more than 10,500 volunteer counselors, most of whom are retired businessmen and women, provide training and counseling to both aspiring entrepreneurs and owners of existing small businesses. Organized in 389 chapters throughout the Nation, these volunteers not only provide technical assistance, but also share with their clients the resource of their experience.<sup>80</sup> SBDC and SCORE program use by veterans in recent years is shown in Table 8 below.

**Table 8: SBDC and SCORE Counseling Sessions with Veterans, FY 2000 – FY 2003.**<sup>81</sup>

<b>Program</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
SBDC counseling sessions	42,409	44,553	59,428	62,548
SCORE counseling sessions	15,653	26,653	25,059	28,376
<b>Total counseling sessions</b>	<b>58,062</b>	<b>71,206</b>	<b>84,487</b>	<b>90,924</b>

SBA data show that there were a total of 208,938 SBDC counseling sessions with veterans during the four-year FY 2000 through FY 2003 period. During the same period, there were 95,741 SCORE counseling sessions with veterans. Both programs have seen a steady growth in the number of veterans receiving business counseling. SBDC sessions with veterans in FY 2003 were up more than 47 percent from the FY 2000 level, while SCORE sessions with veterans in FY 2003 were up more than 81 percent from their FY 2000 level.

In addition to the personal, in-depth counseling which the SBDC and SCORE programs provide, SBA also sponsors in whole or part several types of community-based information centers which provide a wide variety of resources to small businesses and aspiring entrepreneurs. These centers typically provide reference materials; computer and internet access; and current information on local, state and federal programs, on regulatory compliance, on procurement opportunities, and on other matters of interest to their clients. Many work together with local SCORE volunteers and SBDCs to provide specialized counseling and training, and they may also provide guidance and referrals for firms needing legal, accounting and other professional services.

Although most of these information or outreach centers provide similar resources, the three main types differ with respect to their emphases and their sources of funding. These include Veterans Business Outreach Centers supported by SBA's Office of Veterans Business Development,<sup>82</sup>

<sup>79</sup> For additional information on SBDCs, see <http://www.sba.gov/sbdc/sbdcnear.html>.

<sup>80</sup> For additional information on the SCORE programs, see <http://www.score.org/>.

<sup>81</sup> All data was supplied by SBA's Office of Veterans Business Development.

<sup>82</sup> For additional information, see <http://www.sba.gov/vets/vbop.html>.

Women’s Business Centers supported by SBA’s Office of Women’s Business Ownership,<sup>83</sup> and Business Information Centers (BICs) supported by local SBA District Offices and SCORE chapters.<sup>84</sup>

Table 9 depicts the number of requests from veterans for information or services from SBA-sponsored resource or outreach centers during Fiscal Years 2000 through 2003. The data show a 12 percent increase in total requests from veterans at all centers from FY 2000 to FY 2003. Requests at the Veterans Business Outreach Centers increased 61 percent during this same period. From FY 2000 through FY 2003, requests from veterans increased 103 percent at Women’s Business Centers, but decreased 27 percent at Business Information Centers.

**Table 9: Requests from Veterans at SBA Resource Centers, FY 2000 – FY 2003.**<sup>85</sup>

Requests by veterans at:	FY 2000	FY 2001	FY 2002	FY 2003
Veterans Business Outreach Centers	7,373	15,938	15,344	11,863
Women’s Business Centers	896	1,364	1,320	1,816
Business Information Centers (BICs)	16,362	6,088	11,899	13,818
<b>Total requests</b>	<b>24,631</b>	<b>23,390</b>	<b>28,563</b>	<b>27,497</b>

### *Procurement*

Another important SBA program area in which veteran participation has been increasing is federal procurement. Upon application, SBA can certify that a small business meets certain requirements necessary for participation in procurement and business development programs designed to provide special assistance for three defined groups, including small disadvantaged businesses (SDBs),<sup>86</sup> firms owned and controlled by socially and economically disadvantaged individuals participating in the so-called “8(a)” capital ownership development program,<sup>87</sup> and small firms located in HUBZones (“historically underutilized business” empowerment zones).<sup>88</sup> SBA does not provide official agency certification as to the ownership of firms by women or by veterans, two other groups for which there are special statutory procurement provisions and goals.

Table 10 depicts the numbers of veteran-owned firms which were certified for participation in the 8(a) program from FY 2000 to FY 2002, and for participation in the SDB and HUBZone programs in FY 2001 and FY 2002. The number of veteran-owned firms certified as 8(a) companies grew 173 percent from FY 2000 to FY 2002. The number of veteran-owned firms certified as SDBs was relatively stable from FY 2001 to FY 2002, growing 3 percent, but the number of veteran-owned firms certified as HUBZone companies grew 198 percent in the same period. The total number of certified veteran-owned firms in all three programs increased 32 percent from FY 2001 to FY 2002.

<sup>83</sup> For additional information, see <http://www.onlinewbc.gov/>.

<sup>84</sup> For additional information, see <http://www.sba.gov/BI/bics/bicfactsheet.html>.

<sup>85</sup> All data was supplied by SBA’s Office of Veterans Business Development.

<sup>86</sup> For additional information, see <http://www.sba.gov/sdb/>.

<sup>87</sup> For additional information, see <http://www.sba.gov/8abd/>.

<sup>88</sup> For additional information, see <https://eweb1.sba.gov/hubzone/internet/>.

**Table 10: Veterans-owned Firms Certified to Participate in SBA Procurement Programs  
FY 2000 – FY 2002.**<sup>89</sup>

<b>Program</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
Veteran-owned 8(a) firms	567	1,431	1,549
Veteran-owned SDB firms	N/A	1,920	1,982
Veteran-owned HUBZone firms	N/A	544	1,623
<b>Total veteran-owned firms certified</b>	<b>N/A</b>	<b>3,895</b>	<b>5,154</b>

As noted in the introduction above, P.L. 106-50 established for the first time a statutory goal that not less than 3 percent of all federal prime and subcontract dollars should go to small business concerns owned and controlled by service-disabled veterans.<sup>90</sup> The legislation also established a reporting mechanism to track agencies' progress towards meeting this goal.<sup>91</sup> Subsequent to the original enactment of this 3 percent goal, the Veterans Benefits Act of 2003 provided federal contracting officers with new sole source and restricted competition authorities, contracting preferences which were crafted to help agencies meet their goals for contracts to small firms owned and controlled by service-disabled veterans.<sup>92</sup> P.L. 106-50 also added such firms to those enumerated in prior law as being entitled to maximum practicable consideration in the award of subcontracts by federal prime contractors.<sup>93</sup>

The question of just what level of federal contract dollars are actually going to businesses owned by veterans and by service-disabled veterans has been the subject of some debate, and it appears that there have been problems in capturing this data correctly in the official tallies reported by the General Services Administration's Federal Procurement Data Center. Because the Office of Advocacy commissioned a different research study to examine that complex issue, this study will not address this question.<sup>94</sup>

### **3.2 Department of Veterans Affairs Center for Veterans Enterprise**

The Department of Veterans Affairs established its Center for Veterans Enterprise (CVE) in 2001. The CVE's specialty is procurement, although its website offers links to many other useful sources of information and assistance to veteran entrepreneurs, including SBA programs, other government resources, and private sector partners.<sup>95</sup>

The CVE maintains an electronic business registry to help federal procurement personnel and other contractors locate firms owned by veterans and by service-disabled veterans. All veteran entrepreneurs, including reservists and members of the National Guard who have been called to active duty of any duration, are encouraged to register their firms and capabilities in this database which is

<sup>89</sup> All data was supplied by SBA's Office of Veterans Business Development. FY 2000 data for SDBs and HUBZone firms and all FY 2003 data was unavailable as this study was being finalized.

<sup>90</sup> Op. cit., Section 502.

<sup>91</sup> Ibid., Section 601.

<sup>92</sup> Public Law 108-183, Section 308.

<sup>93</sup> Op. cit., Section 501.

<sup>94</sup> See *Characteristics of Federal Government Procurement Spending With Veteran-Owned Businesses: FY 2000 – FY 2003 (3Q)*; Eagle Eye Publishers, Inc.; June, 2004. See <http://www.sba.gov/advo/research/rs239.pdf> for the Research Summary on this report and <http://www.sba.gov/advo/research/rs239tot.pdf> for the full report..

<sup>95</sup> For more information on the CVE and links to its partners, see <http://www.vetbiz.gov/>.



called the VETBiz Vendor Information Pages (VIP). The system started in 2003, is user-friendly, and fully searchable. In September, 2004, it included nearly 5,300 veteran-owned firms, including more than 2,300 owned by service-disabled veterans.<sup>96</sup> Both the Small Business Administration and the Office of Federal Procurement Policy have encouraged federal contracting officers throughout government to use the VETBiz VIP database to locate potential veteran-owned vendors.<sup>97</sup>

### **3.3 Non-Profit Organizations Providing Entrepreneurial Assistance to Veterans**

There are a number of non-profit organizations that serve the interests of the veterans community. For the purposes of this study, we mention three sources of assistance.

#### *The Service Corps of Retired Executives (SCORE)*

We have already noted above one national non-profit which provides counseling services to veterans. The Service Corps of Retired Executives (SCORE) and its more than 10,500 volunteer counselors provide small businesses and aspiring entrepreneurs with free, confidential face-to-face and email business counseling. SCORE had almost 96,000 counseling sessions with veterans from FY 2000 through FY 2003. Also, there has been a steady upward trend in veteran counseling in recent years, with the FY 2003 activity level up 81 percent from that in FY 2000.<sup>98</sup> SCORE volunteers have gone to military bases to identify and speak with potential entrepreneurs before they actually become veterans.<sup>99</sup>

#### *The National Veterans Business Development Corporation*

A non-profit dedicated exclusively to serving veterans is the federally-chartered National Veterans Business Development Corporation, often referred to as the Veterans Corporation. This 501(c)(3) corporation was created by Public Law 106-50,<sup>100</sup> and was envisioned as a coordinator of public and private resources. Its mission statement is to “create a more prosperous Veterans Community and a stronger national economy by fostering entrepreneurship and business opportunities for Veterans, including Service Disabled Veterans” through access to training and mentoring, access to capital and services, and access to markets.<sup>101</sup> The Veterans Corporation has established a variety of programs, services and benefits for its members. It maintains an electronic registry of businesses owned by veterans and service-disabled veterans called the Business Directory. This Internet-based service is an interactive listing of veteran-owned businesses. Self-certifying veteran-owned firms can register without a fee, and each listing includes a variety of data elements which allow specialized searches for businesses which meet search criteria set by system users, which include government contracting officers, prime

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<sup>96</sup> For more information on the VETBiz Vendor Information Pages, see <http://www.vetbiz.gov/vip/vip.htm>.

<sup>97</sup> SBA Administrator Hector Barreto and OFPP Acting Administrator Robert Burton issued a joint memorandum with this guidance on April 9, 2004. See <http://www.vetbiz.gov/library/sbasdvob.pdf>.

<sup>98</sup> Data was supplied by SBA’s Office of Veterans Business Development. See Table 8 above.

<sup>99</sup> For additional information on the SCORE programs, see <http://www.score.org/>.

<sup>100</sup> Public Law 106-50, Section 202.

<sup>101</sup> The National Veterans Business Development Corporation, *Corporate Report for Fiscal Year 2003*, p. 2. For this report and additional information on the Veterans Corporation, see <http://www.veteranscorp.org/>.



contractors looking for veteran-owned subcontractors, veterans looking for fellow veterans with whom to work, and others.<sup>102</sup>

*The Association for Service Disabled Veterans (ASDV)*

The Association for Service Disabled Veterans (ASDV) is a non-profit organization established to promote economic and entrepreneurship opportunities for service-disabled and prisoner of war veterans in the United States. ASDV programs and services include legislative and legal advocacy, business development, healthcare, and information access.<sup>103</sup> Upon application, ASDV can provide certification that qualified firms meet the eligibility and certification requirements necessary to be an official "Disabled Veteran Business Enterprise (DVBE)" for the purposes of the State of California's DVBE contracting set-aside program. (For the purposes of federal procurement, veteran-owned firms self-certify their status.) ASDV also maintains a searchable database of firms certified to participate in the California procurement preference program, in addition to providing a link to the national searchable CCR/PRONet database, through which firms owned by veterans and by service-disabled veterans can be identified.<sup>104</sup>

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<sup>102</sup> For additional information, see <http://www.veteranscorp.org/business/bizSearch.aspx>.

<sup>103</sup> For additional information on ASDV, see <http://www.asdv.org/>.

<sup>104</sup> For additional information on the CCR/PRO-Net database sponsored by the Department of Defense and the Small Business Administration, see <http://www.ccr.gov/>.

## 4. The Survey Instrument

This project relies on a survey which was administered to two separate populations: one comprised of veterans in the U.S. residential population, and the other comprised of veteran-owned businesses drawn from a subset of the Dun and Bradstreet national database of businesses. The survey instrument used to gather data from veteran-owned businesses can be found in this report's Appendix. The questionnaire used to survey the residential population of veterans differed only slightly. Chapter 5 will discuss survey and sample selection methodology in greater detail.

The respondent was first asked a series of questions to assess his/her veteran status. These included questions on: periods of active duty service; branch of the military served in; and service-connected disability rating, if any. A number of these questions were modeled after similar questions in the Department of Veteran Affairs' National Survey of Veterans.<sup>105</sup> The respondent was then asked basic demographic questions regarding gender, marital status, children, age, location and education. Published small business studies have shown that, within a given population, these parameters influence both the number of entrepreneurs from that population and the potential for successful business ownership. For example, there is evidence that men under the age of 35 who have married are much more likely to become self-employed than men who have never married. Further, it has been found that males under the age of 35 with some college experience have a greater prospect for success than those with 12 or fewer years of schooling.<sup>106</sup> The respondent was then queried about computer ownership and Internet access. This was important for many reasons, especially because of the accelerating development of government programs and public information on the web.

Veterans in the residential population were then asked whether they were considering starting or purchasing a new business (or were in the process of doing so). The survey differentiated between starting and purchasing a new firm, as the small business literature shows that the purchase of a firm is a negative success indicator.<sup>107</sup> Those who answered "no" to this question were asked no further questions. Veterans in the business owners' survey were asked if they were currently self-employed or currently owned or operated a small business concern.

Those who were either considering or in the process of starting or purchasing a new business were asked questions about the new business itself.<sup>108</sup> Would it be home-based? Would it be computer-oriented? Would it employ people initially? In the business owners' survey, respondents were asked similar questions about their current business and were also asked when they purchased or started their new business. In both surveys, respondents were asked if they had partners in their business. There is some evidence that teams tend to have a greater chance of success than firms started by single founders, at least in manufacturing and high-tech start-ups.<sup>109</sup>

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<sup>105</sup> For more information, see <http://www.va.gov/vetdata/SurveyResults/index.htm>.

<sup>106</sup> Schiller, Bradley R. and Crewson, Phillip E., "Entrepreneurial Origins: A Longitudinal Inquiry," *Economic Inquiry*, July 1997, pp. 523-531.

<sup>107</sup> Duchesneau, Donald A. and Gartner, William B. (1990), "A Profile of New Venture Success and Failure in An Emerging Industry," *Journal of Business Venturing*, Vol. 5, pp. 297-312.

<sup>108</sup> If the veteran respondent owned more than one business, they were queried about each business that the respondent currently owned.

