

RESEARCH REPORT | ENTREPRENEURSHIP | DECEMBER 2020

2020 National Survey of Military-Affiliated Entrepreneurs

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National Survey of Military-Affiliated Entrepreneurs (NSMAE)

The NSMAE is a multi-year, annual and longitudinal, study of veteran and military spouse entrepreneurs. This effort is one of the first national initiatives to develop data-driven research focused on military-affiliated entrepreneurship. The research seeks to gain better insights and understanding of military-affiliated entrepreneurs and identify economic, political, and socio-cultural factors that serve as barriers to entrepreneurship for military-affiliated individuals. The goal of the survey and public dataset is to inform public, private, and nonprofit practitioners (SBA, VOBS, Financial Institutions, PTACs, corporations interested in collaborating with veteran-owned businesses, etc.), policy makers, and the academic community about the unique characteristics and needs of military-affiliated entrepreneurs. The NSMAE is made possible through the support from the Ewing Marion Kauffman Foundation.

About Institute for Veterans and Military Families (IVMF)

Syracuse University's Institute for Veterans and Military Families (IVMF) is the first national institute in higher education singularly focused on advancing the lives of the nation's military, veterans, and their families. Through its professional staff and experts, and with the support of founding partner JPMorgan Chase Co., the IVMF delivers leading programs in career and entrepreneurship education and training, while also conducting actionable research, policy analysis, and program evaluations. The IVMF also supports veterans and their families, once they transition back into civilian life, as they navigate the maze of social services in their communities, enhancing access to this care working side-by-side with local providers across the country. The Institute is committed to advancing the post-service lives of those who have served in America's armed forces and their families.

About Center of Excellence (CoE) for Veteran Entrepreneurship

The Center of Excellence (CoE) for Veteran Entrepreneurship creates, collects, organizes, and shares knowledge, resources, and networks to advance entrepreneurial opportunities for transitioning service members, veterans, and their families. The CoE functions as the hub of veteran business ownership, leveraging Syracuse University resources, networks, the Institute for Veterans and Military Families (IVMF), and their partners and pulling together relevant stakeholders into a cohesive ecosystem focused on veteran- and spouse-owned small business.

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Executive Summary

Overview

For decades, veterans have engaged in entrepreneurial activity at higher rates than nonveterans (i.e., civilians). Overall, while veterans have many of the skills and characteristics necessary for entrepreneurial success and have access to an increasing number of veteran entrepreneurship programs, services, resources and capital, the rate of veteran entrepreneurship is showing signs of decline. Recent research suggests some barriers may be more acute or more difficult to overcome for veterans. Still, little is understood about the entrepreneurial activities and specific barriers for military-affiliated entrepreneurs that might underscore the decline of entrepreneurial activity, even though entrepreneurship remains a viable career choice given the transient nature of military life.

Much of our understanding of military-affiliated entrepreneurship is limited to a few questions nested within broader population surveys. Many of these data sources draw from small samples and are conducted at lengthy time intervals. These constraints limit our understanding of military-affiliated entrepreneurial activity. Hence, this research effort intends to understand and expand on the barriers for veteran entrepreneurs, and gain insights into how military experiences influence and shape the entrepreneurial outcomes of veteran entrepreneurs. Overall, the data collected from this study will contribute to our understanding of entrepreneurship in the military-affiliated community and identify political, economic, and socio-cultural factors that serve as barriers to entrepreneurship. We, as stakeholders in the military-affiliated provider community, can better guide business owners to appropriate programs and services, ultimately helping them in their quest to successful business ownership. These outcomes will aid practitioners, policy makers, and researchers in the creation of more effective solutions to assist and support military-affiliated entrepreneurs. By conducting an annual and longitudinal data collection effort, like the one discussed here, we can begin an increasingly robust discussion about the support mechanisms and pedagogies in place to help military-affiliated individuals in their entrepreneurial activities.

The National Survey of Military-Affiliated Entrepreneurship (NSMAE) is a multi-year, annual and longitudinal study of veteran and military spouse entrepreneurs. This effort is one of the first national initiatives to develop data-driven research focused on military-affiliated entrepreneurship. It seeks to gain better insights and understanding of military-affiliated entrepreneurs and identify economic, political, and socio-cultural factors that serve as barriers to entrepreneurship for military-affiliated individuals. The goal of the survey and consequently public dataset is to inform public, private, and nonprofit practitioners (SBA, VOBS, Financial Institutions, PTACs, corporations interested in collaborating with veteran-owned businesses, etc.), policy makers, and the academic community about the unique characteristics and needs of military-affiliated entrepreneurs. The NSMAE is made possible through the support from the Ewing Marion Kauffman Foundation.

Highlights

Overall, the findings from this report corroborate previous research asserting there is a noteworthy relationship between military service and entrepreneurship. Veteran entrepreneurs are motivated to be independent, creative, innovative, and to serve society and support their communities. On the other hand, they experience an array of barriers to include access to capital, difficulty navigating resources, certification process hurdles, and lack assistance from medical and disability service providers. This study reveals success or failure does not depend on one, but rather on multiple factors related to barriers and challenges veteran entrepreneurs experience.

This study's results provide insights into economic, political, and socio-cultural factors that affect veteran entrepreneurship and offer a foundation for recommendations in advancing veteran entrepreneurial outcomes. The recommendations are located at the end of this report and provide recommendations and guidance to stakeholders and practitioners in veteran and entrepreneurship programs and services, policy and public sector, and veteran entrepreneurs.



Motivations



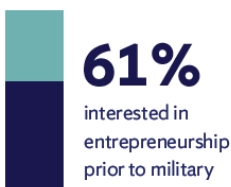
Military Skills & Attributes that Apply to Entrepreneurship

- ▶ Work ethic/self-discipline (55%)
- ▶ Teamwork (46%)
- ▶ Leadership and management skills (40%)
- ▶ Mental toughness (37%)
- ▶ Perseverance (33%)

93%
INDICATED THESE
SKILLS HELPED THEM
in their business/venture



Interest in Entrepreneurship



What does entrepreneurship success look like to you?

“Success is being in a position of mentorship to other new business owners or entrepreneurs.”

- Marine Corps Veteran Entrepreneur, CEO, and Business Owner
Professional, Scientific, and Technical Services Industry

ENTREPRENEURSHIP CHARACTERISTICS

Top Motivations to Entrepreneurship

- ▶ Make own decisions (44%)
- ▶ Chance to implement own ideas/creating something (43%)
- ▶ Opportunity to be financially independent/increase personal income (43%)
- ▶ Maintain personal freedom (39%)
- ▶ Helping society/supporting community (34%)

Attitudes and Perspectives

94% do not give up easily even in the face of difficulties

83% use creativity to overcome difficulty

79% work consistently on a goal when met with obstacles

70% feel responsible for their local community

Barriers to Entrepreneurship

Top Problems or Barriers in Pursuing or Achieving Business Goals



Transition Difficulty and Key Challenges

44% HAD DIFFICULTY WITH THE TRANSITION FROM MILITARY TO CIVILIAN LIFE

- ▶ 53% indicated that they needed time to figure out what to do in their civilian life
- ▶ 41% indicated that adjusting to civilian life was difficult



Top Transitional Challenges for Veteran Entrepreneurs

- ▶ Getting socialized to civilian culture (35%)
- ▶ Loss of connection with military community (31%)
- ▶ Loss of sense of purpose/camaraderie (30%)

MAJOR FACTORS that Impact Starting a Business

PEOPLE & SOCIAL CAPITAL

LACKED THE FOLLOWING:

