

# The Network Structure of Veteran Entrepreneurs: Different Not Difficult

Mirza Tihic, Syracuse University

Muris Hadžić, Lake Forest College

Alexander McKelvie, Syracuse University

F. Randy Blass, Florida State University

June 19, 2021

# VETERAN ENTREPRENEURSHIP

- ▶ Veteran entrepreneurs represent 9.1% of all business owners, compared to their smaller (7.6%) population size in the U.S (SBA, 2021)
- ▶ Combined, veteran-owned businesses generate about \$1 trillion in receipts and employ nearly six million Americans (SBA, 2021)
- ▶ 93% of veteran entrepreneurs indicate that military skills helped them with their business (Maury et al., 2021)
- ▶ Veterans have engaged in entrepreneurial activity at higher rates than nonveterans (i.e., civilians). However, overall rates of veteran entrepreneurship have been declining, i.e., 15 percent of veterans compared to 11 percent of nonveterans were entrepreneurs in 2005, and 12 percent of veterans compared to 10 percent of nonveterans in 2014. In 2018, 11 percent of veterans were entrepreneurs, which is comparable with the 10 percent of nonveterans who were entrepreneurs (Fairlie (2013), NAVSO (2019)).

# THEORETICAL DEVELOPMENT

- ▶ Recent research indicates that veterans face unique challenges and barriers in their pursuit of entrepreneurship, i.e., accessing capital, building credit, unfamiliarity with the financial and regulatory landscape of establishing and operating a business, and a lack of professional networks or mentors who could provide advice on navigating entrepreneurship-related barriers (Maury et al., 2021; Sankaran & Battisto, 2018)
- ▶ Emerging research suggest that military experiences could hinder entrepreneurial intentions and pursuits (Chukwu, 2021; Kramm and Heinecken, 2015) especially if there is stigma or discrimination based on military involvement (Fajardo et al., 2019).
- ▶ Veterans face unique challenges and barriers related to transition from military to civilian life (Haynie and Shepherd, 2011; Manuel, 2018; Maury et al., 2021; Tihic, 2019)
- ▶ Veteran entrepreneurs and aspiring entrepreneurs are at a disadvantage and that these unique challenges and barriers they experience are related to a social capital deficit (Resnik et al., 2012)

*We examine if veterans experience social capital dificiancy.*

# HYPOTHESES

- ▶ “Capital deficit refers to the consequence of a process by which differential investment or opportunities produce the relative shortage (in quantity or quality) of capital for one group as compared with another” (Lin, 2000, p. 791).
- ▶ Social capital deficiency occurs when a particular group of individuals (i.e., veterans) cluster at relatively disadvantaged socio-economic positions and continue networking within that group (homophily) (Lin, 2000).
- ▶ In homophilic networks (i.e. military), people focus on norms, obligations, and duties rather than on personal attitudes, needs, and rights as guidance for their social behavior (Schmutzler et al., 2019). Too much homophilic social capital can be counterintuitive and suppresses entrepreneurial discovery (Light and Dana, 2013).
- ▶ Social Cognitive Theory proposes that people’s behaviors can be predicted most often by the beliefs they hold regarding their own capabilities. This belief is often referred to as self-efficacy (Lam, 2012; Pajares, 2010).

***Hypothesis 1: Veterans that report higher number of military deployments and reassignments will report lower entrepreneurial self-efficacy.***

# HYPOTHESES

- ▶ The influence of the proximate social environment directly and indirectly shapes entrepreneurial behavior (Schmutzler et al., 2019).

***Hypothesis 2: Positive perception regarding the transition from military to civilian life will increase the self-efficacy of veteran entrepreneurs.***

***Hypothesis 3: Positive experiences with veteran and non-veteran resources and networks will increase the self-efficacy of veteran entrepreneurs.***

# HYPOTHESES

- ▶ The nature of network structure was critical factor that determine successful firm emergence and profitability (Davidsson and Honig, 2003)
- ▶ Entrepreneurs with more social capital and increased social networks report more business profitability than those with less (Anderson and Miller, 2003; Bizri, 2017; Estrin et al., 2013; Ribeiro-Soriano, 2017)

***Hypothesis 4: Veterans that report higher number of military deployments and reassignments will report lower profitability.***

***Hypothesis 5: Positive perception regarding the transition from military to civilian life will increase business profitability.***

***Hypothesis 6: Positive experiences with veteran and non-veteran supports and networks will increase the increase business profitability.***

# METHODOLOGY

- ▶ **Data Source:** National Survey of Military-Affiliated Entrepreneurs (NSMAE), a proprietary database of military-affiliated entrepreneurs (e.g., military veterans, active duty, National Guard & Reserve members, and military dependents) in the U.S. collected in 2020. The database is comprised of 2,927 current, former, and aspiring military-affiliated entrepreneurs.
- ▶ **Sample for this study:** military veterans that are current business owner
- ▶ **Sample size:** 357 individuals.
- ▶ **Statistics:** 75% males; 63% are white, 19% are black, and 7% are Hispanic; Average age 52.5; 70% are married; 45% have graduate or a professional degree; 64% live in a large or mid-size urban locations; 31% have lived in their current community for 5 years or less.
- ▶ **Analysis:** Ordinary Least Square (OLS) regression
  - ▶ Dependent variable = self-efficacy and profitability
  - ▶ Self-efficacy instrument by Chen, Greene, & Crick (1998)