<sup>109</sup> Cooper, Arnold C., Woo, Carolyn Y. and Dunkelberg, William C. (1988), "Entrepreneurs Perceived Chances for Success," *Journal of Business Venturing*, Vol.3, pp 97-108.

In both surveys, respondents were then asked to identify the problems that they had encountered in starting or operating their businesses (a somewhat different list was used for the two populations). This question was modeled after a similar question that produces data for *Small Business Problems and Priorities*, a periodic publication of the National Federation of Independent Business (NFIB) Education Foundation.<sup>110</sup>

Next, both populations were asked a series of questions that, in conjunction with the demographic parameters outlined above, gauged their members' potential for business ownership success. These questions were developed using characteristics of successful entrepreneurs which have been previously identified in the small business literature. For example, respondents were asked about prior business ownership experience, as well as skills that are needed for business success such as managing employees, anticipating business trends, etc. Relevant experience has been shown to be an important predictor of business ownership success.<sup>111</sup> "Relevant" entailed specific knowledge of various functional aspects of the business.

Respondents were also asked about business ownership skills that they may have gained from military service. For example, respondents were asked if they supervised others while on active duty and if they were required to teach or reinforce new skills of those they supervised. Further, respondents were asked if they had technology training or other types of courses while on active duty that were of direct relevance to the management of their new or current business enterprise.

Finally, both populations were asked about their use and experience with government programs in general, as well as programs for entrepreneurs generally and for veteran entrepreneurs in particular. They were first asked whether they had used or planned to use such programs. If they answered "yes," they were then asked to identify the specific programs that they had used. If they answered "no," they were asked to identify the reasons. Questions were asked to gauge the proclivity of the respondent to use government programs at all - even those that ideally meet their needs. For example, respondents were asked if they had used veterans' benefits to fund all or part of their education or career training. Those who had used general small business programs, or programs specifically for veterans, were asked to rate their satisfaction with these programs.

The data generated by the survey will aid policymakers in three areas. First, new data on the level of entrepreneurship activity in the veteran and service-disabled veteran population, the potential for business ownership success in the veteran community, and the propensity of veterans to use government resources will guide policymakers on the rational *level* of resources to commit to the veteran program area. Secondly, new data on the characteristics of businesses that veterans start, the obstacles and problems that they have faced, and their prior experience with government entrepreneurship programs will guide policymakers on the *types* of programs in which to invest. Finally, policymakers should be able to understand the differences in many of the parameters referenced above between the general veteran community and the service-disabled veteran community. We address these questions directly in Chapter 9.

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<sup>110</sup> This publication is authored by William C. Dennis, Senior Research Fellow of the NFIB Education Foundation. General information on this series can be accessed by using the Research Foundation link at <http://www.nfib.com/>. See [http://www.nfib.com/object/IO\\_16191.html](http://www.nfib.com/object/IO_16191.html) for the full 2004 report.

<sup>111</sup> Cooper, Woo, & Dunkelberg; Op.cit., p. 100.

## 5. Survey Method

This chapter outlines the sampling and survey method for the current study. Section 5.1 discusses the sampling design that the research team deemed ideal to produce high quality data. Section 5.2 discusses the methods that were used to maximize the response rate. Section 5.3 discusses changes that were deemed necessary to the research team's sampling and survey methods as a result of a number of difficulties that were encountered during the survey process.

### 5.1 Sample Selection

The research team initially targeted three groups in the veteran population: veterans in the residential population who began their military service after the Korean conflict period (i.e., after January 31, 1955); veteran small business owners (from all conflicts and peace-time periods, both service-disabled and non service-disabled); and service-disabled veterans who began their military service after the Korean conflict. We targeted these groups separately as a matter of efficiency and cost-effectiveness – attempting to achieve statistically significant numbers of completes for all three categories of respondents from the same initial sample was not practical within the resource limitations of this project, partially because of the relative rareness of service-disabled veterans within the general population.<sup>112</sup>

With respect to our first target group, post-Korean conflict veterans without service-connected disabilities, data provided by the U.S. Department of Veterans Affairs (DVA) show that, as of September 30, 2002, there were approximately 25.6 million veterans, about 8.9 percent of the total U.S. population and 12.4 percent of the population aged 20 and over in that year. Of these, there were approximately 17.4 million veterans who began their military service after the Korean conflict, representing about 6.0 percent of the total U.S. population and 8.4 percent of the population aged 20 and over in that year. Of these, approximately 15.7 million veterans were not receiving compensation for service-connected disabilities in 2002, representing about 5.5 percent of the total U.S. population and 7.6 percent of the population aged 20 and over in that year.<sup>113</sup> Thus, we estimated that it would have taken approximately 13 successful contacts with individuals in the general population aged 20 and over to find one which belonged to our first target group of post-Korean veterans without service-connected disabilities.

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<sup>112</sup> According to the Department of Veterans Affairs, there were approximately 2,344,000 service-disabled veterans receiving compensation in 2002, or approximately 0.8 percent of the total U.S. population of 288,369,000, about 1.1 percent of the 207,347,000 in the total population aged 20 and over, and 9.1 percent of the 25,618,000 total veterans, all of these numbers being 2002 data. (For full detail on service-disabled veterans, see Table 7L at <http://www.va.gov/vetdata/demographics/VP2001adjsn.htm> (Code “SC only”). To derive the percentage of service-connected veterans among all veterans, their number was divided by the number of all veterans in the equivalent cohort displayed in Table 1L at the same site. Total population data is from U.S. Census Bureau estimates published in the *Statistical Abstract of the United States: 2003*, Section 1, page 13, Table No. 11, Resident Population By Age and Sex: 1980 to 2002. This source can be accessed at <http://www.census.gov/prod/2004pubs/03statab/pop.pdf>. As noted in Chapter 2 of this study, DVA's 2001 National Survey of Veterans found that approximately 13.8 percent of veteran respondents identified themselves as having a service-connected disability, approximately half again as many as those actually receiving compensation. Using this measure, service-disabled veterans would comprise approximately 1.2 percent of the total population and 1.7 percent of the total population age 20 and over.

<sup>113</sup> Ibid.

With respect to our second target group, veteran small business owners (from all conflicts and peace-time periods, both service-disabled and non service-disabled), the last Census Bureau data which we have on veteran business ownership indicates that, at most, about 15.5 percent of the total veteran population were business owners in 1992.<sup>114</sup> Thus, if we attempted to collect data on veteran business owners from the same working sample of the U.S. population as we used for our first target group above, it would have been necessary to successfully contact at least 53 individuals in the general population aged 20 and over in order to find one veteran business owner.<sup>115</sup>

With respect to our third target group, service-disabled veterans who began their military service after the Korean conflict, the difficulty in locating such individuals from the same sample used for the other two target groups would have been increased by nearly one full order of magnitude from that for post-Korean veterans in general. DVA estimates that in 2002 approximately 9.6 percent of veterans who began their military career after the Korean conflict were actually receiving compensation as service-disabled veterans; while, as noted in Chapter 2, as many as 13.8 percent may be service-disabled, including those not receiving compensation.<sup>116</sup> Accordingly, to locate one post-Korean conflict, service-disabled veteran in the general population aged 20 and over would have required from 85 to 125 successful contacts.<sup>117</sup>

These facts led the research team to the conclusion that attempting to use the same basic sample to capture data on these three separate populations would be a time consuming and costly process which could be avoided by simply administering the survey to the three populations separately.

As noted above, DVA estimates that in 2002 approximately 15.7 million veterans who were not service-disabled began their active duty in the U.S. military after the Korean conflict period and

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<sup>114</sup> According to the U.S. Census Bureau, there were about 4.175 million veteran-owned firms in 1992. In the same year, there were 26.98 million veterans. (For firm data, see *1992 Economic Census: Characteristics of Business Owners (CBO)*, pp. 62-63, at <http://www.census.gov/prod/3/97pubs/cbo-9201.pdf>. For veteran population data, see <http://www.va.gov/vetdata/Trends/data.htm#VETERANPOPULATION>, “Veteran Population” link.) If each veteran business owner owned a single firm, the veteran business ownership ratio would be 15.5 percent; to the extent that individual veterans owned multiple firms, this ratio would be lower. The authors recognize that these calculations are imprecise, inasmuch as they rely on the somewhat dated 1992 Census Bureau findings, and further assume an equal share of business ownership in the post-Korean cohort as in the total veteran population analyzed in the CBO. However, for the simple purpose of assessing the feasibility of a sampling technique, this approach is more than sufficient.

<sup>115</sup> The frequency of such individuals in the general population aged 20 and over being 1.9 %, or 12.4 % (the frequency of veterans in the population aged 20 and over) times 15.5 % (the maximum frequency of business ownership among veterans).

<sup>116</sup> DVA reports that 1,661,435 post-Korea, service-disabled veterans were receiving compensation as of September 30, 2002 (see Table 7L at <http://www.va.gov/vetdata/demographics/VP2001adjsn.htm>), out of a total of 17,382,901 post-Korean conflict veterans at the same time (see Table 1L at the same site). For data on those describing themselves as having a service-connected disability, see the DVA 2001 National Survey of Veterans at <http://www.va.gov/vetdata/SurveyResults/index.htm>.

<sup>117</sup> The frequency of such individuals in the general population aged 20 and over being 0.81 % to 1.16 %, or 8.4 % (the frequency of post-Korean conflict veterans in the population aged 20 and over) times 9.6 % to 13.8 % (the frequency range for service-disabled veterans in this cohort).

resided in the 50 U.S. states, Puerto Rico or the U.S. territories.<sup>118</sup> As this project began, DVA did not maintain a complete listing of these veterans. It was necessary for the research team to screen for them from a residential working population list using a list-assisted random digital dialing (RDD) procedure. We decided to use a phone bank maintained by Genesys Market Research Group for our sampling frame.<sup>119</sup> The Genesys national database of telephone numbers has been used as sampling frame for a variety of surveys and by many respected research organizations, including the Gallup Organization, Westat, and the Research Triangle Institute. This database contained both listed and unlisted telephone numbers for residential households in the United States and its territories.

For our first targeted group, post-Korean conflict veterans without service-connected disabilities, we set out to collect data from 800 eligible veterans to ensure reasonable accuracy in making estimates from this residential population, given our limited resources. The DVA's 2001 National Survey of Veterans (NSV) found that approximately 26 percent of households contain at least one veteran.<sup>120</sup> However, screening from a list-assisted RDD telephone number sample, it took NSV administrators more than 4 numbers and nearly 3 calls to find each telephone household which could be further used in their project to screen for veterans.<sup>121</sup> For our study, we believed that the eligibility rate would be even lower after excluding veterans who served during or prior to the Korean War period. Accordingly, we determined to use a sample of 30,000 RDD numbers to screen for veterans who lived in residential households in the United States (50 states only) and who had served on active duty in the U.S. armed forces after the end of the Korean War. The sample was selected from the "National ID-Plus" database maintained by Genesys Market Research Group. This database consists of all the 100-number blocks that contain at least two listed residential telephone numbers in each block.

For our second targeted group, veteran business owners, we estimated that approximately 5.5 million U.S. small businesses are owned by one or more U.S. veterans.<sup>122</sup> Because there are no complete listings of veteran-owned businesses, we decided to screen for them from a list of U.S. small business owners. For this purpose, we used the national database of businesses maintained by Dun & Bradstreet (D&B) from which small businesses can be identified. D&B is a global information provider supplying its clients with hundreds of millions of pieces of data on 83 million publicly and privately held businesses, including 18 million in the United States.<sup>123</sup>

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<sup>118</sup> Using data from the sources cited above, we subtracted the estimated 1,661,435 service-disabled, post-Korea veterans from the estimated 17,382,901 total number of post-Korea veterans to arrive at this figure.

<sup>119</sup> For more information on Genesys, see [http://www.genesys-sampling.com/default\\_2.htm](http://www.genesys-sampling.com/default_2.htm).

<sup>120</sup> The DVA 2001 National Survey of Veterans found 18,906 telephone households with one or more veterans, or 25.8 percent of a total of 73,210 telephone households successfully contacted. See Table 8-9 ("Distribution of telephone households by number of potential veterans in household"); Chapter 8, Survey Field Results; Design and Methodology. Access at <http://www.va.gov/vetdata/SurveyResults/method.htm>.

<sup>121</sup> Ibid. From a national list-assisted RDD sample of 300,000 numbers, 205,949 numbers were dialed, from which 73,210 (or 35.5 percent) were determined to be eligible telephone households.

<sup>122</sup> This estimate is based on data from the Census Bureau's 1992 *Characteristics of Business Owners (CBO)*, part of its Economic Census of that year and the most current information we have on veterans in business, which found that 24.2 percent of all business owners were veterans (p.62). This report can be accessed at <http://www.census.gov/prod/3/97pubs/cbo-9201.pdf>. The Census Bureau further estimated that in 2001 there were approximately 22.6 million small businesses. Accordingly, 24.2 percent (the frequency of veteran business ownership) times 22.6 million firms gives us approximately 5.5 million firms.

<sup>123</sup> See [www.dnb.com](http://www.dnb.com) for more information on Dun & Bradstreet.



Given limited project resources, we set out to collect data from 400 small businesses owned by at least one eligible veteran.<sup>124</sup> Assuming that at least ten percent of small businesses had an owner who was a U.S. veteran<sup>125</sup> and that we could obtain responses from 70 percent of the eligible veteran small business owners, we drew an initial sample of 5,714 small businesses to ensure 400 completed interviews.<sup>126</sup>

For our third targeted group, we estimated that approximately 1.7 million veterans with a service-connected disability rating from the U.S. Department of Veterans Affairs began their active duty service in the U.S. military after the Korean War period.<sup>127</sup> DVA had a complete listing of service-disabled veterans receiving compensation, from which and for the exclusive purposes of this project, we obtained a sample file. The sample file included the names and addresses of the sampled veterans, but unfortunately not phone numbers. Given the limited resources for this project, we set out to collect data from 400 eligible service-disabled veterans. Assuming again a 70 percent response rate and a 10 percent out-of-scope rate (e.g., potential respondent being mentally/physically incapable of participating, living outside of the U.S., etc.), we decided to draw an initial sample of 635 veterans with service-connected disabilities to ensure 400 completed interviews.<sup>128</sup>

A field test of the survey instrument was conducted; and, on the whole, respondents found the survey to be of acceptable length, with an average response time of 15 minutes. They also found the questions to be clear and unobjectionable.

## 5.2 Maximizing Response and Managing Non-response

The research team developed a comprehensive work plan for maximizing the response rate from all three survey components. The sampling frame was cleansed of duplicate records (prior to sample selection) to ensure that all the sampling units had an identical probability of selection. Usually, to make a sample more efficient, the sampling frame should be stratified to maximize between-strata variance and minimize within-strata variance. Given the nature and purpose of this study, we decided that the most important stratification variable would be the age of the veteran. However, age data were not available prior to sample selection. Thus, we used a simple random sample.

There are many factors affecting survey response rates. Major factors include: the nature of the survey (e.g., sensitive vs. non-sensitive, record checking vs. non-record checking, marketing vs. research), the survey mode (e.g., mail, telephone, face-to-face, etc.), the length of the questionnaire, the behavior of the interviewer, and the management of the survey operation. Our survey operation strategy addressed all of these issues. All components of the survey were to be conducted by telephone using our computer-aided telephone interviewing (CATI) system, except for that portion of the service-disabled population for whom phone numbers were not available (approximately 50 percent). Those service-disabled veterans for whom phone numbers were not available were to

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<sup>124</sup> Only one eligible veteran owner per business was allowed in the respondent pool.