Formal help to start business **40%**

Experience or exposure to someone who has run a business **32%**



CAPITAL

33% Couldn't afford long-term capital

27% Couldn't afford start-up costs

EXPERIENCE/KNOWLEDGE

DIDN'T KNOW THE FOLLOWING:

Practical details to start a firm. **27%**

Legalities of starting business. **23%**



Financial Related Barriers



Participants reported difficulty with:

APPLYING FOR GRANTS FROM NONPROFIT ORGANIZATIONS **66%**

APPLYING FOR LOANS **53%**

IDENTIFYING SOURCES OF FUNDING TO START THE BUSINESS **49%**

DENIAL OF CREDIT

34% were turned down by lender or creditor when applying for financing

OF THOSE THAT WERE TURNED DOWN:

- 59%** did not reapply anywhere
- 28%** did reapply and were turned down again
- 14%** did reapply and got funding later

People & Social Capital Barriers



do not know anyone that they can rely on for help for their business



reported difficulty finding local business incubator/ nonprofit that helps business owners

Regulation Barriers

55% REPORTED THAT THE CERTIFICATION PROCESS IS DIFFICULT

- ▶ 28% reported difficulty obtaining the necessary licenses to operate business
- ▶ 19% reported difficulty registering your company with e-verify



Disability Related Barriers

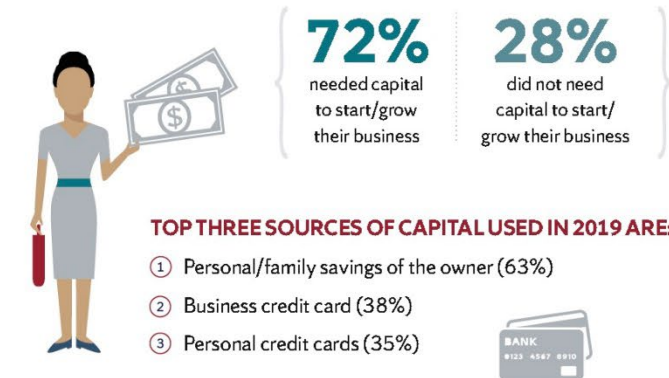
OF THOSE WITH A SERVICE-CONNECTED DISABILITY

56% DO NOT FEEL SUPPORTED BY THE MEDICAL AND DISABILITY SERVICE PROVIDERS

- ▶ 28% INDICATED THAT IT CREATES OBSTACLE IN BUSINESS OWNERSHIP

Capital

Sources of Capital



CAPITAL FOR DIFFERENT STAGES

STARTUP

- ▶ **59% NEEDED LESS THAN \$25,000** to start or acquire their business
- ▶ **60% WERE ABLE TO SECURE THE INITIAL FUNDING** for starting or acquiring the business in 2019 while 25% were not able to secure any funding at all
- ▶ **36% DO NOT FEEL PREPARED** for the traditional lending process

GROWTH

- ▶ **54% NEEDED MORE THAN \$25,000** to grow their business
- ▶ **41% WERE ABLE TO SECURE THE FUNDING** needed to grow the business in 2019 while 31% were not able to secure any funding at all
- ▶ **27% DO NOT FEEL PREPARED** for the traditional lending process



Support and Resources for Entrepreneurship

Entrepreneurship Resource Needs in Local Communities

Financial Resources

44% did not know about resources for grants in their local area

OF THOSE THAT KNEW:

59% indicate the resource need improvement, 32% indicate this resource is sufficient, and 19% indicate this resource is outstanding

52% did not know about Community Development Financial Institution (CDFI) in their local area

43% indicate the resource need improvement, 44% indicate this resource is sufficient, and 14% indicate this resource is outstanding

Educational Resources

36% did not know about local incubators and accelerators in their local area

OF THOSE THAT KNEW:

34% indicate the resource need improvement, 41% indicate this resource is sufficient, and 25% indicate this resource is outstanding

76% know about college/university academic program in their local area

16% indicate the resource need improvement, 47% indicate this resource is sufficient, and 37% indicate this resource is outstanding

79% know about SBA resources (SBDC, WBDC, VBOC, etc.) in their local area

24% indicate the resource need improvement, 45% indicate this resource is sufficient, and 31% indicate this resource is outstanding

Networks and Membership Organizations

79% know about networking and engaging with other military-affiliated business owners in their local area

OF THOSE THAT KNEW:

37% indicate the resource need improvement, 40% indicate this resource is sufficient, and 23% indicate this resource is outstanding

80% know about Veteran Serving Organizations in their local area

32% indicate the resource need improvement, 42% indicate this resource is sufficient, and 26% indicate this resource is outstanding



70% of veteran entrepreneurs had support from friends and family to start their business

45% of veteran entrepreneurs indicated that navigating the resources in their local community was not easy

20% of veteran entrepreneurs do not feel supported by their local community

COVID-19 Pandemic

Preparedness for Entrepreneurship



CLOSURE DURING COVID-19:

- ▶ 68% indicate that they do not anticipate closing their business
- ▶ 31% anticipate closing their business
- ▶ 1% already closed their business

OF THOSE THAT ANTICIPATE CLOSING:

- 13%** can operate for less than 3 months
- 47%** can operate between 6-12 months
- 40%** can operate more than a year



TOP RESOURCE NEEDS DURING COVID-19:

- ▶ General funding (financing, loans, grants) (37%)
- ▶ Government contracting assistance (28%)
- ▶ Day-to-day operations (25%)
- ▶ Emergency funding (20%)
- ▶ Assistance with adjusting marketing efforts (16%)



CARES ACT'S PAYROLL PROTECTION PROGRAM (PPP):

- ▶ 53% were approved and received funding
- ▶ 4% approved, waiting for funding
- ▶ 6% applied, pending approval
- ▶ 12% eligible, have not applied yet
- ▶ 5% turned down

CARES ACT'S ECONOMIC INJURY DISASTER LOAN (EIDL):

- ▶ 24% were approved and received funding
- ▶ 8% approved, waiting for funding
- ▶ 12% eligible, have not applied yet
- ▶ 5% turned down
- ▶ 31% not sure about eligibility

Support

56%

Believe that their business

HAS BEEN SUPPORTED

by the federal government during the pandemic



60%

Believe that their business has **NOT** been supported by local government

60%

Believe that their business has **NOT** been supported by state government

45%

Believe that their business has **NOT** been supported by local community

22%

Were **NOT** aware of the resources available to them and/or business during the pandemic

What does entrepreneurship success look like to you?

"Having a business, with a global footprint, that provides employment opportunities for those who are qualified and passionate, but unable to acquire meaningful employment."

- Army Veteran Entrepreneur, Consultant, and Chief Executive Officer (CEO)
Professional, Scientific, and Technical Services Industry

Literature Review

Introduction

For decades, veterans have engaged in entrepreneurial activity at higher rates than nonveterans (i.e., civilians).¹ 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 2014.² In 2018, 11 percent of veterans were entrepreneurs, which is comparable with the 10 percent of nonveterans who were entrepreneurs.³ Additionally, veteran entrepreneurs have financially out-earned their counterparts, even as they enter entrepreneurship at different ages, with different service experiences, and motivations.⁴ Still, little is understood about the entrepreneurial activities and barriers of military-affiliated (military-connected) entrepreneurs that might underscore the decline of entrepreneurial activity, even as entrepreneurship remains a viable career choice given the transient nature of military life.⁵

Current public data sources on veteran business owners are limited to a few questions nested within broader population surveys. Most of these data sources draw from small samples and are conducted at lengthy time intervals (every five years). These constraints limit our understanding of veteran entrepreneurial activity. Moreover, declining numbers of veteran business owners have led to inconsistent data reliability and even troublesome changes to federal sampling methods. For example, the U.S. Census Survey of Business Owners now excludes non-employer firms, which are small businesses with no paid employees, meaning this public data source will exclude the vast majority of veteran-owned businesses since as many as 83% are non-employer firms.⁶ Furthermore, despite an increase in private institutions' research on veteran entrepreneurs, most studies focus narrowly on a specific aspect of business ownership, are redundant, or lack cultural awareness of the military-affiliated population (e.g., veterans, military spouses, transitioning service members, guard/reservists). Additionally, researchers have observed declining participation in studies (e.g., "survey fatigue") within the military-affiliated population in the absence of a coordinated approach to examine macro trends in veteran business ownership.