# RESULTS

	Self Efficacy										
Networking Resources	0.039**										0.02
	(3.254)										(1.566)
Transition Difficulty		-0.071**									-0.024
		(-3.611)									(-1.069)
Post-Military Purpose			0.071**								0.042
			(3.473)								(1.914)
Transition Duration				-0.068**							-0.038
				(-3.579)							(-1.780)
Time in Current Community					0.053						0.08
					(0.546)						(0.856)
Community Belongingness						0.014					-0.013
						(1.679)					(-1.333)
Network Size							0.069**				0.056**
							(4.902)				(3.672)
Overall Support								0.153**			0.067
								(3.196)			(1.287)
Number of Deployments									-0.021		-0.028
									(-1.275)		(-1.625)
Number of Relocations										0.015	0.022
										(1.057)	(1.485)
Controls	Yes										
Constant	2.184**	3.031**	2.414**	3.058**	2.360**	2.200**	2.083**	1.971**	2.423**	2.381**	2.538**
	(6.488)	(8.144)	(7.333)	(8.120)	(6.884)	(6.207)	(6.309)	(5.531)	(7.243)	(7.110)	(5.937)
Observations	357	357	357	357	357	357	357	357	357	357	357
Adj-R-Squared	0.117	0.123	0.12	0.122	0.09	0.097	0.149	0.116	0.094	0.093	0.195
F-Test	5.7	5.978	5.867	5.952	4.538	4.823	7.22	5.659	4.688	4.63	5.53
R-squared	0.125	0.129	0.122	0.122	0.099	0.112	0.15	0.119	0.119	0.118	0.238
Change in R-squared	0.0328	0.0368	0.0298	0.0298	0.0068	0.0198	0.0578	0.0268	0.0268	0.0258	0.1458

# RESULTS

	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable
Networking Resources	0.166** (4.870)										0.144** (3.579)
Transition Difficulty		-0.181** (-3.374)									-0.172* (-2.517)
Post-Military Purpose			0.135* (2.480)								0.101 (1.531)
Transition Duration				-0.02 (-0.406)							0.140* (2.109)
Time in Current Community					-0.156 (-0.615)						-0.008 (-0.029)
Community Belongingness						0.097** (4.006)					0.042 (1.463)
Network Size							0.158** (4.067)				0.097* (2.152)
Overall Support								0.340** (2.627)			-0.102 (-0.643)
Number of Deployments									-0.148** (-3.220)		-0.169** (-3.066)
Number of Relocations										-0.053 (-1.418)	-0.002 (-0.041)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.699** (-2.911)	-0.08 (-0.082)	-1.642 (-1.900)	-1.454 (-1.478)	-1.538 (-1.750)	-3.082** (-3.176)	-2.440** (-2.667)	-2.637** (-2.756)	-1.533 (-1.759)	-1.598 (-1.847)	-3.029* (-2.360)
Observations	357	357	357	357	357	357	357	357	357	357	357
Pseudo R-Squared	0.136	0.107	0.0961	0.0839	0.0843	0.119	0.118	0.0978	0.107	0.0876	0.209
Chi2-Test	67.21	53.04	47.52	41.45	41.66	58.77	58.51	48.36	52.88	43.3	103.4
P-value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in Pseudo R2	0.0525	0.0235	0.0126	0.0004	0.0008	0.0355	0.0345	0.0143	0.0235	0.0041	0.1255

# DISCUSSION

- ▶ Confirm that veteran entrepreneurs face challenges and barriers related to the transition from military to civilian life (e.g., Haynie and Shepherd, 2011; Manuel, 2018; Maury et al., 2021; Resnik et al., 2012; Tihic, 2019)
  - Provide evidence that transitional challenges and barriers are unique to veterans and affect their entrepreneurial self-efficacy
  - Veterans that have or find a purpose after military and expand their heterogeneous resources report higher self-efficacy
- ▶ Veterans who have difficulty transitioning and expanding from military networks into civilian networks have less social capital and lack entrepreneurial social capital and consequently experience a social capital deficit.
  - Those with social capital deficit report less business profitability.
- ▶ Unique military experiences such as the number of deployments, reassignments, and time spent in the military do not affect self-efficacy.



**Mirza Tihic**  
Entrepreneurship Research Fellow  
Whitman School of Management  
IVMF, Syracuse University  
Email: [mtihic@syr.edu](mailto:mtihic@syr.edu)



**Muris Hadzic**  
Assistant Professor of Finance  
Lake Forest College  
Email: [hadzic@mx.lakeforest.edu](mailto:hadzic@mx.lakeforest.edu)



**Alexander McKelvie**  
Associate Dean for Undergraduate  
and Master's Education  
Professor of Entrepreneurship  
Whitman School of Management  
Syracuse University  
Email: [mckelvie@syr.edu](mailto:mckelvie@syr.edu)



**F. Randy Blass**  
Executive Director of the Jim Moran  
Institute for Global Entrepreneurship  
Florida State University  
Email: [rblass@jimmoraninstitute.fsu.edu](mailto:rblass@jimmoraninstitute.fsu.edu)

**THANK YOU**