<sup>125</sup> Ten percent is well below the prevailing assumptions, but the research team required considerable latitude with the sample size and the uncertainties associated with these populations.

<sup>126</sup>  $5,714 \times 10\% \times 70\% = \sim 400$

<sup>127</sup> DVA estimates that 1,661,435 post-Korea, service-disabled veterans were receiving compensation as of September 30, 2002 (see Table 7L at <http://www.va.gov/vetdata/demographics/VP2001adjsn.htm>).

<sup>128</sup>  $635 \times 90\% \times 70\% = \sim 400$

receive mail questionnaires. We will not elaborate further on our mail strategy here because, as will be discussed in the next section, procedural difficulties forced the research team to adopt a different method altogether for gathering service-disabled data. We hired experienced interviewers from a pool of interviewers that we share with other survey organizations, including Westat and the Gallup Organization. We have also created our own pool of interviewers with whom we have had good experience in previous survey projects. After recruitment, we trained the interviewers on the specifics of this survey, including its background and purpose, frequently asked questions and answers, ways to establish rapport with potential respondents and techniques to handle difficult respondents and convert refusals. Role playing exercises were conducted to simulate a plausible range of respondent scenarios.

All interviewers worked under close and continuous supervision, and each was equipped with a CATI workstation connected on-line to a database. The questionnaire and the sample were programmed into the CATI system. The sample phone numbers were automatically selected and dialed randomly by a computer. The interviewers worked in shifts to accommodate the different time schedules of respondents.

Every non-respondent received a minimum of an original call plus up to five callbacks. These attempts were spread throughout the day and throughout the week. Further, to maximize the contact rate, we called every valid number at least once during the weekend. We attempted to complete the full interview at the time of the first contact with the respondent. If a respondent preferred to be interviewed at a different time, we scheduled a specific callback appointment. When we found it difficult to schedule a call-back appointment for a given respondent, we gave the respondent our toll-free 800 number so he/she would be able to call us at a convenient time.

We tracked telephone survey operations through our CATI system. The CATI system allowed interviewers to record the status of each call (e.g., non-working or disconnected telephone number, not eligible, no answer, scheduled time for callback, etc.) and enabled them to update the respondents' telephone numbers and addresses without over-writing previous information so that a complete history could be maintained. Progress reports and interviewer productivity status could be run whenever needed to help identify and solve problems in a timely manner. For example, interviewers with low productivity or response rates could be identified and given more help/training. If improvement was not achieved within a reasonable period of time, he or she could be replaced by more qualified staff.

### **5.3 Survey Challenges and Procedural Changes**

The research team encountered a number of challenges during the survey process. The screening required to reach the veteran population in the residential survey was massive. As noted in Section 5.1 above, the research team estimated that in 2002 about 12.4 percent of the U.S. population aged 20 and older were veterans, and only 67.9 percent of these veterans served on active duty after January 31, 1955 (i.e., in the post-Korean conflict period).<sup>129</sup> Working on a limited budget, we were only able to make a maximum of five follow-up phone calls for non-contacts,

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<sup>129</sup> According to U.S. Census data, there were 207,347,000 in the total population aged 20 and over in 2002. DVA estimates that there were 25,618,274 veterans in 2002, of which 17,382,901 were post-Korean conflict veterans. See Section 5.1 above for source citations.



when as many as 15 such calls are made in some established residential surveys. As a result, we were able to generate 390 completed interviews, instead of our targeted 800. Nonetheless, our data accuracy from the residential survey component was not materially affected. This sample size still enabled us to make acceptably accurate estimates for the parameters of the target population of all veterans who served in the U.S. military after the end of the Korean conflict. As will be discussed in Chapter 6, the widest 95 percent confidence interval for an estimated proportion will be + or - 0.055.

Our limited budget also rendered untenable the massive screening that was needed to identify veteran-owned small businesses from our initial Dun and Bradstreet small business sample which included both veteran-owned and non veteran-owned small businesses. Consequently, the research team decided to draw a second sample from a separate Dun and Bradstreet database which included a list of approximately 67,000 U.S. small businesses (i.e., firms with 500 or fewer employees) which were known to be veteran-owned. This sampling frame was stratified into two size categories, those with 1-4 employees and those with 5-500 employees. This stratification reflects the fact that firms with 1-4 employees represented approximately 48 percent of all employer firms in 2001, according to the U.S. Census Bureau.<sup>130</sup> A random sample of 1,250 small businesses was selected from each stratum.

The most dramatic departure from the research team's original plan came in the effort to gather data from the population of veterans with a service-connected disability rating. Because of various delays experienced in obtaining approval to conduct our surveys, the research team found its original sample of service-disabled veteran names (obtained from DVA prior to our survey instrument pre-test) more than one year old, a factor which probably affected the response and eligibility rates that we encountered when we attempted to use this sample.

Fifty-one (51) percent of the individuals from this old sample list were matched with a telephone number. (DVA's service-disabled list did not have phone numbers.) We called 757 numbers, and 221 were found with a known eligibility status. Of these, only 31 were eligible for the study - an eligibility rate of 14 percent. Five agreed to complete the interview. With such a low eligibility rate and our limited budget, the sample of 5,000 cases would clearly not be able to yield the target number of 400 completes for the survey of service-disabled veterans.

Fortunately, there was a screening question on both the residential and business owner surveys for service-connected disability status. As will be discussed in the next chapter, we obtained 75 completed responses from service-disabled veterans in the residential population and 67 from the business owner population. As will be shown, this was enough to make quantitative estimates of the service-disabled population, as well as statistically legitimate comparisons to the non service-disabled population.

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<sup>130</sup> Census reports that in 2001 there were 5,657,774 employer firms, of which 2,697,839, or 47.7%, had from 1 to 4 employees. For further information, see <http://www.census.gov/epcd/susb/2001/us/US--.HTM> .

## 6. Data

Table 11 shows the disposition of the data from the residential survey. Of the 30,000 phone numbers in the original sample, 8,600 were deemed to be unworkable as a result of such problems as being fax numbers, wrong numbers or non-working numbers. The data show that non-contact was something of a problem with this survey. Of the 21,400 working numbers, 12,519 were actually contacted for a contact rate of 58.5 percent.

The cooperation rate in the residential population was high. Of the 12,519 who were contacted, 10,485 cooperated with the study for a cooperation rate of 83.8 percent. But supporting the general perception that veterans are a hard-to-reach population, only 773, or 7.4 percent, of those who cooperated were deemed eligible for the study.

**Table 11: Final Disposition of the Residential Survey Sample.**

<b>Disposition</b>	<b>Count</b>	<b>Percent</b>
Interview completed	390	1.3%
Strong refusal-eligible	45	0.2%
Moderate refusal-eligible	141	0.5%
Strong refusal-eligibility unknown	80	0.3%
Moderate refusal-eligibility unknown	937	3.1%
No veteran in this household	8,727	29.1%
Mid-terminate-eligible	197	0.7%
Mid-terminate-eligible unknown	607	2.0%
Respondent is ill or physically impaired/mentally disabled	34	0.1%
Potential respondent deceased	92	0.3%
Death in family	2	0.0%
No eligible respondent available during the study	45	0.2%
Respondent is mentally disabled	1	0.0%
Respondent has hearing or language barriers	432	1.4%
Phone number of a business/institution	1,439	4.8%
Busy signal	697	2.3%
Answering machine	4,234	14.1%
No answer	3,950	13.2%
Non working/disconnected number	4,700	15.7%
Temporarily disconnected	399	1.3%
Fax/modem	2,062	6.9%
Respondent answers "don't know" or refuses to answer screening questions	132	0.4%
Eligible respondent was not at home	233	0.8%
Respondent does not meet age requirements	424	1.4%
<b>Total</b>	<b>30,000</b>	<b>100.0%</b>

Table 12 shows the disposition of the data from the business owners' survey. Of the 2,500 numbers in the initial sample of veteran-owned small businesses, 209 were deemed unworkable. Of the 2,291 working numbers, 1,833 were actually contacted for a contact rate of 80.0 percent, much higher than the 58.5 percent rate of the residential survey. However, the cooperation rate was far lower in the business owners survey. Of the 1,833 contacted, 913

or 49.8 percent cooperated with the survey, as compared to the 83.8 percent cooperation rate in the residential survey. Fortunately, the eligibility picture was brighter in the business owners survey. Of the 913 who cooperated, 742 or 81.3 percent were deemed eligible for the study, as compared to the 7.4 percent eligibility rate in the residential population.

**Table 12: Final Disposition of the Sample of Veteran-Owned Businesses.**

<b>Disposition</b>	<b>Count</b>	<b>Percent</b>
Interview completed	363	14.5%
Strong refusal eligible	15	0.6%
Moderate refusal-eligible	118	4.7%
Strong refusal-eligibility unknown	7	0.3%
Moderate refusal-eligibility unknown	44	1.8%
Not a veteran-owned business	132	5.3%
Mid-terminated-eligible	246	9.8%
Mid-terminated-eligibility unknown	136	5.4%
Respondent is ill or physically impaired/mentally disabled	8	0.3%
Potential respondent deceased	15	0.6%
Death in family	4	0.2%
No eligible respondent available during the study	24	1.0%
Respondent has hearing or language barriers	12	0.5%
Busy tone	3	0.1%
Answering machine	351	14.0%
No answer	104	4.2%
Non-working/disconnected number	99	4.0%
Temporarily disconnected	87	3.5%
Fax/modem	23	0.9%
Eligible respondent not available	709	28.4%
<b>Total</b>	<b>2,500</b>	<b>100.0%</b>

Table 13 shows the calculation of the adjusted response rates for both the residential survey and the veteran business owner survey. The adjusted response rate is simply the number of completed interviews expressed as a proportion of the combined population of known eligible respondents and presumed eligible respondents.<sup>131</sup>

In the residential survey, there were 390 completed interviews and 773 known eligible respondents for the study. We then calculated the number of presumed eligible respondents among the phone numbers whose eligibility status was unknown (due to factors such as no answer, answering machine or busy signal). This was done by assuming that the same proportion of eligible respondents exists in this population as in the population of phone numbers whose eligibility status is known. In this method we arrived at a presumed eligibility figure of 771 eligibles among those numbers whose eligibility status could not be confirmed. Dividing the total of 1,544 known and presumed eligibles (773 + 771) by the 390 completed interviews gave us an adjusted response rate of 25.3 percent for the residential population.

<sup>131</sup> The adjusted response rate conforms to generally accepted standards in these types of calculations and to guidelines of the Council of American Survey Research Organisations (CASRO).

Table 13 also shows the adjusted response rate for the veteran business owners survey. In this group, the research team obtained 363 completed interviews, had 742 known eligible respondents, and calculated 1,195 presumed eligible respondents among the phone numbers with unknown status. This gave us an adjusted response rate of 18.7 percent,<sup>132</sup> similar to the response rates of respected small firm surveys such as the monthly *Small Business Economic Trends* publication of the National Federation of Independent Business (NFIB). Further, this response rate was just a bit short of the 25 percent response obtained in NFIB's highly respected periodic survey entitled *Small Business Problems and Priorities*.<sup>133</sup>

**Table 13: Response Rate Calculations for Residential and Business Owners Surveys.**

<b>Class of Eligibles</b>	<b>Residential Survey Count</b>	<b>Survey of Veteran Business Owners Count</b>
Number of completed interviews	390	363
Known eligibles	773	742
Presumed eligibles among the unknown	771	1,195
<b>Adjusted response rate</b>	<b>25.3%</b>	<b>18.7%</b>

One problem in all surveys, regardless of the response rate, is non-response bias, which is a divergence in key population characteristics between the sample obtained in the course of the survey process and the population of non-respondents. Regardless of the care taken in the sampling and survey process, the sample obtained can never be 100 percent representative of the non-responding population in all meaningful parameters. The challenge for all researchers is to quantify the disparity. This becomes an especially difficult task in this study where most of the survey's questions are seminal and have no existing data counterpart for comparison.

However, the research team did have existing data to work with for two critical parameters: service-connected disability status and the size of the firm. We obtained data on these two parameters from the Department of Veteran Affairs' most recent National Survey of Veterans (2001) and weighted the data from the business owners survey by firm size and service-connected disability status and from the residential survey by service-connected disability status. Thus, we removed these two potential and critical sources of non-response bias from the data set which was ultimately used for analysis.

Of the 390 completed interviews in the residential survey, 315 were from veterans without service-connected disability status, and 75 (or 19.2 percent) were from those who had service-connected disability status. The numbers were strikingly similar for the business owners survey. The 363 completes in the owners survey included 296 without service-connected disability status and 67 (or 18.5 percent) who indicated that they had service-connected disability status.

<sup>132</sup> 363 divided by (742 + 1,195) = ~ 18.7 %.

<sup>133</sup> See [http://www.nfib.com/object/IO\\_16191.html](http://www.nfib.com/object/IO_16191.html) for the full 2004 report.

Thus, the 95 percent confidence intervals around the estimates for the non service-disabled and for the service-disabled cohorts are essentially the same for both surveys. We estimate proportions in this study. The 0.5 proportion always has the largest 95 percent error band around the estimate. Therefore, for both samples, the largest possible non service-disabled confidence interval is  $0.5 + \text{or} - 0.055$ . The largest possible 95 percent error band around the service-disabled estimates for both studies is  $0.5 + \text{or} - 0.11$ .

In addition to service-connected disability status, we produce cross tabulation estimates of key question responses by demographic variables that have multiple response categories such as age and education. The 95 percent confidence intervals for these are wider than for the more populated cohorts of service-connected disability status. But the purpose of these estimates is comparison in order, for example, to examine the age or education sensitivity of responses to key questions. For this purpose, we conducted a Pearson Chi-square test to examine the statistical significance of the difference in the highest and lowest means among the categories of a particular response breakdown (including service-connected disability status). The results for the Pearson Chi-square test are reported in the general results tables.

All estimates presented in this project were tested, and a consistent reporting framework is used throughout all of the results tables presented in Chapters 7 and 8. A single asterisk (\*) by an estimate indicates that the Chi-square for the difference of the means among the response categories of the cohort is significant at the 10 percent significance level or less, but greater than the 5 percent significance level. A double asterisk (\*\*) indicates that the difference in the means is significant at the 5 percent significance level or less. If there are no asterisks, the difference in the means among the cohort categories is significant above the 10 percent significance level, which the research team considered to be the threshold for acceptability. It should be noted that due to technical constraints with state-of-the-art statistical software, it was necessary to use the unweighted estimates as input into the Chi-square calculation, although weighted data are reported in the results tables.

Regardless of the significance of the Chi-square test, all estimates, given the subjective nature of the threshold for acceptable statistical significance, are useful as a starting point for further, more detailed investigation of the numerous aspects of veteran entrepreneurship and business owner behavior.

## 7. Residential Survey Results

The residential survey conducted during the summer of 2003 revealed that a significant 22.1 percent of veterans in the household population were either purchasing or starting a new business or considering doing so.<sup>134</sup> Table 14 provides a breakout by various cohorts within this population of both those who were starting and purchasing new firms.