Economic Impact of Veteran Owned Businesses

Veteran-owned businesses are defined as businesses at least 50 percent owned by veterans of any branch of the U.S. military.⁷ According to the Small Business Administration (SBA)⁸, veterans owned majority interest in 2.52 million businesses in 2012. At the time of the SBA report, veteran-owned firms had receipts of \$1.14 trillion. A recent SBA study reports that veteran-owned firms employ 5.8 million individuals⁹ and contribute over \$190 billion to the payroll system annually. The economic impact numbers have risen over recent years despite a decline in the overall number of veterans and veteran-owned businesses.

Factors that Influence Entrepreneurship

The literature shows many unique factors distinguish veteran entrepreneurs from their civilian counterparts, including characteristics, skills, and finances.¹⁰ In these studies, veterans are more likely to possess characteristics associated with success in an entrepreneurial startup. Success in entrepreneurship is often associated with characteristics such as creativity, leadership, and a tendency to engage in risks. Additional traits of successful entrepreneurs include being a visionary, being capable of operationalizing an idea, and a willingness to partake in risks often associated with building an idea to a sustainable business.¹¹ Veterans who were more likely to take risks in combat were also more likely to start their own business.¹²

One of the biggest challenges to starting or sustaining a business is access to both financial and social capital.¹³ When it comes to financial capital, this challenge is not unique to veterans. Consequently, several organizations

such as the SBA and JPMorgan Chase have created several resources for veterans, including loans such as the SBA's Patriot Express loan program and SBA Veterans Advantage.¹⁴

Social capital plays a critical role in the way entrepreneurs make business decisions. Social Capital is defined by the Organization for Economic Cooperation and Development (OECD)¹⁵ as “networks together with shared norms, values, and understandings that facilitate cooperation within or among groups.” Social capital provides entrepreneurs access to information, resources, skills, assistance, and financial capital. Veterans, given their military background and connection to the military-connected community, have access to a unique set of social capital opportunities and networks, including VA resources, Veteran Business Outreach Centers (VBOC), and numerous veteran entrepreneurship programs and services, yet often they are not aware and/or are not accessing these networks and resources.¹⁶

Another challenge is that conventional employment opportunities are not always realistic for service-disabled veterans.¹⁷ In August 2019 there were 4.7 million veterans, or 25 percent of the total veteran population reporting a service-connected disability.¹⁸ Roughly, two in five service-connected disabled veterans report trouble finding (38%) and keeping (40%) civilian employment.¹⁹ Thus, entrepreneurs with disabilities—regardless of veteran status—face additional disability-specific challenges. These include physical difficulties related to health and well-being, social difficulties related to the stigma toward disability, and communication difficulties related to the inability to coordinate the regulations and goals of different vocational and disability related authorities and service providers.²⁰ While these studies on entrepreneurs with disabilities include veterans, there is an overall lack of research and understanding of barriers and challenges specific for veterans with disabilities.

Finally, the challenges and barriers entrepreneurs experience impact their motivation for entrepreneurship. There are studies that explore various motives for starting and growing a business.²¹ However, considering veteran entrepreneurs face unique challenges (e.g., transition services, service-connected disability, etc.) and have distinctive set of resources (e.g., VA health benefits, military training, etc.) the motivation for starting and growing a business might be different for veterans compared to civilians. There is an overall lack of research exploring *whether or not motivation differs* and how, and subsequently, what implications this may have for veteran entrepreneurship.

Programs and Services for Veteran Entrepreneurs

Programs for veteran entrepreneurs have grown in the United States since the mid-2000s. Some examples include the Entrepreneurship Boot Camp for Veterans (EBV), Boots to Business (B2B), Veteran Entrepreneurship Program (VEP), Bunker Labs, VBOCs, and many more. Furthermore, SBA's Office of Veterans Business Development (OVBD) acts as the liaison between SBA's expansive network of district offices, resource partners, and collaborating Veteran Service Organizations to support veteran entrepreneurs through expanding access to capital and markets, facilitating entrepreneurial training and mentoring, and breaking down barriers to entrepreneurial programs available to veterans.

Overall, while veterans have many of the skills and characteristics necessary for entrepreneurial success and access to an increasing number of veteran entrepreneurship programs, services, resources and capital, the rate of veteran entrepreneurship is showing signs of decline.²² The recent research suggests some barriers may be more acute or more difficult to overcome for veterans.²³ Hence, the research presented here intends to understand and expand on the sources of barriers for veteran entrepreneurs, and gain insights into how military experiences influence and shape the entrepreneurial outcomes of veteran entrepreneurs.

The data collected from this study contributes to a better understanding of entrepreneurship activity in the military-affiliated community. It also identifies political, economic, and socio-cultural barriers to entrepreneurship. We, as stakeholders in the military-affiliated provider community, can better guide business owners to appropriate



programs and services, ultimately helping them in the quest to successful business ownership. By conducting an annual and longitudinal data collection effort, we can inform a more robust discussion on the support mechanisms and pedagogies that help military-affiliated individuals in their entrepreneurial activities.

National Survey of Military-Affiliated Entrepreneurs (NSMAE)

With support from the Kauffman Foundation, the IVMF launched a multi-year study of military-affiliated (veterans, active duty service members, guard, reservist, military spouses and dependents, and spouses and dependents of veterans) entrepreneurs entitled the National Survey of Military-Affiliated Entrepreneurship (NSMAE). This study is designed to address critical gaps in the understanding of military-affiliated entrepreneurs and the supporting mechanisms needed to support their entrepreneurial journey.

The study's aim is to:

1. monitor trends, attitudes, and key indicators among military-affiliated entrepreneurs not collected in existing public data through surveying an annual cross-section of this population; and
2. follow changes in individual entrepreneurs over time through constructing a longitudinal panel of first-year respondents who consent to participating in the study in each of the subsequent years.

This study is one of the first national initiatives to develop data-driven research focused on military-affiliated entrepreneurship. This study will help us monitor and understand recent declines (and future fluctuations) in veteran and military spouse entrepreneurial activity, systemic barriers and drivers. It will provide insights of potential impacts and implications for policies, interventions, and business practices (e.g., lending) that affect entrepreneurial success, as well as socioeconomic and wellness factors of military-affiliated entrepreneurs.

A survey instrument of roughly 200 questions was designed for the NSMAE study. Every aspect of the design and implementation of this instrument relied upon a thorough review of existing literature. A survey instrument was created using questions from existing surveys on business ownership from federal agencies such as the Survey of Business Owners and the Survey of Consumer Finance, existing survey instruments from academic research, and conversations with various stakeholders about key questions of the military-affiliated entrepreneurs. IVMF and Whitman School of Management researchers created the survey instrument. The survey was reviewed by an external working group of individuals from various sectors and agencies (federal agencies, higher education, private sector, and nonprofit sector). This collaborative group participated in the development of the initiative, survey, and data collection. The survey includes key topic areas and questions centered around individual and military characteristics; aspirational and business-related metrics; attitudes towards entrepreneurship; connectivity of resources, networks, mentorship, and information; local economic and policy factors; and family and general wellness. In addition, a section about the business impacts of and resources related to COVID-19 was added.