**Table 14: Veterans in the Population of U.S. Households Who Are Either Starting or Purchasing a New Business Enterprise or Are Considering Doing So.**<sup>135</sup>

<b>Veteran Cohort</b>	<b>% Purchasing or Starting</b>	<b>Percent Starting</b>	<b>Percent Purchasing</b>
<b>Service-Connected Disability Status</b>			
Service-disabled	28.0%	25.4%	2.6%
Non service-disabled	21.4%	16.9%	4.5%
<b>Gender</b>			
Male	21.6%	17.5%	4.1%
Female	26.6%	20.5%	6.1%
<b>Marital Status</b>			
Single	22.2%	17.8%	4.4%
Married	22.5%	18.1%	4.4%
Living with a partner	22.6%	22.6%	0.0%
Legally separated	28.6%	14.3%	14.3%
Divorced	16.5%	15.1%	1.4%
<b>Age of Veteran</b>			
20 to 29	29.9% **	26.1% **	3.8% **
30 to 39	41.1% **	35.9% **	5.2% **
40 to 49	35.4% **	24.4% **	11.0% **
50 to 64	17.0% **	14.3% **	2.7% **
65 and older	1.6% **	1.6% **	0.0% **
<b>Dependents</b>			
Dependent children	33.8% **	25.5% **	8.3% **
No dependent children	14.3% **	12.7% **	1.6% **
<b>Education</b>			
High school graduate	15.4%	11.8%	3.6%
One year of college	25.3%	20.3%	5.0%
Two years of college	26.0%	21.8%	4.2%
Three years of college	22.8%	17.1%	5.7%
College graduate	30.8%	25.1%	5.7%
College graduate, post graduate course(s)	18.1%	18.1%	0.0%
Post graduate degree	21.6%	10.8%	10.8%
Other	18.9%	18.9%	0.0%
<b>FULL SAMPLE</b>	<b>22.1%</b>	<b>17.8%</b>	<b>4.3%</b>

<sup>134</sup> This population will henceforth be referred to as “new veteran entrepreneurs.”

<sup>135</sup> In all subsequent tables, a single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level. Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

Starting a new business was the dominant activity over purchasing a new business by a wide margin (17.8 percent vs. 4.3 percent). Evidence has shown this to be a positive success indicator.<sup>136</sup>

Table 14 also shows that the difference in start-up activity between service-disabled and non service-disabled veterans was not statistically significant. However, the difference among the age cohorts was statistically significant, with older veterans exhibiting a lesser degree of interest and/or activity in starting a business. Only 17 percent of veterans in the age 50 to 64 cohort indicated that they were either purchasing or starting a new business or considering doing so, compared to 29.9 percent of veterans in their 20s and 41.1 percent of veterans in their 30s.

Interestingly, a larger percentage of veterans with dependants (33.8 percent) were purchasing or starting a new business or were considering doing so at the time of the survey than were those without dependants (14.3 percent).<sup>137</sup>

As shown in Table 15, 31.6 percent of those veterans who were starting or purchasing a new business at the time of the survey were doing so with at least one partner, a sizable enough figure to be considered a modest plus for the overall success of this population, as evidence has shown that partnership is a positive success indicator.<sup>138</sup>

**Table 15: Percentage of New Veteran Entrepreneurs Who Are Forming or Purchasing Their New Business Enterprise With Partners.**

<b>Veteran Cohort</b>	<b>Share Starting or Purchasing With One or More Partners</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	33.3%
Non service-disabled	31.3%
<b>Gender</b>	
Male	31.0%
Female	38.3%
<b>Age of Veteran</b>	
20 to 29	12.7%
30 to 39	31.3%
40 to 49	42.2%
50 to 64	27.6%
65 and Older	0.0%
<b>FULL SAMPLE</b>	<b>31.6%</b>

<sup>136</sup> Duchesneau, Donald A. and Gartner, William B. (1990), "A Profile of New Venture Success and Failure in An Emerging Industry," *Journal of Business Venturing*, Vol. 5, pp. 297-312.

<sup>137</sup> For our purposes, dependants are children who depend on the veteran for at least half of their support

<sup>138</sup> Cooper, Arnold C.; Woo, Carolyn Y.; and Dunkelberg, William C. (1988), "Entrepreneurs Perceived Chances for Success," *Journal of Business Venturing*, Vol.3, pp 97-108.

Table 16 shows that 62.1 percent of new veteran entrepreneurs planned to initially locate their business entirely in their residence, but 67.4 percent of these planned to expand their business partially or entirely beyond their residence in the “foreseeable future.”

**Table 16: Home-based Startup and Relocation Plans  
of New Veteran Entrepreneurs in the U.S Residential Population.**

<b>Veteran Cohort</b>	<b>Share of Planned Startup Firms Initially Locating Entirely in Residence</b>	<b>Share of Planned Home-based Startups Planning to Relocate Firm</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	52.4%	72.7%
Non service-disabled	63.6%	66.7%
<b>Gender</b>		
Male	61.4%	69.8%
Female	69.1%	44.6%
<b>Marital Status</b>		
Single	59.8%	83.3%
Married	62.6%	62.5%
Living with a partner	50.0%	100.0%
Legally separated	100.0%	100.0%
Divorced	49.8%	66.7%
<b>Dependents</b>		
Dependent children	57.5%	66.1%
No dependent children	68.9%	69.1%
<b>FULL SAMPLE</b>	<b>62.1%</b>	<b>67.4%</b>

As shown in Table 17, veteran entrepreneurship would appear to be a positive for job creation. Almost 72 percent of new veteran entrepreneurs planned to employ at least one individual besides themselves at the outset of their new venture. Further analysis revealed that the share of veteran business owners who planned to initially locate their business in their home and who planned to initially employ at least one individual was nearly identical to the share of those who planned to initially locate their business outside of their residence.



**Table 17: Share of New Veteran Entrepreneurs Planning to Hire at Least One Person Besides Themselves at the Beginning of Their Venture.<sup>139</sup>**

<b>Veteran Cohort</b>	<b>Share of Start-ups Planning to Hire at Least One Person</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	61.9%
Non service-disabled	73.1%
<b>Gender</b>	
Male	71.1%
Female	77.0%
<b>Age of Veteran</b>	
20 to 29	87.3%
30 to 39	56.2%
40 to 49	84.4%
50 to 64	68.1%
65 and older	100.0%
<b>FULL SAMPLE</b>	<b>71.6%</b>

Our survey found that the Internet was not unimportant to veteran start-ups. Table 18 shows that 11 percent of new veteran entrepreneurs believed that they would be entirely dependant on the web. But 31.7 percent indicated that their business would be 50 percent or more dependent on the Internet.

**Table 18: Anticipated Internet Dependence for the Prospective Business Ventures of New Veteran Entrepreneurs.**

<b>Veteran Cohort</b>	<b>Dependence Level</b>			
	<b>0 to 24 %</b>	<b>25 to 49 %</b>	<b>50 to 99 %</b>	<b>100 %</b>
<b>Service-Connected Disability Status</b>				
Service-disabled	23.8%	23.8%	38.1%	14.3%
Non service-disabled	49.3%	22.4%	17.9%	10.4%
<b>FULL SAMPLE</b>	<b>45.7%</b>	<b>22.6%</b>	<b>20.7%</b>	<b>11.0%</b>

Resources and government programs ranked high on the list of problems and obstacles that new veteran entrepreneurs face, as shown in Tables 19 and 20. The populations of both service-disabled and non service-disabled veterans ranked “Access to financing” as their number 1 problem (out of 10). But a much higher proportion of service-disabled veterans (52.4 percent) viewed it as a “critical” problem than did non service-disabled veterans (34.3 percent).

<sup>139</sup> Including part-time, temporary and contract workers.

**Table 19: Measures of Veteran Entrepreneurship Problem Importance:  
Non Service-Disabled Veteran Entrepreneurs.**

<b>Problem</b>	<b>Rank</b>	<b>Mean</b>	<b>Percent “Critical”</b>
Access to financing	1	3.490	34.3%
Useful government and private programs for entrepreneurs	2	3.393	33.3%
Useful government and private programs for veteran entrepreneurs	3	3.378	29.9%
Retaining qualified employees	4	2.550	10.4%
Developing a network of contacts	5	2.450	6.0%
Finding qualified employees	6	2.444	13.4%
Developing and implementing a marketing strategy	7	2.415	3.0%
Understanding the competition	8	2.256	7.5%
My status as a veteran or service-disabled veteran	9	1.497	3.0%
My disability	10	1.227	1.5%

**Table 20: Measures of Veteran Entrepreneurship Problem Importance:  
Service-Disabled Veteran Entrepreneurs.**

<b>Problem</b>	<b>Rank</b>	<b>Mean</b>	<b>Percent “Critical”</b>
Access to financing	1	3.669	52.4%
Useful government and private programs for entrepreneurs	2	3.381	38.1%
Useful government and private programs for veteran entrepreneurs	3	3.092	23.8%
Developing a network of contacts	4	2.619	9.5%
Developing and implementing a marketing strategy	5	2.569	9.5%
Retaining qualified employees	6	2.333	4.8%
Finding qualified employees	7	2.239	4.8%
My status as a veteran or service-disabled veteran	8	2.139	9.5%
Understanding the competition	9	1.906	4.8%
My disability	10	1.572	0.0%

Veterans were concerned about government and private small business programs. “The existence of useful government and private programs for entrepreneurs” and “The existence of useful government and private programs for veterans and/or service-disabled veteran entrepreneurs” ranked second and third on the problem list of both service-disabled and non service-disabled veteran entrepreneurs. “My disability” and “My status as a veteran or service-disabled veteran” were at the bottom of the list for both non service-disabled AND service-disabled veteran entrepreneurs.

Active duty service appeared to provide a reasonable training ground for business ownership. As shown in Table 21, most veteran entrepreneurs supervised others while on active duty, 74.3 percent being the lowest share with supervisory experience among the four entrepreneurship categories.<sup>140</sup>

<sup>140</sup> The design of the survey prohibited the generation of an estimate for the sum of all four entrepreneurship categories (i.e., starting or purchasing a new business, or considering starting or purchasing a new business).

**Table 21: Share of Veteran Entrepreneurs Who Supervised Others While on Active Duty by Entrepreneurship Category.**

Category of Entrepreneurship Activity	FULL SAMPLE	Service-Disabled	Non Service-Disabled
Those considering starting a new business	81.1%	78.6%	81.6%
Those in the process of starting a new business	74.3%	80.0%	73.3%
Those considering purchasing a new business	79.0%	100.0%	77.8%
Those in the process of purchasing a new business	100.0%	100.0%	100.0%

As Table 22 shows, most of those who did have supervisory experience were required to teach those they supervised new skills or reinforce existing skills.

**Table 22: Share of New Veteran Entrepreneurs With Active Duty Supervisory Experience Who Taught New Skills To Those They Supervised.**

Category of Entrepreneurship Activity	FULL SAMPLE	Service-Disabled	Non Service-Disabled
Those considering starting a new business	90.4%	90.9%	90.3%
Those in the process of starting a new business	92.3%	100.0%	90.9%
Those considering purchasing a new business	100.0%	100.0%	100.0%
Those in the process of purchasing a new business	81.9%	100.0%	80.0%

As Table 23 shows, 36.4 percent of new veteran entrepreneurs indicated that they made use of one or more technologies while on active duty service that were of “direct relevance to the operation” of their new business enterprise or self-employment activity.

**Table 23: Share of New Veteran Entrepreneurs Who Used One or More Technologies While on Active Duty of Direct Use in Their New Business Enterprise.**

Veteran Cohort	Share Using Technologies on Active Duty of Use in New Venture
<b>Service-Connected Disability Status</b>	
Service-disabled	33.3%
Non service-disabled	36.9%
<b>Gender</b>	
Male	37.6%
Female	23.5%
<b>Age of Veteran</b>	
20 to 29	25.3%
30 to 39	15.7%
40 to 49	55.8%
50 to 64	35.8%
65 and older	0.0%
<b>FULL SAMPLE</b>	<b>36.4%</b>

Table 24 shows that 32 percent of new veteran entrepreneurs had classes while on active duty (*other* than to learn the use of new technologies) that would be “of direct relevance to the operation” of their new business enterprise or self-employment activity.

**Table 24: Share of New Veteran Entrepreneurs with Formal Classes While on Active Duty That Were of Direct Relevance to Their New Venture.**<sup>141</sup>

<b>Veteran Cohort</b>	<b>Share With Formal Classes on Active Duty of Relevance to New Venture</b>
<b>Service-Connected Disability Status</b>	
Service Disabled	38.1%
Non Service Disabled	30.8%
<b>Gender</b>	
Male	31.9%
Female	30.9%
<b>Age of Veteran</b>	
20 to 29	38.0% *
30 to 39	12.5% *
40 to 49	51.2% *
50 to 64	28.4% *
65 and older	0.0% *
<b>FULL SAMPLE</b>	<b>31.8%</b>

Many new veteran entrepreneurs gained skills of relevance to their ventures while on active duty, but the share of new veteran entrepreneurs with previous business experience was even greater, as Table 25 shows.

**Table 25: Share of New Veteran Entrepreneurs Who Have Previously Owned at Least One Business or Self-Employment Activity.**<sup>142</sup>

<b>Veteran Cohort</b>	<b>Percent Who Owned A Business in the Past or Own a Business Currently</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	42.9% **
Non service-disabled	63.6% **
<b>Gender</b>	
Male	64.2% **
Female	23.0% **
<b>Age of Veteran</b>	
20 to 29	62.0%
30 to 39	37.5%
40 to 49	62.7%
50 to 64	69.5%
65 and older	100.0%
<b>FULL SAMPLE</b>	<b>60.7%</b>

<sup>141</sup> Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level.

<sup>142</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

Table 25 shows that almost 61 percent of new veteran entrepreneurs have owned at least one business in the past or own one currently.<sup>143</sup> Such owners were significantly more common among non service-disabled veterans (63.6 percent) than in the population of service-disabled veterans (42.9 percent). Prior business owners were also far more common among male veterans (64.2 percent) than among female veterans (23.0 percent).

Table 26 shows that most new veteran entrepreneurs had gained some experience in key business skills from previous employment or business ownership experience. For example, 86.8 percent indicated that they had gained experience managing employees, and 96 percent indicated experience in dealing with customers. The smallest proportion, 48.3 percent, had gained experience in the area of dealing with tax laws.

**Table 26: New Veteran Entrepreneurs Who Have Gained Key Business Ownership Skills From Previous Employment and/or Previous Business Ownership.**

<b>Veteran Cohort</b>	<b>Managing Employees</b>	<b>Dealing With Customers</b>	<b>Marketing Products or Services</b>	<b>Managing Tax Laws</b>	<b>Anticipating Business Trends</b>
<b>Service Disability Status</b>					
Service-disabled	90.5%	100.0%	71.4%	42.9%	61.9%
Non service-disabled	86.2%	95.4%	69.2%	49.2%	66.2%
<b>Age of Veteran</b>					
20 to 29	62.7%	100.0%	74.7%	0.0%	50.0%
30 to 39	90.6%	93.8%	56.2%	25.1%	43.8%
40 to 49	86.1%	100.0%	62.9%	67.5%	67.5%
50 to 64	88.1%	94.1%	79.1%	52.2%	76.0%
65 and older	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Education</b>					
High school graduate	79.4%	94.1%	52.9%	26.5%	73.5%
One year of college	100.0%	90.0%	74.9%	45.0%	35.0%
Two years of college	85.4%	95.1%	75.6%	43.8%	58.5%
Three years of college	100.0%	100.0%	75.0%	75.0%	100.0%
College graduate	88.0%	100.0%	64.2%	56.0%	63.9%
Post graduate courses	100.0%	100.0%	100.0%	100.0%	100.0%
Post graduate degree	100.0%	100.0%	75.0%	75.0%	100.0%
Other	63.7%	100.0%	81.9%	63.7%	63.7%
<b>FULL SAMPLE</b>	<b>86.8%</b>	<b>96.0%</b>	<b>69.5%</b>	<b>48.3%</b>	<b>65.5%</b>

Table 27 shows that 57.3 percent of veteran entrepreneurs had gained experience “that will be directly relevant” to the running of their new business enterprise from formal on-the-job training, while 88.2 percent had gained such experience through informal on-the-job training. Apprenticeship programs provided such experience to 24.2 percent of new veteran entrepreneurs.