The NSMAE is designed to be both an annual and a longitudinal study. Most questions will be included in the following years, however, new questions will also be introduced (e.g., questions related to resiliency, stress, suicide ideation, and work-life balance). The survey instrument and data from the NSMAE study will be made publicly available for funders, researchers, and policymakers on the IVMF's website. This report is the result of the first year of the survey--data collection in 2020--and considering the sample. See the methodology section below for more details. By design, this report focuses on military veteran entrepreneurs only. Future publications will highlight and focus on military-affiliated subpopulations such as military spouses, minorities, females, disabled, and social entrepreneurs.

Methodology

This research used a mixed-methods approach, combining qualitative and quantitative data analysis techniques. Survey participants were selected using sampling strategies to ensure we reach the widest and most diverse respondents. The NSMAE instrument was designed as a purposive (non-representative) sample and reviewed by a range of individuals (veteran entrepreneurs, scholars, and other experts) to ensure clarity, relevance, and precision. Questions were designed to encourage respondents to recall specific information about their business, service, and experiences as an entrepreneur. In total there were 211 questions, and the number of total respondents varies per question based on applicability (e.g., entrepreneur status, military status, business owner status, education attainment, etc.).

Responses for the NSMAE were collected using the online survey software, Qualtrics (Qualtrics, Inc., of Provo, UT). The survey was conducted with approval from Syracuse University's Institutional Review Board. Recruitment for the survey leveraged a unique multiple network approach. First, we appealed to the IVMF veteran entrepreneur community (IVMF ARSENAL and CVOB) via listserv emails. Second, we mobilized U.S. government networks to share on their social media. Third, we leveraged multiple media outlets, including an article in Military.com and IVMF social media messaging. Finally, we utilized veterans service organizations (VSOs), nonprofit organizations, and private-sector support networks. A vast majority of the respondents were recruited through the IVMF network.

Participation in the study was voluntary and confidential. Potential biases associated with this method include both under- and over-representation of certain group(s). Although efforts were made to ensure a diverse group of participants, this study should not be considered representative of all military-affiliated entrepreneurs nor all sub-groups of these entrepreneurs.

The survey was disseminated from February 11, 2020 to July 24, 2020. A total of 2,949 respondents answered at least the first question of the survey and 64 percent (1,859) completed the entire instrument. This is almost double the typical online response rate of 34%.²⁴ Survey items combined multiple choice and open-ended questions to allow for detailed and diverse responses. Except for questions that determined survey eligibility (e.g., military status and entrepreneur status), nearly all questions were optional, thereby allowing respondents to skip any questions they preferred not to answer. Some questions allowed respondents to select all applicable responses, some asked participants to select their top five choices, and some were branched and displayed based on answers to previous questions. Thus, as mentioned, the actual number of respondents per question varies throughout the survey. All “does not apply” or “prefer not to answer” responses were coded as missing.

Frequencies and basic crosstabs were performed using a variety of tools and analytical software such as STATA, SPSS, SAS Enterprise Guide, and SAS Visual Analytics. The data collected provide a description of veterans' perspectives and self-reported entrepreneurial experiences to supplement existing, national aggregate data, and qualitative research in the interdisciplinary social sciences, including research in entrepreneurship and public affairs. The data is intended to provide diverse stakeholders in military-connected communities a clearer picture of veterans' views on service, transition, and entrepreneurial experiences, as well as post-service entrepreneur aspirations and challenges.

Limitations

Overall, the survey was designed with the intent of adhering to research standards within the field of entrepreneurship, while at the same time adapting to a notoriously hard-to-reach target population. As the sample relies on individuals who have opted-in to participate in programs or who have chosen to register their business

with various business certifying entities, the sample may be subject to selection bias. Additionally, as with any survey, analysis relies on self-reported information which inherently has its own biases and limitations. Finally, some of the questions rely on the respondent's perception of their situation, which may or may not reflect the true nature of their situation or comparison to others in the same position. We view the highest likelihood for these perceptual differences to be in regards to networks, availability of resources, ability to apply military skills to business skills, etc. As noted, not every question was required so the total response to a particular question will vary for each question. In addition, not every participant completed the survey, though for this analysis all responses were included. The demographics section was towards the end of the survey. Consequently, analyses including demographic variables such as gender are limited to those who answered the question and also fully completed the survey. Because of the various limitations mentioned, generalizability to the general military-affiliated entrepreneurs is limited.

Sample

In the survey, there are a few qualifying questions related to business ownership and military status. Respondents were first asked to identify their relationship to entrepreneurship in order to understand whether they are a current business owner/entrepreneur, former business owner, or aspiring entrepreneur (i.e., have not started a business or venture but hope to). Approximately 87 percent of the sample indicated they currently have a business, consult or work freelance, or are self-employed (see Table 1.1). This is followed by five percent of the sample who previously had a business, consulted, or were self-employed, and nine percent that aspire to have a business, consult/freelance, or become self-employed.

Table 1.1 Have you ever (or ever wanted to): started a business, grew a business, worked for yourself, done freelance or contract work, or become self-employed?	Frequency	Percent
Yes, I do something like that now.	2,534	86.57%
Yes, I used to do something like that, but not anymore.	141	4.82%
Yes, I have wanted to or thought about it, but I have not actually done it.	252	8.61%
Total (all respondents)	2,927	

Respondents were also asked to identify their current military status and/or affiliation. Approximately 88 percent of the sample identified as veteran or retiree (see Table 1.2). This is followed by six percent of the sample who identified as a military spouse or spouse of a veteran and six percent who identified as active duty, guard, or reservist.

Table 1.2 Which of the following best describes your current military status and/or affiliation?	Frequency	Percent
Veteran/Retiree	2,554	88.19%
Spouse/Partner/Family	177	6.11%
Active Duty/NGR	165	5.70%
Total	2,896	

Since the vast majority of respondents were veterans and retirees, the sample as a whole is not a representative sample of the broader military-affiliated business owners, nor that of the military-affiliated community given the lack of significant representation of military-affiliated individuals (e.g., active duty service members, guard, reservist, military spouses, and spouses of veterans and retirees). The sample of military spouses/partners and

active duty/guard/reservists is too small to draw generalized conclusions. **For that reason, we have chosen not to include them in the analysis of this report, opting to analyze only the sample of Veteran/Retirees to which we will refer as veteran(s) throughout the report.** However, we will use the data on Spouse/Partner/Family and Active Duty/NGR in other briefs and reports. As mentioned previously, potential biases associated with the recruitment method include both under- and over-representation of certain group(s). Although efforts were made to ensure a diverse group of participants, this study should not be considered representative of all military-affiliated entrepreneurs. The analysis below is limited to veteran entrepreneurs only.

Demographics

Eighty-seven percent of veteran entrepreneur respondents identified as current business owners, eight percent as aspiring business owners, and five percent as former business owners (see table 1.3 calculated from question in table 1.1). While 87 percent identified as current business owners, about 91 percent identified as entrepreneurs (see table 2.2), suggesting some of the aspiring entrepreneurs and/or former business owners still consider themselves to be entrepreneurs.