<sup>143</sup> New veteran entrepreneurs surveyed in the residential population could include current or past business owners, including self-employed persons, who were considering the purchase or start-up of a new enterprise.

**Table 27: Proportion of New Veteran Entrepreneurs Who Have Gained Education and/or Experience Directly Relevant to the Their New Business Enterprise from Apprenticeship Programs or On-the-Job Training.**

<b>Veteran Cohort</b>	<b>Apprenticeship Programs</b>	<b>On-the-Job Training (Formal Classes)</b>	<b>On-the-Job Training (Informal)</b>
<b>Service-Connected Disability Status</b>			
Service-disabled	15.0%	50.0%	90.0%
Non service-disabled	25.9%	58.6%	87.9%
<b>Age of Veteran</b>			
20 to 29	49.6%	66.4%	100.0%
30 to 39	18.6%	48.1%	92.6%
40 to 49	25.6%	64.2%	82.0%
50 to 64	23.8%	57.1%	88.9%
65 and older		0.0%	100.0%
<b>Education</b>			
High school graduate	42.3%	51.5%	94.0%
One year of college	16.8%	66.8%	88.9%
Two years of college	21.5%	62.1%	83.9%
Three years of college	25.0%	50.0%	100.0%
College graduate	14.3%	57.1%	80.9%
Post graduate course(s)	0.0%	50.0%	100.0%
Post graduate degree	0.0%	100.0%	100.0%
Other	33.5%	22.2%	77.8%
<b>FULL SAMPLE</b>	<b>24.2%</b>	<b>57.3%</b>	<b>88.2%</b>

Table 28 shows that 5.3 percent of new veteran entrepreneurs had made use of a public or private small business program designed for veterans, in spite of the fact that 24 percent of service-disabled veterans and 30 percent of non service-disabled veterans indicated that the lack of such programs was a “critical” problem. Interestingly, Table 28 also shows that 65.9 percent of new veteran entrepreneurs *planned* to make use of a veterans small business program in the foreseeable future.

When those who did not use these programs were asked why, 36.8 percent said that they did not have a need for “any of these” program services and 35.5 percent said that they were not aware that veteran small business programs even existed. As shown in Table 29, almost 20 percent said that they were confused as to what was available.<sup>144</sup>

Table 30 shows that 96.3 percent of veterans who indicated some degree of unawareness or confusion regarding the existence or the structure of veteran-oriented small business programs would use them if they became aware of them and if the programs met their needs, with no significant difference between the proportion of service-disabled and non service-disabled veterans who indicated this propensity. New veteran entrepreneurs did not appear to have any fundamental bias against small business programs *per se*, as further evidenced by the finding that 66 percent planned to use such programs.

<sup>144</sup> Respondents were allowed to choose more than one response category. Thus the categories are not mutually exclusive.

**Table 28: Proportion of New Veteran Entrepreneurs Who Have Used or Plan to Use a Public or Private Small Business Program Specifically Designed for Veterans.**

<b>Veteran Cohort</b>	<b>Share Who Have Used a Veterans Program</b>	<b>Share Planning to Use a Veterans Program</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	0.0%	52.4%
Non service-disabled	6.2%	68.3%
<b>Gender</b>		
Male	5.8%	67.9%
Female	0.0%	46.1%
<b>Age of Veteran</b>		
20 to 29	0.0%	87.3%
30 to 39	0.0%	46.7%
40 to 49	4.6%	68.3%
50 to 64	8.9%	70.3%
65 and older	0.0%	100.0%
<b>Education</b>		
High school graduate	5.9%	78.1%
One year of college	0.0%	55.0%
Two years of college	9.7%	59.9%
Three years of college	0.0%	75.0%
College graduate	0.0%	63.0%
Post graduate course(s)	0.0%	50.0%
Post graduate degree	0.0%	75.0%
Other	18.1%	66.5%
<b>FULL SAMPLE</b>	<b>5.3%</b>	<b>65.9%</b>

**Table 29: Reasons Given by New Veteran Entrepreneurs Who Had Not Used Any Veteran Small Business Programs.<sup>145</sup>**

<b>Reason for Non-use of Veterans Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	28.6%	38.3%	<b>36.8%</b>
Had a need but nothing in these programs meets my needs	4.8%	15.0%	<b>13.4%</b>
Programs serving both veterans and non-veterans are adequate	0.0%	6.7%	<b>5.7%</b>
Perception that program service delivery is inadequate	9.5%	11.7%	<b>11.3%</b>
Confused as to what is available	19.0%	20.0%	<b>19.9%</b>
Wasn't aware that small business programs for veterans existed	38.1%	35.0%	<b>35.5%</b>
I don't qualify	0.0%	6.7%	<b>5.7%</b>
Other	14.3%	13.3%	<b>13.5%</b>

<sup>145</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100.

**Table 30: Share of New Veteran Entrepreneurs Unaware of Small Business Programs for Veterans Who Would Use Such Programs If Aware of Them.**

<b>Veteran Cohort</b>	<b>Share Who Would Use Programs If Aware of Them</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	91.7%
Non service-disabled	97.1%
<b>Gender</b>	
Male	95.9%
Female	100.0%
<b>Age of Veteran</b>	
20 to 29	100.0%
30 to 39	94.3%
40 to 49	93.9%
50 to 64	100.0%
65 and older	100.0%
<b>Education</b>	
High school graduate	94.0%
One year of college	87.5%
Two years of college	100.0%
Three years of college	100.0%
College graduate	100.0%
Post graduate course(s)	100.0%
Post graduate degree	100.0%
Other	100.0%
<b>FULL SAMPLE</b>	<b>96.3%</b>

While 5.3 percent of new veteran entrepreneurs had used veteran-specific programs (Table 28), Table 31 shows that 14.1 percent of veteran entrepreneurs had used a general, non veteran-specific public or private small business program. Table 31 also shows that 51.2 percent planned to make use of a non veteran-specific small business program in the foreseeable future, compared to the 65.9 percent of new veteran entrepreneurs who planned to make use of a veteran-specific program.

The reasons for non-usage of general small business programs were qualitatively similar to those for non-use of veteran-specific programs. As shown in Table 32, 42.9 percent said that they simply “didn’t have a need for these program services.” Among these new veteran entrepreneurs, 22.7 percent were confused as to what was available, and 26.5 percent were not aware that these programs even existed.

Table 33 shows that, of those new veteran entrepreneurs who said that they did not plan to use a general small business program, 40.2 percent indicated that they did not have a need for these program services, and 22.6 percent were confused as to what was available.



**Table 31: Proportion of New Veteran Entrepreneurs Who Have Used or Plan to Use a Public or Private Small Business Program Non-Specific to Veterans.**

<b>Veteran Cohort</b>	<b>Share Who Have Used a Small Business Program</b>	<b>Share Planning to Use a Small Business Program</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	4.8%	47.4%
Non service-disabled	15.6%	51.9%
<b>Gender</b>		
Male	15.4%	50.9%
Female	0.0%	53.9%
<b>Age of Veteran</b>		
20 to 29	12.7%	43.5%
30 to 39	6.6%	39.2%
40 to 49	23.2%	51.5%
50 to 64	11.9%	56.8%
65 and older	0.0%	100.0%
<b>Education</b>		
High school graduate	17.6%	53.5%
One year of college	25.1%	39.9%
Two years of college	15.3%	39.4%
Three years of college	0.0%	50.0%
College graduate	7.9%	56.6%
Post graduate course(s)	0.0%	50.0%
Post graduate degree	0.0%	75.0%
Other	18.1%	75.0%
<b>FULL SAMPLE</b>	<b>14.1%</b>	<b>51.2%</b>

**Table 32: Reasons Given by New Veteran Entrepreneurs Who Had Not Used Any Small Business Program Not Specific to Veterans.<sup>146</sup>**

<b>Reason for Past Non-use of Small Business Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	35.0%	44.4%	<b>42.9%</b>
Had a need but nothing in these programs meets my needs	5.0%	3.7%	<b>3.9%</b>
Perception that program service delivery is inadequate	5.0%	3.7%	<b>3.9%</b>
No time for training	0.0%	0.0%	<b>0.0%</b>
Confused as to what is available	25.0%	22.2%	<b>22.7%</b>
I don't qualify for program services because I am a veteran	0.0%	3.7%	<b>3.1%</b>
I don't qualify for program services for other reasons	5.0%	1.9%	<b>2.4%</b>
Wasn't aware that small business programs existed	10.0% *	29.6% *	<b>26.5% *</b>
Other	15.0%	16.7%	<b>16.4%</b>

<sup>146</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100. Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level.

**Table 33: Reasons Given by New Veteran Entrepreneurs Who Did Not Plan to Use Any Small Business Program Not Specific to Veterans.<sup>147</sup>**

<b>Reason for No Plans to use Small Business Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	10.0%**	46.2%**	<b>40.2%**</b>
Have needs but these programs don't meet them	10.0%	11.5%	<b>11.3%</b>
Need small business program designed for veterans	0.0%	3.8%	<b>3.2%</b>
Perception that program service delivery is inadequate	10.0%	0.0%	<b>1.6%</b>
Found these programs to be inadequate in the past	0.0%	0.0%	<b>0.0%</b>
Confused as to what is available	20.0%	23.1%	<b>22.6%</b>
I don't qualify for program services because I am a veteran	0.0%	3.8%	<b>3.2%</b>
I don't qualify for program services for other reasons	0.0%	7.7%	<b>6.4%</b>
Wasn't aware that small business programs existed	20.0%	15.4%	<b>16.1%</b>
Other	50.0%*	19.2%*	<b>24.3%*</b>

<sup>147</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100. Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level. Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

## 8. Business Owner Survey Results

Table 34 shows the demographics of the veteran business owner respondent pool. (See Chapter 6 above for more information on the underlying data). Perhaps the most striking finding in this table was that 95.0 percent of all veteran business owners were age 40 or over, and that 77.9 percent were age 50 or over. Also of interest was the finding that 96.3 percent of veteran business owners had a high school or higher degree, while 49.3 percent had a college degree, with or without additional post graduate studies.

**Table 34: Demographics of Veteran Business Owner Respondent Pool.**

<b>Veteran Cohort</b>	<b>Respondent Share</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	6.6%
Non service-disabled	93.4%
<b>Gender</b>	
Male	90.1%
Female	9.9%
<b>Marital Status</b>	
Single	13.0%
Married	77.4%
Living with a partner	0.8%
Legally separated	1.1%
Divorced	7.8%
<b>Age of Veteran</b>	
20 to 29	1.3%
30 to 39	3.7%
40 to 49	17.1%
50 to 64	54.5%
65 and older	23.4%
<b>Dependents</b>	
Dependent children	30.3%
No dependent children	69.7%
<b>Education</b>	
High school graduate	18.4%
One year of college	6.3%
Two years of college	16.7%
Three years of college	5.7%
College graduate	25.3%
Post graduate course(s)	5.2%
Post graduate degree	18.8%
Other	3.7%

Table 35 shows that a significant percentage of veteran business owners owned more than one business. Nearly one in six, or 15.7 percent, owned two businesses; and 2.1 percent owned three businesses.<sup>148</sup>

<sup>148</sup> The results presented in this section will be based on the first business of those owning more than one.

**Table 35: Share of Veteran Business Owners Owning More than One Business.**

<b>Veteran Cohort</b>	<b>Share Who Own Two Businesses</b>	<b>Share Who Own Three Businesses</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	11.0%	1.6%
Non service-disabled	16.0%	2.1%
<b>Age of Veteran</b>		
20 to 29	26.2%	0.0%
30 to 39	0.0%	0.0%
40 to 49	13.1%	0.0%
50 to 64	17.7%	2.6%
65 and older	13.5%	2.7%
<b>Education</b>		
High school graduate	12.6%	1.7%
One year of college	25.3%	5.3%
Two years of college	11.8%	1.9%
Three years of college	17.6%	1.9%
College graduate	13.2%	1.3%
Post graduate course(s)	20.9%	6.4%
Post graduate degree	18.0%	1.8%
Other	26.1%	0.0%
<b>FULL SAMPLE</b>	<b>15.7%</b>	<b>2.1%</b>

Table 36 shows that 38.7 percent of veteran business owners were home-based. Table 36 also shows that a greater proportion of service-disabled owners had a home-based business than did those veteran business owners who were not service-disabled (52.1 percent versus 37.7 percent). Also, a larger percentage of veterans with dependant children (46.1 percent) had businesses that were entirely located in their residence than did those without dependant children (35.4 percent).

**Table 36: Share of Veteran Business Owners Whose Enterprise is Entirely Located in Their Residence.<sup>149</sup>**

<b>Veteran Cohort</b>	<b>Share of Enterprises Located Entirely In Residence</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	52.1% **
Non service-disabled	37.7% **
<b>Dependents</b>	
Dependent children	46.1% **
No dependent children	35.4% **
<b>FULL SAMPLE</b>	<b>38.7%</b>

<sup>149</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

The survey indicated that status as a home-business appeared to be dynamic. Table 37 shows that 35.6 percent of those veteran business owners who had home-based businesses intended to move some or all of their business operations outside of their residence in the “foreseeable future.” Cross-tabulation analysis suggested that the proportion of owners who intended to expand beyond the home declined with the age of the business enterprise, although the differences were not statistically significant at the 10 percent level.<sup>150</sup>

**Table 37: Share of Home-Based Veteran Business Owners Planning to Relocate Some or All of Operations Outside of Their Residence in the “Foreseeable Future.”**

<b>Veteran Cohort</b>	<b>Share Planning to Expand Beyond Their Residence</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	42.1%
Non service-disabled	34.9%
<b>Gender</b>	
Male	34.3%
Female	45.6%
<b>Marital Status</b>	
Single	37.7%
Married	34.2%
Living with a partner	0.0%
Legally separated	50.0%
Divorced	43.5%
<b>Dependents</b>	
Dependent children	39.6%
No dependent children	33.3%
<b>FULL SAMPLE</b>	<b>35.6%</b>

There was an impressive longevity to veteran-owned small businesses. Table 38 shows that 68.1 percent of veteran business owners had owned their concerns for ten years or more. Although a smaller share of service-disabled veterans were in this category than non service-disabled veterans (48.7 percent vs. 69.4 percent), the share was still nearly half.

Table 39 shows that most owners started their business rather than purchasing an existing business (84.7 percent vs. 15.3 percent). Evidence suggests that this is a positive success indicator.<sup>151</sup> However, Table 40 shows that only 15.6 percent of owners had partners, their scarcity suggesting a negative success indicator.<sup>152</sup> The partner situation appeared to be a dynamic one through the life of the business in that 32 percent of new entrepreneurs originally formed or purchased their new business enterprise with one or more partners.<sup>153</sup> Partners may or may not stay through the life of the business.

<sup>150</sup> As the mean differences are substantial, this is likely due to inadequate sample size.

<sup>151</sup> Duchesneau, Donald A. and Gartner, William B. (1990), “A Profile of New Venture Success and Failure in An Emerging Industry,” *Journal of Business Venturing*, Vol. 5, pp. 297-312.

<sup>152</sup> Cooper, Arnold C.; Woo, Carolyn Y.; and Dunkelberg, William C. (1988); “Entrepreneurs Perceived Chances for Success,” *Journal of Business Venturing*, Vol.3, pp 97-108.

<sup>153</sup> See Table 15 above.

**Table 38: Age Distribution of Business Enterprises Owned By Veterans.**<sup>154</sup>

<b>Business Age from Start or Purchase</b>	<b>All Owners</b>	<b>Service-disabled</b>	<b>Non Service-disabled</b>
Less than six months	<b>0.1%</b>	1.6% **	0.0% **
Six months or more but less than one year	<b>0.6%</b>	4.7% **	0.3% **
One year or more but less than three years	<b>6.6%</b>	16.0% **	5.9% **
Three years or more but less than five years	<b>7.6%</b>	6.5% **	7.7% **
Five years or more but less than ten years	<b>17.1%</b>	22.5% **	16.7% **
Ten years or more	<b>68.1%</b>	48.7% **	69.4% **

**Table 39: Share of Veteran Business Owners Starting or Purchasing a Business.**

<b>Veteran Cohort</b>	<b>Share Starting</b>	<b>Share Purchasing</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	90.2%	9.8%
Non service-disabled	84.3%	15.7%
<b>Gender</b>		
Male	84.5%	15.5%
Female	86.6%	13.4%
<b>Age of Veteran</b>		
20 to 29	73.8%	26.2%
30 to 39	80.9%	19.1%
40 to 49	89.5%	10.5%
50 to 64	85.5%	14.5%
65 and older	81.8%	18.2%
<b>FULL SAMPLE</b>	<b>84.7%</b>	<b>15.3%</b>

**Table 40: Share of Veteran Business Owners Beginning With Partners.**<sup>154</sup>

<b>Veteran Cohort</b>	<b>Share With Partners</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	13.1%
Non service-disabled	15.8%
<b>Dependents</b>	
Dependent children	7.5% **
No dependent children	19.1% **
<b>Education</b>	
High school graduate	20.1% **
One year of college	15.6% **
Two years of college	5.9% **
Three years of college	9.3% **
College graduate	17.0% **
Post graduate course(s)	34.6% **
Post graduate degree	14.4% **
Other	17.2% **
<b>FULL SAMPLE</b>	<b>15.6%</b>

<sup>154</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

As in the case of the new veteran entrepreneurs profiled in Chapter 7, Internet-dependent businesses did not dominate the population of existing veteran-owned businesses; but they were not unimportant, either. Table 41 shows that only 5.8 percent of owners indicated that their business was 100 percent dependent on the Internet. However, 22.5 percent indicated that their business was 50 percent or more dependent on the Internet. The fact that almost 32 percent of the veteran entrepreneur population in the residential survey indicated that their business would be 50 percent or more dependent on the Internet in the future suggests that web dependence might grow in the veteran business population.<sup>155</sup>

**Table 41: Internet Dependence of Current Veteran-Owned Businesses.**<sup>156</sup>

<b>Veteran Cohort</b>	<b>0 to 24 Percent</b>	<b>25 to 49 Percent</b>	<b>50 to 99 Percent</b>	<b>100 Percent</b>
<b>Service-Connected Disability Status</b>				
Service-disabled	45.9% **	20.6% **	25.6% **	7.9% **
Non service-disabled	65.6% **	12.7% **	16.1% **	5.6% **
<b>Age of Veteran</b>				
20 to 29	24.6% **	0.0% **	75.4% **	0.0% **
30 to 39	66.3% **	15.2% **	0.0% **	18.5% **
40 to 49	57.7% **	10.1% **	25.1% **	7.0% **
50 to 64	60.8% **	16.1% **	17.0% **	6.0% **
65 and older	78.8% **	9.1% **	9.4% **	2.8% **
<b>Education</b>				
High school graduate	66.5%	20.7%	11.1%	1.7%
One year of college	73.1%	10.3%	10.0%	6.6%
Two years of college	62.8%	18.2%	14.4%	4.6%
Three years of college	68.4%	9.1%	15.1%	7.4%
College graduate	60.6%	11.8%	22.9%	4.7%
Post graduate course(s)	64.9%	6.4%	16.2%	12.5%
Post graduate degree	57.2%	9.6%	22.4%	10.8%
Other	97.1%	2.9%	0.0%	0.0%
<b>FULL SAMPLE</b>	<b>64.3%</b>	<b>13.2%</b>	<b>16.7%</b>	<b>5.8%</b>

As was the case with new veteran entrepreneurs, military service was of great value in providing business ownership skills. Table 42 shows that 69.2 percent of business owners supervised others while on active duty. These owners included a significantly higher proportion of service-disabled veterans than non service-disabled veterans (87.6 percent vs. 67.9 percent). Table 43 shows that 88.9 percent of those who had supervisory experience while on active duty taught those that they supervised new skills or reinforced existing skills.

<sup>155</sup> See Table 18 above.

<sup>156</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

**Table 42: Veteran Business Owners Who Supervised Others On Active Duty.**<sup>157</sup>

<b>Veteran Cohort</b>	<b>Share With Active Duty Supervisory Experience</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	87.6% **
Non service-disabled	67.9% **
<b>Gender</b>	
Male	70.1%
Female	61.3%
<b>FULL SAMPLE</b>	<b>69.2%</b>

**Table 43: Share of Veteran Business Owners With Active Duty Supervisory Experience Who Taught or Reinforced Skills to Those They Supervised.**<sup>158</sup>

<b>Veteran Cohort</b>	<b>Share Who Taught Those They Supervised</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	96.5% *
Non service-disabled	88.2% *
<b>FULL SAMPLE</b>	<b>88.9%</b>

Beyond supervisory experience, active duty taught business-related skills to a reasonably high proportion of veteran business owners. As shown in Table 44, 37.5 percent of veteran business owners indicated that they learned or made use of one or more technologies while on active duty that were of “direct use in their current business enterprise.” A higher percentage of service-disabled veterans benefited from business-relevant technological training while on active duty than non service-disabled veterans (51.6 percent vs. 36.8 percent). Beyond pure technology training, Table 44 also shows that 34.0 percent of veteran business owners indicated that while on active duty they had one or more formal classes (*other* than to learn new technologies) that were of direct relevance to the ownership and operation of their business enterprise. Again, a greater proportion of service-disabled veterans benefited; 49.3 percent vs. 33.0 percent for veteran business owners who were not service-disabled.

As with the new veteran entrepreneurs profiled in Chapter 7, experience gained from previous business ownership and from the labor market benefited a greater proportion of veteran business owners than business-relevant experience gained while on active duty service. Table 45 shows that 83.2 percent of veteran business owners had owned at least one business in the past. This appeared to be an increasing function of age, while approximate gender equality appeared to be the case.

<sup>157</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

<sup>158</sup> Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level.



**Table 44: Share of Veteran Business Owners Who Learned Business Skills of Direct Use in Their Current Business Enterprise While on Active Duty.<sup>159</sup>**

<b>Veteran Cohort</b>	<b>Share Using or Learning Technologies of Direct Use</b>	<b>Share Taking One or More Classes of Direct Relevance</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	51.6% **	49.3% **
Non service-disabled	36.8% **	33.0% **
<b>Gender</b>		
Male	39.1% **	32.5%
Female	25.1% **	48.3%
<b>Age of Veteran</b>		
20 to 29	24.6% **	0.0% *
30 to 39	62.6% **	27.1% *
40 to 49	53.5% **	48.6% *
50 to 64	36.2% **	33.6% *
65 and older	26.3% **	27.9% *
<b>FULL SAMPLE</b>	<b>37.5%</b>	<b>34.0%</b>

**Table 45: Share of Veteran Business Owners Who Owned a Business in the Past.<sup>136</sup>**

<b>Veteran Cohort</b>	<b>Share Owning a Business in the Past</b>
<b>Service-Connected Disability Status</b>	
Service-disabled	73.2% *
Non service-disabled	83.9% *
<b>Gender</b>	
Male	83.6%
Female	79.9%
<b>Age of Veteran</b>	
20 to 29	24.6% **
30 to 39	54.1% **
40 to 49	84.7% **
50 to 64	84.7% **
65 and older	86.2% **
<b>FULL SAMPLE</b>	<b>83.2%</b>

A high proportion of veteran owners gained key business skills from previous employment or business ownership experience. As shown in Table 46, 91.6 percent gained experience in managing employees; 96.6 percent gained experience in dealing with customers; 84.5 percent gained experience in marketing; 73.4 percent gained experience in managing tax issues; and 72.3 percent of owners gained experience in anticipating business trends from previous business ownership or employment.

<sup>159</sup> Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level. Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

**Table 46: Veteran Business Owners Who Have Gained Key Business Ownership Skills From Previous Employment and/or Previous Business Ownership.<sup>160</sup>**

<b>Veteran Cohort</b>	<b>Managing Employees</b>	<b>Dealing With Customers</b>	<b>Marketing Products or Services</b>	<b>Managing Tax Laws</b>	<b>Anticipating Business Trends</b>
<b>Service Disability Status</b>					
Service-disabled	87.9%	96.5%	86.0%	77.3%	77.4%
Non service-disabled	91.9%	96.6%	84.4%	73.1%	72.1%
<b>Age of Veteran</b>					
20 to 29	100.0%	100.0%	100.0%	100.0%	100.0%
30 to 39	76.3%	89.2%	72.4%	73.1%	69.2%
40 to 49	99.3%	94.9%	89.8%	79.6%	79.9%
50 to 64	89.6%	96.7%	86.3%	69.9%	69.8%
65 and older	93.1%	98.4%	77.3%	75.8%	72.3%
<b>Education</b>					
High school graduate	82.7%	96.1%	76.2%	67.6%	66.5%
One year of college	94.4%	94.4%	88.9%	58.8%	51.4%
Two years of college	92.9%	97.8%	80.8%	71.9%	75.7%
Three years of college	91.9%	94.1%	90.2%	73.9%	59.8%
College graduate	93.7%	98.1%	88.5%	78.1%	79.8%
Post graduate courses	93.9%	100.0%	93.6%	74.6%	68.9%
Post graduate degree	94.5%	93.8%	88.3%	75.8%	76.6%
Other	91.4%	100.0%	65.1%	82.8%	74.3%
<b>FULL SAMPLE</b>	<b>91.6%</b>	<b>96.6%</b>	<b>84.5%</b>	<b>73.4%</b>	<b>72.3%</b>

Table 47 shows that 83.4 percent of veteran business owners gained skills directly related to the running of their current business enterprise from informal on-the-job training, while 57.0 percent gained such skills from formal on-the-job training, and 16.9 percent from apprenticeship programs.

Table 48 shows that non service-disabled veteran business owners ranked the affordability of health insurance as their number one concern among a choice of 17 problems. Nearly half (46.9 percent) indicated that health insurance affordability was a “critical” problem. The non service-disabled veterans ranked problems related to government resources and programs just below health insurance affordability. The number 2 problem was “Knowledge of helpful government and private programs for small business owners in general,” followed by “Obtaining resources of various types from the Government” and “Knowledge of helpful government and private programs geared toward veteran small business owners.” The two lowest-ranked problems were “My status as a veteran or service-disabled veteran” and “My disability,” which, interestingly, were also fairly low in the problem rankings of the service-disabled veteran population.

<sup>160</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100.

**Table 47: Veteran Business Owners With Business-Relevant Education and/or Experience from Apprenticeship Programs or On-the-Job Training.<sup>161</sup>**

<b>Veteran Cohort</b>	<b>Apprenticeship Programs</b>	<b>On-the-Job Training (Formal Classes)</b>	<b>On-the-Job Training (Informal)</b>
<b>Service-Connected Disability Status</b>			
Service-disabled	8.6%	49.8%	87.2%
Non service-disabled	17.4%	57.5%	83.1%
<b>Age of Veteran</b>			
20 to 29	50.0%	100.0% **	50.0%
30 to 39	0.0%	100.0% **	52.8%
40 to 49	13.6%	59.0% **	82.5%
50 to 64	18.5%	59.6% **	85.6%
65 and older	16.6%	43.2% **	84.2%
<b>Education</b>			
High school graduate	19.2%	58.8%	74.0%
One year of college	18.4%	46.7%	91.7%
Two years of college	11.5%	60.7%	85.3%
Three years of college	19.5%	53.4%	77.2%
College graduate	17.4%	57.3%	85.1%
Post graduate course(s)	6.9%	54.0%	83.5%
Post graduate degree	16.8%	61.4%	83.7%
Other	38.2%	37.4%	100.0%
<b>FULL SAMPLE</b>	<b>16.9%</b>	<b>57.0%</b>	<b>83.4%</b>

**Table 48: Measures of Veteran Business Owner Problem Importance: Non Service-Disabled Veteran Business Owners**

<b>Problem</b>	<b>Rank</b>	<b>Mean</b>	<b>% "Critical"</b>
Affordability of health insurance	1	3.443	46.9%
Knowledge of programs for small business owners in general	2	3.171	26.0%
Obtaining resources from the government	3	3.137	30.3%
Knowledge of programs for veteran small business owners	4	3.018	30.5%
Finding qualified employees	5	2.975	22.2%
Access to health insurance	6	2.895	34.7%
Understanding tax law	7	2.488	17.5%
Access to financing	8	2.423	15.8%
Disadvantages in government contracting	9	2.353	18.5%
Managing time	10	2.326	10.4%
Understanding regulations	11	2.239	10.4%
Retaining qualified employees	12	2.175	8.8%
Developing and implementing a marketing strategy	13	2.166	5.3%
Managing employees	14	1.643	4.4%
Business interruptions due to military deployment	15	1.260	3.6%
My status as a veteran or service-disabled veteran	16	1.237	2.6%
My disability	17	1.089	1.4%

<sup>161</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

Table 49 shows that service-disabled veteran business owners ranked government program and resource issues at the top of their list of problems, while health insurance affordability, the top problem for non service-disabled veteran owners, ranked number 5.

**Table 49: Measures of Veteran Business Owner Problem Importance: Service-Disabled Veteran Business Owners**

Problem	Rank	Mean	% “Critical”
Obtaining resources from the government	1	3.391	37.2%
Knowledge of programs for veteran small business owners	2	3.237	31.7%
Knowledge of programs for small business owners in general	3	3.192	28.3%
Disadvantages in government contracting	4	2.875	35.4%
Affordability of health insurance	5	2.803	31.6%
Finding qualified employees	6	2.800	26.0%
Access to financing	7	2.790	26.3%
Understanding tax law	8	2.693	18.1%
Access to health insurance	9	2.539	24.9%
Retaining qualified employees	10	2.338	14.0%
My disability	11	2.304	16.6%
Understanding regulations	12	2.292	10.2%
Managing time	13	2.229	9.9%
Developing and implementing a marketing strategy	14	2.124	1.7%
My status as a veteran or service-disabled veteran	15	1.926	11.8%
Managing employees	16	1.646	5.4%
Business interruptions due to military deployment	17	1.223	3.5%

Table 50 shows that 5.8 percent of current veteran business owners indicated that they had made use of a public or private small business program specifically designed for veterans, nearly the same as the 5.3 percent share of new veteran entrepreneurs in the residential survey using such programs.<sup>162</sup> A greater percentage of service-disabled business owners used veteran small business programs than non service-disabled veteran owners (16.7 percent vs. 5.1 percent). A significant 36.3 percent of current owners *planned* to make use of veteran small business programs in the “foreseeable future,” with the 30 to 39 age cohort being most likely to have had such a plan (56.6 percent).