Table 1.3 Business owner status (calculated)	Frequency	Percent
Current Business Owner	2,222	87.27%
Former Business Owner	115	4.52%
Aspiring Entrepreneur	209	8.21%
Total	2,546	

Table 1.4 Do you consider yourself an entrepreneur?	Frequency	Percent
Yes	2,290	90.91%
No	229	9.09%
Total	2,519	

Seventy-three percent of veteran entrepreneur respondents are male, and 27 percent are female. While this does not reflect the general male (90%) and female (10%) veteran population, it is consistent with the general population of male (73%) and female business owners (27%).²⁵ The gender representation is interesting given females are underrepresented in the military service, yet their business ownership rate seems to be higher than the average rate of all start-ups, where women are substantially less likely to start business than men.²⁶

At the time of the study, more than 90 percent of the respondents were above 39 years of age. Interestingly, about 36 percent of the respondents were ages 50-59 and 23 percent were ages 40-49, which is consistent with the general population of entrepreneurs, where 60% of people who start small businesses are between the ages of 40 and 60. However, there are 12 percent of respondents who are over 70 years of age, which is three times greater than in the general population.²⁷

Table 1.5 What is your gender?	Frequency	Percent
Male	1,153	72.56%
Female	432	27.19%
Prefer to self-describe	4	0.25%
Total	1,589	

Table 1.6 What is your age?	Frequency	Percent
18-29	3	0.20%
30-39	133	8.99%
40-49	344	23.24%
50-59	528	35.68%
60-69	294	19.86%
70+	178	12.03%
Total	1,480	

Sixty-percent of the respondents self-identified as White, Anglo, or Caucasian, 21 percent identified as Black or African American, six percent identified as Hispanic, Latino, or Spanish Origin, about four percent as a combination of two or more races, two percent as Others, and the remaining three percent included respondents who identified as Asian, American Indian or Alaska Native, and Native Hawaiian or Pacific Islander. Four percent of respondents preferred not to answer the race/ethnicity question.

Table 1.7 Which category best describes your race/ethnicity? Please select only one.	Frequency	Percent
American Indian or Alaska Native	12	0.76%
Asian	23	1.45%
Black or African American	333	21.00%
Hispanic, Latino, or Spanish Origin	101	6.37%
Native Hawaiian or Pacific Islander	5	0.32%
White, Anglo, or Caucasian	962	60.66%
Other race/ethnicity	31	1.95%
A combination of two or more	56	3.53%
Prefer Not to Answer	63	3.97%
Total	1,586	

Twenty eight percent of the respondents indicate they have a bachelor's degree, while 50 percent have a degree higher than bachelor's degree. Although this percentage is higher than the average level of education among veterans, these numbers are consistent with studies showing veteran entrepreneurs are typically more educated.²⁸ The educational level of veteran entrepreneurs is consistent with the overall education level of all entrepreneurs.²⁹

Table 1.8 What is the highest level of education you have completed?	Frequency	Percent
Less than high school diploma/GED	4	0.25%
Regular high school diploma	29	1.83%
GED or alternative credential	2	0.13%
Some college credit, but less than 1 year of college credit	30	1.89%
1 or more years of college credit, no degree	121	7.61%
Vocational/trade school/Certificate	29	1.83%
Associate degree (for example: AA, AS)	100	6.29%
Bachelor's degree (for example: BA, BS)	438	27.56%
Master's degree (for example: MA, MS, MEng, MEd, MSW, MBA)	655	41.22%
Professional degree (for example: MD, DDS, DVM, LLB, JD)	49	3.08%
Doctorate degree (for example: PhD, EdD)	91	5.73%
Other	35	2.20%
Prefer not to answer	6	0.38%
Total	1,589	

The respondents answered various other demographic questions. Below are some highlights of those distributions:

- **Marital Status:** Seventy-three percent of veteran entrepreneur respondents are married, 14 percent are divorced or separated, and seven percent are single and never married.
- **Household Income:** The majority (61%) of veteran entrepreneur respondents reported a household income of over \$100,000, 24 percent reported their household income between \$50,000 to \$99,999, and 16 percent reported their household income of less than \$50,000.
- **Size of City:** Approximately 38 percent of veteran entrepreneur respondents live in a large metropolitan area or large city (over 250,000), 26 percent live in a medium-sized city (50,000 to 250,000), 24 percent live in a small city or town (under 50,000), and 11 percent live in a rural, farm, or ranch area.
- **State:** Approximately 11 percent of veteran entrepreneur respondents live in Florida, eight percent live in California, eight percent live in Virginia, eight percent live in Texas, six percent live in Maryland, six percent live in Washington, six percent live in New York, five percent live in Georgia, three percent live in Pennsylvania, and three percent live in North Carolina. All other states have representation of two percent or less.
- **Time in Community:** Approximately 14 percent of veteran entrepreneur respondents indicated they lived in the community for less than 2 years, 15 percent indicated that they have lived in their community 3 to 5 years, 20 percent indicated that they have lived in their community 5 to 10 years, and 51 percent indicated that they lived in their community more than 10 years.

Service Member Characteristics

Service Characteristics

The veteran entrepreneur respondents answered various questions about their service. Below are some highlights of those distributions:

- **Branch:** Forty-eight percent of the veteran entrepreneur respondents identified as having served in the Army, 20 percent served in the Air Force, 19 percent served in the Navy, 11 percent served in the Marine Corps, and 1 percent in the Coast Guard.
- **Rank:** Approximately 23 percent of veteran entrepreneur respondents were junior enlisted (E1-E4), 42 percent were senior enlisted (E5-E9), two percent were warrant officer (W1-W5), 12 percent were company grade officer (O1-O3), 21 percent were field grade officer (O4-O6), and less than one percent were flag grade officer (O7-O10).
- **Permanent Change of Station (PCS):** Approximately 36 percent of veteran entrepreneur respondents indicated they PCS one to three times, 26 percent PCS four to six times, and 29 percent PCS more than six times.
- **Deployments:** Approximately 17 percent of veteran entrepreneur respondents indicated they never deployed, 55 percent deployed one to three times, 17 percent deployed four to six times, and 11 percent deployed more than six times.
- **Disability:** Approximately 78 percent of veteran entrepreneur respondents indicated they had a service-connected disability, 19 percent indicated they did not, and two percent preferred not to answer.