Table 51 shows that 41.0 percent of those who have not used a veteran small business program indicated that they did not need such programs, and 36.3 percent were not aware that veteran small business programs existed. Table 52 shows that 53.0 percent those veteran business owners who were not planning to use small business programs for veterans indicated that they did not have a need for such program services, 22.5 percent did not know such programs existed, and 12.8 percent were confused as to what was available.<sup>163</sup> But, as with new veteran entrepreneurs, there still was an interest in using these programs. Table 53 shows that 95.2 percent of those who were confused about the existence or structure of veteran small business programs indicated that, if they knew more about them, they would use such programs if they met their needs.

<sup>162</sup> See Table 28.

<sup>163</sup> Respondents were allowed to choose more than one response category to this question.

**Table 50: Proportion of Veteran Business Owners Who Have Used or Plan to Use a Public or Private Small Business Program Specifically Designed for Veterans.<sup>164</sup>**

<b>Veteran Cohort</b>	<b>Share Who Have Used a Veterans Program</b>	<b>Share Planning to Use a Veterans Program</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	16.7% **	46.0%
Non service-disabled	5.1% **	35.8%
<b>Gender</b>		
Male	6.1%	34.3% **
Female	3.3%	55.0% **
<b>Age of Veteran</b>		
20 to 29	0.0%	49.2% **
30 to 39	14.1%	56.6% **
40 to 49	3.9%	51.2% **
50 to 64	6.3%	35.0% **
65 and older	5.3%	23.9% **
<b>Education</b>		
High school graduate	4.5%	39.9%
One year of college	8.3%	25.4%
Two years of college	6.6%	41.1%
Three years of college	5.6%	42.0%
College graduate	6.2%	33.3%
Post graduate course(s)	0.0%	30.4%
Post graduate degree	7.9%	38.8%
Other	0.0%	26.1%
<b>FULL SAMPLE</b>	<b>5.8%</b>	<b>36.3%</b>

**Table 51: Reasons Given by Veteran Owners Who Had Not Used Any Veteran Small Business Programs.<sup>165</sup>**

<b>Reason for Non-use of Veterans Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	35.7%	41.3%	<b>41.0%</b>
Had a need but nothing in these programs meets my needs	8.0%	4.5%	<b>4.7%</b>
Programs serving both veterans and non-veterans are adequate	2.1%	3.0%	<b>3.0%</b>
Perception that program service delivery is inadequate	10.1%	6.4%	<b>6.6%</b>
Confused as to what is available	13.8%	10.9%	<b>11.0%</b>
Wasn't aware that small business programs for veterans existed	26.1%	36.9%	<b>36.3%</b>
I don't qualify	4.1%	3.8%	<b>3.8%</b>
Other	14.3%	9.4%	<b>9.7%</b>

<sup>164</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

<sup>165</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100.

**Table 52: Reasons Given by Veteran Business Owners Who Did Not Plan to Use a Veteran Small Business Program.<sup>166</sup>**

Reason for No Plans to use Veteran Small Business Programs	Service-Disabled	Non Service-Disabled	FULL SAMPLE
Didn't have a need for these program services	51.7%	53.0%	53.0%
Have needs but these programs don't meet them	3.8%	4.1%	4.1%
Non veteran-specific small business programs are adequate	0.0%	0.6%	0.6%
Negative experience with these programs in the past	15.1%**	2.9%**	3.5%**
Perception that program service delivery is inadequate	7.2%	3.6%	3.8%
Confused as to what is available	10.8%	12.9%	12.8%
Wasn't aware that small business programs existed	11.3%	23.0%	22.5%
Other	7.4%	11.1%	11.0%

**Table 53: Share of Veteran Business Owners Unaware of Small Business Programs for Veterans Who Would Use Such Programs If Aware of Them.<sup>167</sup>**

Veteran Cohort	Share Who Would Use Programs If Aware of Them
<b>Service-Connected Disability Status</b>	
Service-disabled	90.6%
Non service-disabled	95.4%
<b>Gender</b>	
Male	94.6%
Female	100.0%
<b>Age of Veteran</b>	
20 to 29	100.0%
30 to 39	100.0%
40 to 49	97.6%
50 to 64	92.9%
65 and older	96.9%
<b>Education</b>	
High school graduate	100.0% **
One year of college	65.4% **
Two years of college	100.0% **
Three years of college	100.0% **
College graduate	93.9% **
Post graduate course(s)	100.0% **
Post graduate degree	95.8% **
Other	100.0% **
<b>FULL SAMPLE</b>	<b>95.2%</b>

<sup>166</sup> Respondents were allowed to select multiple response options. Thus shares do not total to 100. Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

<sup>167</sup> Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

Table 54 shows that 21.6 percent of owners indicated that they had used a public or private small business program other than those specifically designed for veterans (with similar proportions of the service-disabled and non service-disabled populations indicating such program usage). This level was more than half again as large as the 14.1 percent share of new veteran entrepreneurs who indicated such past program usage.<sup>168</sup> Table 54 also shows that 31.9 percent of veteran business owners planned to make use of a non veteran-specific small business program in the foreseeable future, a significantly smaller share than the 51.2 percent of new veteran entrepreneurs planning to do so.<sup>169</sup>

**Table 54: Share of Veteran Business Owners Who Have Used or Plan to Use a Public or Private Small Business Program Non-Specific to Veterans.<sup>170</sup>**

<b>Veteran Cohort</b>	<b>Share Who Have Used a Small Business Program</b>	<b>Share Planning to Use a Small Business Program</b>
<b>Service-Connected Disability Status</b>		
Service-disabled	26.7%	37.1%
Non service-disabled	21.2%	31.5%
<b>Gender</b>		
Male	21.5%	32.1%
Female	22.8%	29.9%
<b>Age of Veteran</b>		
20 to 29	49.2%	0.0% *
30 to 39	21.0%	39.0% *
40 to 49	21.9%	45.4% *
50 to 64	23.2%	33.1% *
65 and older	16.4%	20.3% *
<b>Education</b>		
High school graduate	19.4%	28.5%
One year of college	20.0%	18.7%
Two years of college	14.7%	44.7%
Three years of college	25.8%	27.6%
College graduate	24.9%	32.1%
Post graduate course(s)	35.0%	28.6%
Post graduate degree	21.6%	29.0%
Other	17.7%	31.1%
<b>FULL SAMPLE</b>	<b>21.6%</b>	<b>31.9%</b>

Table 55 shows that 50.9 percent of those veteran business owners who did not make use of general, non veteran-specific small business programs indicated that they did not have a need for “these program services.” Further, 27.9 percent did not know such programs existed, and 15.5 percent were confused as to what was available.

<sup>168</sup> See Table 31.

<sup>169</sup> Ibid.

<sup>170</sup> Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level.

**Table 55: Reasons Given by Veteran Business Owners Who Had Not Used Any Small Business Programs Non-Specific to Veterans.<sup>171</sup>**

<b>Reason for Non-use of Veterans Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	50.2%	51.0%	<b>50.9%</b>
Had a need but these programs don't meet my needs	2.2%	3.2%	<b>3.1%</b>
Perception that program service delivery is inadequate	6.8%	2.8%	<b>3.1%</b>
Don't have time for training	2.4%	1.4%	<b>1.5%</b>
Confused as to what is available	15.5%	15.5%	<b>15.5%</b>
Don't qualify for program due to my veteran status	0.0%	0.4%	<b>0.4%</b>
Don't qualify for program for reasons other than being a veteran	0.0%	1.3%	<b>1.3%</b>
Wasn't aware that small business programs existed	25.0%	28.1%	<b>27.9%</b>
Other	9.2%	6.4%	<b>6.6%</b>

Interestingly, Table 56 shows that, of those who *did* need program services but did not use general, non veteran-specific small business programs because those programs did not meet their needs, 23.3 percent indicated that the entire problem was the need for a veteran-specific program, while 15.4 percent said that the problem was partially the need for a veteran-specific program.<sup>172</sup>

**Table 56: Share of Veteran Business Owners Who Rejected the Use of General Small Business Programs Due to the Need for a Veteran-Specific Program.**

<b>Veteran Cohort</b>	<b>Share Rejecting Entirely Due to the Need for a Veteran-Specific Program</b>	<b>Share Rejecting Partially Due to the Need for a Veteran-Specific Program</b>
<b>Service-Connected Disability Status</b>		
Service Disabled	0.0%	100.0%
Non Service Disabled	24.2%	12.1%
<b>Gender</b>		
Male	36.3%	5.8%
Female	0.0%	32.6%
<b>FULL SAMPLE</b>	<b>23.3%</b>	<b>15.4%</b>

Table 57 shows that 61.6 percent of those who were not planning to make use of a general, non veteran-specific small business program indicated that they simply did not have a need for “these program services,” while 19.9 percent were unaware that these programs existed, and 10.9 percent were confused as to what was available.

<sup>171</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100.

<sup>172</sup> We were unable to obtain good data on this question for the population of new veteran entrepreneurs from the residential survey.



**Table 57: Reasons Given by Veteran Business Owners Who Did Not Plan to Use Any Small Business Program Not Specific to Veterans.<sup>173</sup>**

<b>Reason for No Plans to use Small Business Programs</b>	<b>Service-Disabled</b>	<b>Non Service-Disabled</b>	<b>FULL SAMPLE</b>
Didn't have a need for these program services	53.7%	62.1%	<b>61.6%</b>
Have needs but these programs don't meet them	0.0%	1.3%	<b>1.2%</b>
Need small business program designed for veterans	0.0%	0.7%	<b>0.6%</b>
Perception that program service delivery is inadequate	3.5%	4.0%	<b>4.0%</b>
Found these programs to be inadequate in the past	7.4% *	1.4% *	<b>1.7%</b>
Confused as to what is available	14.3%	10.7%	<b>10.9%</b>
I don't qualify for program services because I am a veteran	0.0%	0.6%	<b>0.6%</b>
I don't qualify for program services for other reasons	7.2% **	0.0% **	<b>0.4%</b>
Wasn't aware that small business programs existed	17.4%	20.0%	<b>19.9%</b>
Other	7.4%	4.0%	<b>4.2%</b>

<sup>173</sup> Respondents were allowed to select multiple response options. Thus, shares do not total to 100. Single asterisk (\*) denotes that Chi-square for the difference in the means is significant at the 10 percent significance level or less, but greater than the 5 percent significance level. Double asterisks (\*\*) denote that Chi-square for the difference in the means is significant at the 5 percent significance level or less.

## 9. Analysis and Policy Implications

This chapter presents the policy and program implications of the survey results presented in Chapters 7 and 8 above. In doing so, we attempt to answer three questions:

1. Is investment in veterans programs economically rational?
2. If so, what is the appropriate composition of resources?
3. What do service-disabled veterans need?

### 9.1 Is Investment in Veteran Business Development Economically Rational?

The data from both the new veteran entrepreneur survey and the veteran business owner survey provided persuasive evidence that investment in entrepreneurship programs for veterans and service-disabled veterans is economically rational. More than 22 percent of the residential population of veterans appeared to be engaged in or considering business start-up activity.<sup>174</sup> And, overwhelmingly, both new veteran entrepreneurs and experienced business owners started their own businesses as opposed to purchasing existing concerns. (About 85 percent of owners had started their current business,<sup>175</sup> and almost 18 percent of the residential population intended to start their own businesses vs. about 4 percent who intended to purchase.<sup>176</sup>) The small business literature shows this to be a positive success indicator.<sup>177</sup> This plus may be somewhat offset by the relatively low proportion of veteran business owners with partners, another positive success indicator.<sup>178</sup> But the fact that nearly 32 percent of new veteran entrepreneurs planned to start with one or more partners,<sup>179</sup> double the nearly 16 percent of current veteran business owners who had partners,<sup>180</sup> may mean that partnerships are becoming more common in the veteran population.

The survey data provided other positive signs concerning the potential for business ownership success in the veteran population. More than one third of both new veteran entrepreneurs and current veteran business owners had gained skills from their active duty service that were directly relevant to business ownership, a point underscored by the fact that survey questions were phrased to require the respondent to consider a direct connection between skills learned in the military and business ownership skills.<sup>181</sup>

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<sup>174</sup> See Table 14.

<sup>175</sup> See Table 39.

<sup>176</sup> See Table 14.

<sup>177</sup> Duchesneau, Donald A. and Gartner, William B. (1990), "A Profile of New Venture Success and Failure in An Emerging Industry," *Journal of Business Venturing*, Vol. 5, pp. 297-312.

<sup>178</sup> Cooper, Arnold C., Woo, Carolyn Y. and Dunkelberg, William C. (1988), "Entrepreneurs Perceived Chances for Success," *Journal of Business Venturing*, Vol.3, pp 97-108.

<sup>179</sup> See Table 15.

<sup>180</sup> See Table 40.

<sup>181</sup> See Tables 23, 24 and 44.

Prior business ownership and employment experience positively impacted an even higher percentage of new veteran entrepreneurs and current veteran business owners than did military experience. About 61 percent of new veteran entrepreneurs and 83 percent of current veteran businesses owners had owned at least one business in the past.<sup>182</sup> Most new veteran entrepreneurs had gained key skills from previous employment or ownership experience; the share of those gaining skills in this way was particularly high in the areas of dealing with customers (96 percent) and managing employees (at 87 percent).<sup>183</sup> The numbers were even stronger for current veteran business owners.<sup>184</sup>

Of importance concerning the economic return from veteran entrepreneurship, it would appear that veteran start-ups are job generators. Almost 72 percent of new veteran entrepreneurs planned to employ at least one person other than themselves at the outset of their new business venture.<sup>185</sup>

## **9.2 What is the Rational Composition of Resources?**

The sizable home-based component in both the new veteran entrepreneur population and the current veteran business owner populations (62 percent and 39 percent, respectively) suggests the need for programs to address the particular challenges of home business ownership.<sup>186</sup> Also, enough veteran business owners have a relatively strong Internet component in their business concerns (more than 28 percent being 50 percent or more Internet-dependent) that public or private veteran small business programs need to address the issues surrounding web usage by these firms.<sup>187</sup>

## **9.3 What Do Service-Disabled Veterans Need?**

Survey data suggest that service-disabled veterans need to acquire more business ownership skills in general. The proportion of service-disabled veteran business owners and new entrepreneurs who had previous business ownership experience (73 percent and 43 percent, respectively) was smaller than that of non service-disabled veterans (84 percent and 64 percent, respectively), although this gap was narrower within the business owner population.<sup>188</sup> It is a positive indicator for public investment in service-disabled veteran entrepreneurship that a greater proportion of current service-disabled veteran business owners had gained business-relevant skills from active duty service than had their non service-disabled veteran counterparts (49 percent vs. 33 percent taking formal classes, and 52 percent vs. 37 percent using business-relevant technologies).<sup>189</sup>

Special emphasis should be given to programs for service-disabled veterans interested in home business start-ups and the management of existing home-based concerns, given the

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<sup>182</sup> See Tables 25 and 45.

<sup>183</sup> See Table 26.

<sup>184</sup> See Table 46.

<sup>185</sup> See Table 17.

<sup>186</sup> See Tables 16 and 36.

<sup>187</sup> See Table 41.

<sup>188</sup> See Tables 25 and 45.