Interest in Entrepreneurship Prior to Military

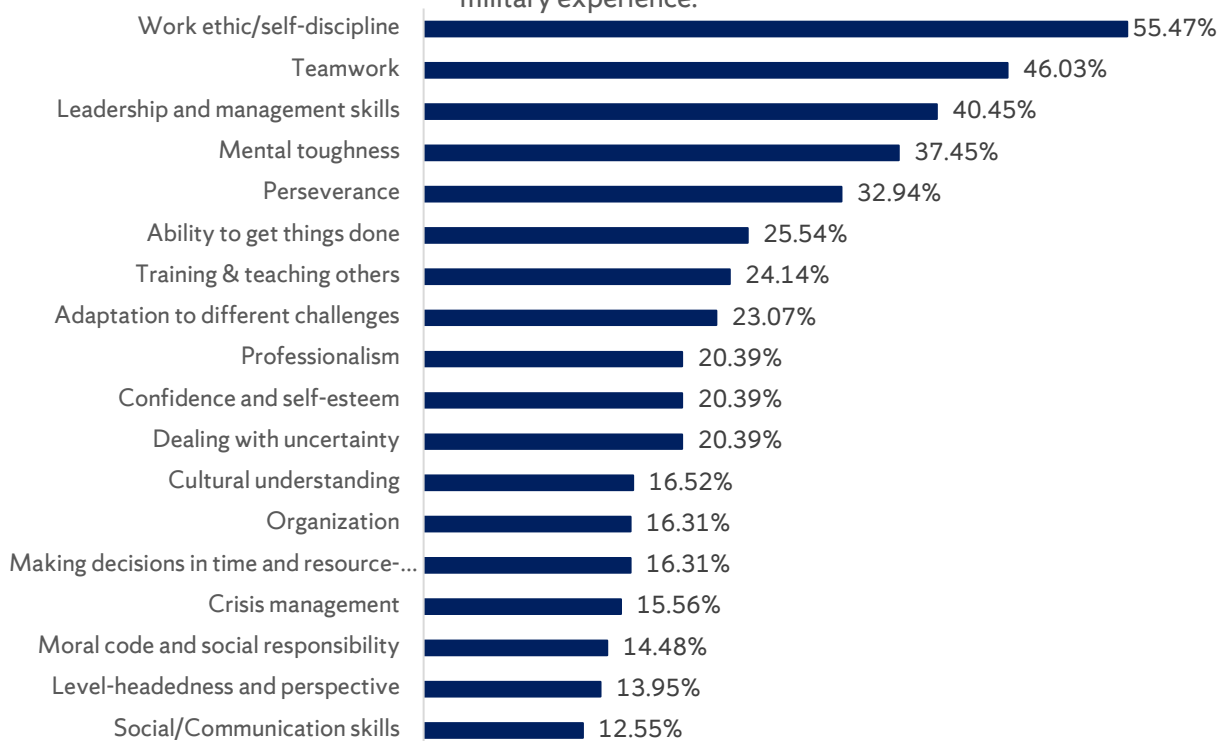
A key aspect of this survey is the relationship between military service and entrepreneurship. Thirty-nine percent of the veteran entrepreneur respondents indicated they were not interested in entrepreneurship prior to serving in the military while 61 percent indicated some interest. More specifically, 29 percent indicated they were slightly or somewhat interested in entrepreneurship prior to serving in the military and 33 percent indicated they were moderately or extremely interested in entrepreneurship prior to serving in the military.

Table 2.1 How interested were you in entrepreneurship before serving in the military?	Frequency	Percent
Not at all interested	627	38.54%
Slightly interested	283	17.39%
Somewhat interested	187	11.49%
Moderately interested	203	12.48%
Extremely interested	327	20.10%
Total	1,627	

Military Skills Related to Entrepreneurship

A distinctive feature of the survey is the exploration of the role of skills and attributes acquired during military service and their relationship to entrepreneurship. The two tables below demonstrate some key findings in this area, namely, that veteran entrepreneurs generally believe their military skills and attributes contribute to the success of their business/venture. In order to understand the specific skills and traits perceived as most helpful, we asked respondents to identify all the skills developed during service and those skills strengthened or enhanced by service experiences (see figure 2.1 below). The top five skills respondents selected are: work ethic/self-discipline (55%), teamwork (46%), leadership and management skills (40%), mental toughness (37%), and perseverance (33%). More than 93 percent indicated these skills helped them in their business/venture (helped them somewhat, moderately, and extremely; see table 2.8).

Figure 2.1 Please select all of the skills that were strengthened or enhanced by your military experience.



Note: the sample of those that selected skills was n=932

Table 2.2 To what extent did the skills selected help you with your business/venture?	Frequency	Percent
Not at all	38	4.04%
Slightly	25	2.66%
Somewhat	102	10.84%
Moderately	231	24.55%
Extremely	545	57.92%
Total	941	

About four percent of the veteran entrepreneur respondents selected the ‘other’ option under the skills strengthened and enhanced. Top skills listed by these respondents include a “never quit” attitude, resiliency, adaptability, being able to work within diverse populations and different cultures, problem solving, confidence in their skills and leadership, discipline, and organizational skills. Following are quotes related to these skills:



"In the military, I learned how to put personal differences aside for the purpose of the mission. I also learned how the whole team (society) can be negatively impacted when anyone is isolated from the team, whether they realize it or not" - Navy Veteran
Businesswoman, Chief Executive Officer (CEO) & Vetrepreneur
Professional, Scientific, and Technical Services Industry

"I had to be able to continue working through tough situations. I had to make command decisions with limited analysis. I often had to sleep in my truck during travel which required a certain mental toughness. I generally had to have grit to get through my first year of business."
- Air Force Veteran
Business Owner and Entrepreneur
Construction Industry

"The mental toughness to continue to break through barriers and just believe that the next step, next hire, next sale is the big breakthrough is difficult. Without my military ingrained attitude I may have thrown in the towel." - Marine Corps Veteran
Business Owner and Vetrepreneur
Construction Industry

"Being a successful entrepreneur generally requires one to be extremely flexible, ready to pivot when the situation changes. My time in an active combat zone helped me to think on my feet and react quickly to constantly changing environments." - Army Veteran
Business owner, Chief Executive Officer (CEO), and Vetrepreneur
Professional, Scientific, and Technical Services Industry

"Being part of an operational planning team and learning strategic planning from top leaders, helped me to adjust to the demands of a changing business environment and to meet my clients' needs in planning for the future." - Army Veteran
Business Owner and Entrepreneur
Professional, Scientific, and Technical Services Industry

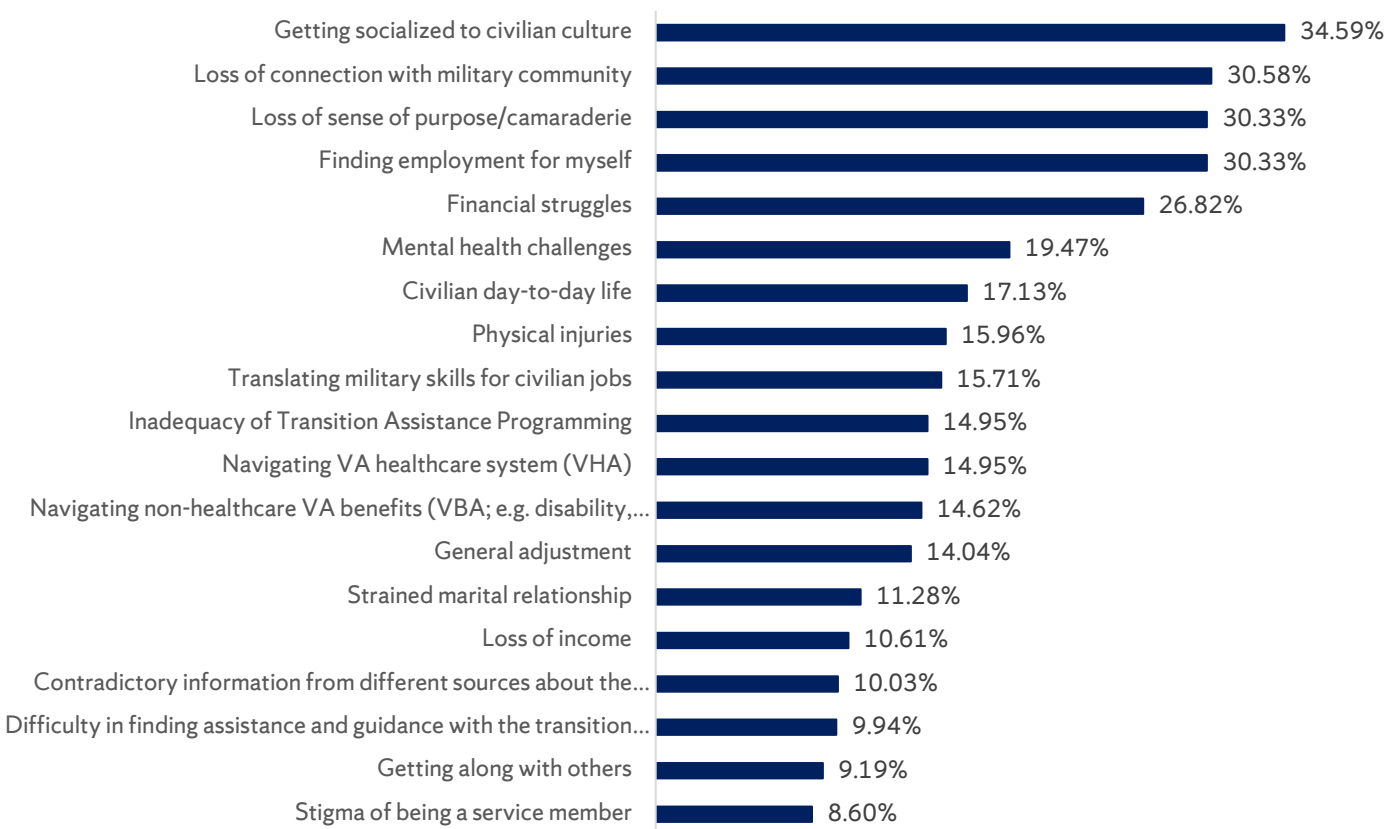
"My military service developed my grit and determination, my will-do attitude, and my absolute resolve to hope and work-to never give up. It developed in me a skill for big-picture views and strategies and long-term goals." - Navy Veteran
Business Owner, Consultant, and Vetrepreneur
Health Care and Social Assistance Industry