<sup>189</sup> See Table 44.

higher percentage of service-disabled owners who had their business entirely located in their residence (52 percent vs. 38 percent).<sup>190</sup> And the somewhat higher percentage of service-disabled veteran business owners than non service-disabled owners whose business enterprises had a significant Internet dependence (34 percent vs. 22 percent were at least 50 percent Internet-dependent) should also be noted by policymakers.<sup>191</sup>

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<sup>190</sup> See Table 36.

<sup>191</sup> See Table 41.

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# Appendix

## Survey Instrument

### VETERANS BUSINESS OWNERSHIP SURVEY BUSINESS OWNERS SURVEY TELEPHONE VERSION

Hello, I am calling on behalf of the Small Business Administration (SBA). We are conducting a very important study of veterans to obtain their opinions about starting, managing, or growing small businesses, as well as their use of certain programs designed for veterans. The survey is voluntary and your responses will be kept confidential.

1. Did you ever serve on active duty in the U.S. armed forces for purposes other than training or yearly summer camp in the National Guard or Military Reserves?
  - a. Yes
  - b. No

**INTERVIEWER: IF NO, CATI WILL AUTOMATICALLY TAKE YOU TO THE END OF THE SURVEY. SAY, "Thank you very much for your time. IF YES, CATI WILL CONTINUE THE SURVEY.**

2. Is there anything that prevents you from qualifying for VA benefits?
  - a. Yes
  - b. No

**INTERVIEWER: IF YES CATI WILL AUTOMATICALLY TAKE YOU TO THE END OF THE SURVEY. SAY, "Thank you very much for your time." IF NO, CATI WILL CONTINUE THE SURVEY.**

3. In what month and year did you report for active duty? \_\_\_\_\_ / \_\_\_\_\_  
Month / Year
4. In what month and year were you last released from active duty? \_\_\_\_\_ / \_\_\_\_\_  
Month / Year
5. Did your active duty continue without interruption?
  - a. Yes (*CATI will Go to question 7*)
  - b. No

6. During what period(s) was your active duty interrupted? \_\_\_\_\_

7. Do you have a service-connected disability rating?

- a. Yes
- b. No **(CATI will Go to question 9)**

8. Is your service-connected disability rating.....

- a. 50 percent or higher
- b. 30 or 40 percent
- c. 10 or 20 percent
- d. Zero percent

9. What branch or branches of the U.S. military did you serve on active duty? **(Check all that apply)**

- a. Army
- b. Navy
- c. Marine Corps
- d. Air Force
- e. Coast Guard
- f. Women's Auxiliary Corps (WAAC)
- g. Women's Army Corps (WACs)
- h. Women Accepted for Voluntary Emergency Services (WAVES)
- i. Navy Nursing Corps (NNC)
- j. Air Force Nursing Corps (AFNC)
- k. Women's Air Force Service Pilots (WASPS)
- l. Coast Guard Women's Reserve (SPARS)
- m. The Public Health Service, the Environmental Services Administration or the National Oceanic and Atmospheric Administration
- n. U.S. Merchant Marine, Dec 7, 1941-Aug 5, 1945 on ships under U.S. flag
- o. Other (please specify)\_\_\_\_\_

10. Please describe your Military Occupational Specialty (M.O.S.) while on active duty. If you had more than one, please describe each one.

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11. While you were on active duty did you supervise any people?

- a. Yes
- b. No **(CATI will Go to question 12)**

11a. Did you have to teach them new skills or reinforce their skills?

- a. Yes
- b. No

12. What was your rank upon your final separation from active duty in the U.S. military?

\_\_\_\_\_ (rank)

13. What is your gender?

- a. Male
- b. Female

14. What is your marital status?

- a. Single
- b. Married
- c. Living with a partner
- d. Legally separated
- e. Divorced

15. Do you currently have children who depend on you for at least half of their support?

- a. Yes
- b. No

16. How old are you?

- a. Younger than 20
- b. 20 to 29
- c. 30 to 39
- d. 40 to 49
- e. 50 to 64
- f. 65 to 84
- g. 85 or older

17. What is the zip code of your primary residence? \_\_\_\_\_ (zip code)

18. What is the highest educational level that you have achieved?

- a. High school graduate
- b. One year of college
- c. Two years of college
- d. Three years of college
- e. College graduate
- f. College graduate with some post-graduate courses
- g. Post graduate degree(s)
- h. Other (please specify) \_\_\_\_\_



19. Have you ever completed a course of training and/or education at a private technical or trade school?

- a. Yes
- b. No **(CATI will Go to question 20)**

19a. Was your trade school education in lieu of high school?

- a. Yes
- b. No

19b. In lieu of college?

- a. Yes
- b. No

20. Did you use Veterans' benefits to fund any part of your community college, university, graduate school or private technical or trade school education?

- a. Yes
- b. No **(CATI will Go to question 22)**

21. What specific veterans' benefits did you use to fund this education?

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22. Have you used any other types of benefits to fund any part or all of your education?

- a. Yes
- b. No **(CATI will Go to question 23)**

22a. Please list the type. \_\_\_\_\_

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23. Do you own a computer?

- a. Yes
- b. No **(CATI will Go to question 25)**

24. Do you have Internet access on your own computer?

- a. Yes **(CATI will Go to question 26)**

b. No

25. Do you have readily available Internet access by some other means (local library, school, workplace, etc.)?

a. Yes

b. No

.....

26. In the past, have you owned at least one business or been involved in at least one self-employment activity?

a. Yes

b. No

27. Are you currently self-employed or do you currently own or operate a small business concern?

a. Yes

b. No

**INTERVIEWER: IF YES, CATI WILL GO TO Q28 AUTOMATICALLY, IF NO, CATI WILL TAKE YOU TO THE END OF THE SURVEY. SAY, "Thank you for your time."**

28. Do you now own more than one business?

a. Yes

b. No

(open-ended: business 1, business 2..)

**INTERVIEWER: IF VETERAN OWNS MORE THAN ONE BUSINESS, CATI WILL AUTOMATICALLY CYCLE QUESTIONS (29) THROUGH (35) FOR EACH BUSEINESS THAT HE/SHE OWNS.**

29. Please describe your business enterprise(s).

30. How many employees do you have full and part-time including yourself? (For the purposes of this question, please count an independent contractor or a temporary employee, full and part-time, as one employee)

a. One

b. Two

c. Three to Five

d. Six to Nine

e. Ten to Fourteen

- f. Fifteen to Nineteen
- g. Twenty to Thirty-nine
- h. Forty to 100
- i. 101 to 499
- j. 500 or more

31. Is your business entirely located in your residence?

- a. Yes
- b. No *(CATI will Go to question 32)*

31a. Do you intend to have some or all of your business operation outside of your residence in the foreseeable future?

- a. Yes
- b. No
- c. Not sure

32. To what extent is your business enterprise or self-employment activity dependent upon the use of the Internet?

- a. 100 percent
- b. 50 to 99 percent
- c. 25 to 49 percent
- d. 0 to 24 percent

33. Did you purchase or start your small business?

- a. Purchased
- b. Started

34. How long ago?

- a. Less than six months ago
- b. Six months or more, but less than one year ago
- c. One year ago or more, but less than three years ago
- d. Three years ago or more, but less than five years ago
- e. Five years ago or more, but less than ten years ago
- f. Ten years ago or more

35. Are you in business for yourself or do you have partners?

- a. I am in business for myself
- b. I have one or more partners

**INTERVIEWER: CATI WILL REPEAT FOR BUSINESS 2 AND FOR BUSINESS**

36. Have you gained experience in each of the following from either previous jobs or previous business ownership?
- |   |        |
|---|--------|
| a. Managing Employees                               | Yes/No |
| b. Dealing with customers and/or clients            | Yes/No |
| c. Marketing your product and/or service            | Yes/No |
| d. Dealing with tax laws and government regulations | Yes/No |
| e. Anticipating Business Trends                     | Yes/No |
37. Have any of the following provided you with experience directly relevant to the running of your current business enterprise or self-employment activity?
- |  |     |    |
|--|-----|----|
| a. Apprenticeship programs   | Yes | No |
| b. On the Job Training which consists of formal classes  | Yes | No |
| c. Informal On the Job Training<br>(i.e., watching and learning from supervisors or coworkers) | Yes | No |
38. While on active duty, did you learn and/or make use of one or more technologies that is of direct use in your current business enterprise or self-employment activity?
- a. Yes
- b. No     ***(CATI will Skip to question 39)***
- 38a. Please list these technologies
- 38b. How specifically did you learn this technology (or technologies) while on active duty?
- |                                     |     |    |
|-------------------------------------|-----|----|
| a. Formal Classes?                  | Yes | No |
| b. Working With an Officer?         | Yes | No |
| c. Working With Enlisted personnel? | Yes | No |
| d. Other (please specify)           |     |    |
39. Did you have one or more formal classes while on active duty (*other than to learn one or more new technologies*) that is of direct relevance to the ownership and operation of your business enterprise or self-employment activity?
- a. Yes
- b. No
40. On a scale of 1 to 5 with 1 representing “No Problem” and 5 representing a “Critical problem”, please rate each of the following business problems
1. Managing time
  2. Access to Health Insurance for me and my employees
  3. Affording Health Insurance for me and my employees

4. Managing employees
  5. Understanding tax law
  6. Understanding regulations
  7. Access to Financing
  8. Finding qualified employees
  9. Retaining qualified employees
  10. Developing and Implementing a Marketing Strategy
  11. Knowledge of helpful government and private programs for small business owners in general
  12. Knowledge of helpful government and private programs geared toward Veteran and/or service disabled Veteran small business owners
  13. Obtaining resources of various types from the government
  14. Military Deployment interrupting my business
  15. Disadvantages in government contracting
  16. My status as a Veteran or Disabled Veteran
  17. My disability
41. What are the three biggest problems that you encounter in the management of your small business(es) or self-employment activity(ies).
- a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
42. Where you would go to get information about your Veterans benefits? Would you....
- |   |     |    |
|---|-----|----|
| a. Call an 800 number?  | Yes | No |
| b. Use the Internet?  | Yes | No |
| c. Contact Private Veterans Organizations?  | Yes | No |
| d. Contact the U.S. Department of Veterans Affairs?   | Yes | No |
| e. Contact the Department of Veterans Affairs in the state where the central office of my business is ? | Yes | No |
| f. Word of Mouth from other Veterans?   | Yes | No |
| g. Ask your Employer or former employer?  | Yes | No |
| h. Use Newspapers or Magazines?   | Yes | No |
| i. Use TV or Radio?   | Yes | No |
| j. Ask Family or Friends?   | Yes | No |
| k. Other (specify)  |     |    |
43. How satisfied are you with your ability to get information about your Veterans Benefits?
- a. Very Satisfied
  - b. Somewhat Satisfied
  - c. Somewhat Unhappy
  - d. Very Unhappy
44. Have you ever made use of a public or private small business or self-employment program *specifically designed for Veterans and/or service-disabled Veterans* who are

either current or prospective small business owners or currently or prospectively in self-employment activities?

- a. Yes **(CATI will Go to question 50)**
- b. No

45. What were the reasons? **(Check all that apply)**

- |  |     |    |
|--|-----|----|
| a. I didn't have a need for any of these program services  | Yes | No |
| b. I did have a need for program services but there is nothing in these programs that exists to meet my needs                      | Yes | No |
| c. I did have a need for program services, but programs that service both veterans and non-veterans are adequate to meet my needs. | Yes | No |
| d. I had the impression that the programs that I need are inadequate in the delivery of their services                             | Yes | No |
| e. I am confused as to what's available or as to what programs provide what services   | Yes | No |
| f. I wasn't aware that small business programs geared toward veterans or service-disabled veterans even existed                    | Yes | No |
| g. I don't qualify for the program services that I need  | Yes | No |
| h. Other (please specify) _____  | Yes | No |

**INTERVIEWER: CATI WILL GO TO Q 46 IF YES TO (b, e, f), OTHERWISE, IT WILL GO TO Q47**

46. If you became aware of the existence of government or private small business programs that are geared toward veterans and service-disabled veterans and that meet your needs, would you use them?

- a. Yes
- b. No

47. In the foreseeable future do you *plan* on making use of any public or private small business programs that are specifically geared toward the needs of Veterans and/or service-disabled Veterans?

- a. Yes **(CATI will Go to question 49)**
- b. No

48. What are the reasons? **(Check all that apply)**

- a. I don't have a need for any program services
- b. I do have a need for program services, but nothing in any existing program meets my needs
- c. I do have a need for program services, but programs that service both veterans and non-veterans are adequate to meet my needs



55. Would you recommend this program to other Veteran entrepreneurs who have the same needs?

- a. Yes
- b. No

56. Have you ever made use of a public or private program that is intended to provide resources and/or services for current or prospective small business owners or individuals currently or prospectively in self-employment activities *other than those specifically designed for veterans or service-disabled veterans*? (Public includes federal, state and local)

- a. Yes **(CATI will Go to question 62)**
- b. No

57. What are the reasons? **(Check all that apply)**

- |  |     |    |
|--|-----|----|
| a. I didn't have a need for these program services   | Yes | No |
| b. I did have a need for program services, but there is nothing in these programs that exists to meet my needs                                 | Yes | No |
| c. I had the impression that these programs were inadequate in the delivery of the services I need   | Yes | No |
| d. I don't have time for training  | Yes | No |
| e. I am confused as to what's available or as to what programs provide what services   | Yes | No |
| f. I don't qualify for the program services that I need because I am a veteran or service-disabled veteran                                     | Yes | No |
| g. I don't qualify for the program services that I need for reasons other than my being a veteran or service-disabled veteran (please specify) | Yes | No |
| h. I wasn't aware that such programs are in existence  | Yes | No |
| i. Other (please specify)_____   | Yes | No |

**(INTERVIEWER: CATI WILL GO TO Q58 IF YES TO (b), IF NO, CATI WILL GO TO Q59)**

58. Was part or all of the problem that you needed small business programs specifically geared toward veterans or service-disabled veterans?

- a. Yes, that was the entire problem **(CATI will Go to question 59)**
- b. Yes, that was part of the problem



c. No, that wasn't the problem at all

58a. Please tell us what needs have been unsatisfied by these programs.

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59. In the foreseeable future, do you *plan* on making use of a public or private program that is intended to provide resources and/or services for small business owners *other than those specifically designed for veterans or service-disabled veterans*?

- a. Yes **(CATI will Go to question 61)**
- b. No

60. Do any of the following qualify as a reason?

- |  |     |    |
|--|-----|----|
| a. I don't have a need for these program services  | Yes | No |
| b. I do have a need for program services, but there is nothing in these programs that exists to meet my needs  | Yes | No |
| c. I need a program specifically designed for Veteran and/or service-disabled veteran entrepreneurs  | Yes | No |
| d. I am under the impression that these programs are inadequate in the delivery of their services  | Yes | No |
| e. I have used such programs in the past and found them to be inadequate   | Yes | No |
| f. I am confused as to what's available or as to what programs provide what services   | Yes | No |
| g. I don't qualify for the program services that I need because I am a veteran or service-disabled veteran   | Yes | No |
| h. I don't qualify for the program services that I need for reasons other than my being a veteran or service-disabled veteran (please specify) _____ | Yes | No |
| <hr/>  |     |    |
| i. I have been unaware that such programs exist  | Yes | No |
| j. Other (please specify) _____  | Yes | No |

**INTERVIEWER: CATI WILL END THE SURVEY AUTOMATICALLY. SAY, "Thank you for your time."**

61. Which programs do you plan on using? \_\_\_\_\_

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**INTERVIEWER: CATI WILL END THE SURVEY AUTOMATICALLY. SAY, "Thank you for your time."**