Transition Difficulty and Key Challenges for Veteran Entrepreneurs

Another distinctive feature of the survey is understanding the relationship between transition from the military and entrepreneurship. Approximately 44 percent of veteran entrepreneur respondents characterized their overall transition as difficult or very difficult, while 56 percent characterized their overall transition as smooth or very smooth. We also asked respondents to identify the key challenges in their own process of transition (see Figure 2.2). Veterans' top five challenges were: getting socialized to civilian culture (35%); loss of connection with the military community (31%); loss of sense of purpose/camaraderie (30%); finding employment (30%); and financial struggles (27%). Additional challenges included mental health challenges (19%); civilian day-to-day life (17%); physical injuries (16%); translating military skills into civilian jobs (16%); inadequacy of TAP (15%); navigating non-healthcare VA benefits (15%); and navigating the VA healthcare system (15%). Such results indicate that while some veteran entrepreneurs describe their transition experience as difficult, overall there are frustrations associated with the transition experience. This is further illustrated by the fact that 53 percent indicated they needed time to figure out what to do in their civilian life and 41 percent indicated adjusting to civilian life was difficult. This finding is consistent with most literature on transition experience.³⁰

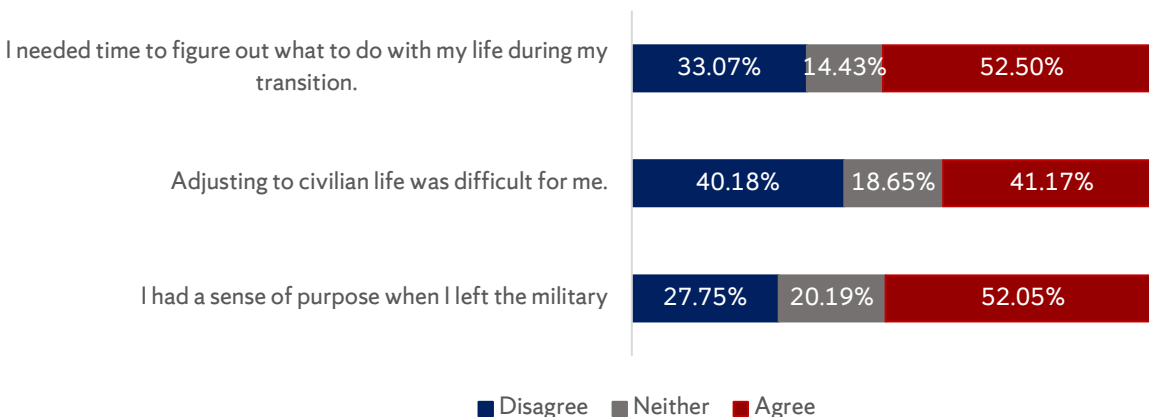
Table 2.3 How would you describe your overall transition from active duty?	Frequency	Percent
Very difficult	198	12.87%
Difficult	484	31.47%
Smooth	517	33.62%
Very Smooth	339	22.04%
Total	1,538	

Figure 2.2 What were the key challenges in your transition?



Note: the sample of those that selected challenges was n=1,197

Figure 2.3 Indicate the level of agreement with the statements regarding your transition out of the military and into civilian life?



Note: the sample size varies with each item rated. The average sample is n=911

Motivations, Barriers, and Characteristics

Entrepreneurial Characteristics

Fifty-nine percent of the respondents that owned a business at the time of the data collection indicated this was their first business venture. The other 41 percent indicated this was not their first business. Thirty-eight percent had between one to two businesses, 47 percent had between three to four businesses, and 15 percent had five or more other businesses.

Table 3.1 Is this your first business/venture?	Frequency	Percent
Yes	1,103	58.83%
No	772	41.17%
Total	1,875	

How many total businesses have you started and/or owned?	Frequency	Percent
1 to 2	291	37.79%
3 to 4	364	47.27%
5 or more	115	14.94%
Total	770	

Overall, the vast majority (91%) founded or started their businesses, seven percent purchased an existing business, one percent inherited the business, and one percent received transfer of ownership or gift. Additionally, 74 percent are sole owners of their business, while 36 percent are co-owners, predominantly (70%) with two other co-owners (Table 3.3).

Table 3.2 How did you initially acquire ownership of this business?	Frequency	Percent
Founded or started	1,751	90.82%
Purchased	140	7.26%
Inherited	17	0.88%
Received transfer of ownership or gift	20	1.04%
Total	1,928	

Table 3.3 Are you the sole owner of your business/venture?	Frequency	Percent
Yes	1,362	74.43%
No	468	25.57%
Total	1,830	

How many people own this business?	Frequency	Percent
1	12	2.59%
2	327	70.47%
3	75	16.16%
4	34	7.33%
5	16	3.45%
Total	464	

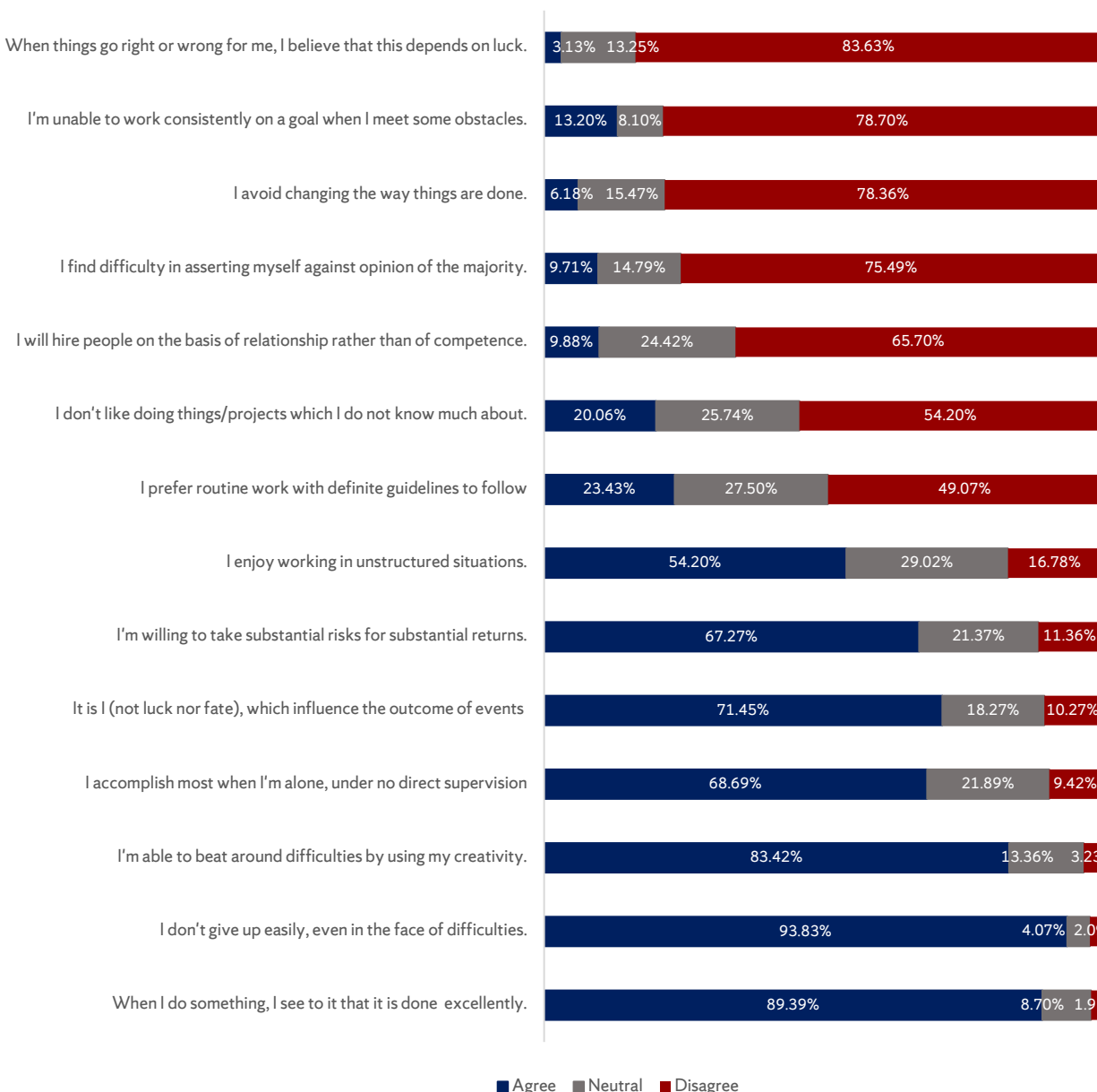
The respondents were asked to describe themselves and were given the choice to select more than one self-description, see Table 3.4. Overall, the majority (60%) of respondents describe themselves as business owners. Even the ones that selected 'Other' include 'owner' in their self-description, i.e. 'small business owner', 'veteran

business owner', 'disabled veteran owned business', 'founder/owner', 'owner/operator' and 'women veteran business owner'. The majority of respondents identified as a business owner (60%), almost half of the respondents (48%) selected 'Veteran entrepreneur/ Vetreprenuer' in their self-description, and only 37 percent selected 'Entrepreneur'. This suggests the respondents feel comfortable enough within their various spheres to identify as veterans. This is consistent with some recent research that indicates those that experience support and relevant services for entrepreneurship are more likely to use labels such as veteran, a person with disabilities, etc., and they tend to exhibit higher self-efficacy (individual's belief in his or her capacity to execute entrepreneurial tasks).³¹

Table 3.4 Which of the following terms do you often use to describe yourself?	Frequency	Percent
Business owner	969	59.96%
Veteran entrepreneur/vetreprenuer	782	48.39%
Entrepreneur	600	37.13%
Self-employed	400	24.75%
Consultant	393	24.32%
Chief Executive Officer (CEO)	387	23.95%
Businessman/businesswoman	242	14.98%
Other, please specify:	110	6.81%
Freelancer	42	2.60%
Franchise owner	22	1.36%
Total	1,893	

Other features of entrepreneurship characteristics are attitudes and perspectives (see Figure 3.1). Ninety-four percent of veteran entrepreneur respondents do not give up easily, even in the face of difficulties. Eighty-nine percent report that when they do something, they strive for excellence in their efforts. Then, to overcome challenges, 83 percent report using creativity to solve the problems and challenges faced. Seventy-nine percent report to work consistently on a goal when they run into obstacles. These attitudes and perspectives imply veterans are persistent, innovative, and driven. Moreover, 84 percent do not believe luck plays a role when things go right or wrong.

Figure 3.1 Please indicate to what extent you agree or disagree with the following statements:



Business Characteristics

Ninety-six percent of the businesses are for-profit, and the remaining four percent have or are in process of obtaining IRS 501(c)3 not-for-profit status. The age of business was calculated by asking what year and month the respondent's businesses officially started. The table below is the recalculated age of business. The average age of businesses by veteran entrepreneur respondents is 7.9 years; with 47 percent reporting an age of five years or less. Additionally, 11 percent of the respondents reported] their business was 20 or more years old (Table 4.1).

Table 4.1 Age of business (calculated)	Frequency	Percent
2 years or less	401	21.58%
3-5 years	479	25.78%
6-9 years	359	19.32%
10 or more	619	33.32%
Total	1,858	

When it comes to industry in which the entrepreneurs operate, about 31 percent of all respondents indicated they operate within the “Professional, scientific, and technical services business” industry. Some of the examples of businesses categorized under this industry include: consulting, legal services, accounting, architecture, design, computer programming, advertising, research & development, and photography. About 10 percent of business owners indicated they operate in the “construction” industry, and some examples of businesses categorized under this industry include: residential remodeling, utility system construction, building exterior contractors, and commercial construction. The third most represented industry was the “Healthcare and social assistance” industry and about seven percent of respondents operated their businesses within this industry. Some examples of businesses within this industry include healthcare, laboratories, mental health care, and home healthcare.

Table 4.2 What industry would you classify this business/venture?	Frequency	Percent
Professional, scientific, and technical services	586	31.14%
Construction	183	9.72%
Healthcare and social assistance	136	7.23%
Educational services	97	5.15%
Information	96	5.10%
Other services (except Public Administration)	94	4.99%
Retail trade	94	4.99%
Manufacturing	89	4.73%
Real estate and rental and leasing	89	4.73%
Administrative and Support and Waste Management and Remediation Services	64	3.40%
Accommodation and food services	63	3.35%
Wholesale trade	59	3.13%
Transportation and warehousing	52	2.76%
Arts, entertainment, and recreation	51	2.71%
Public Administration	36	1.91%
Agriculture, forestry, fishing, and hunting	32	1.70%
Finance and insurance	30	1.59%
Utilities	15	0.80%
Management of companies and enterprises	13	0.69%
Mining, quarrying, and oil and gas extraction	2	0.11%
Other	1	0.05%
Total	1,882	

The nature of the businesses among the majority of the respondents (65%) involved a brick-and-mortar location. Thirty-six percent reported their primary nature of the business is a brick-and-mortar retail and/or office space, and respondents either rent or own retail/office space. Fourteen percent of respondents have a business that is an equal blend of e-commerce and brick & mortar location sales/services, and six percent reported to be a while seller with a brick-and-mortar location.

Table 4.3 Which of the below best describes the primary nature of your business?	Frequency	Percent
Brick-and-mortar retail/office (rent or own brick-and-mortar space)	569	38.16%
Online (e-commerce) sales/services	491	32.93%
Equal blend of e-commerce and brick mortar location sales/services	210	14.08%
Brick-and-mortar location that you share with other retailers/service providers	98	6.57%
Wholesale, other retailers sell my products/services in their brick-and-mortar location(s)	57	3.82%
Wholesale, other retailers sell my products/services via e-commerce	37	2.48%
Wholesale, others sell my products via e-commerce and in their brick-and-mortar	29	1.95%
Total	1,491	

Since 2011, overall businesses in general e-commerce presence and sales have tripled as new technologies allow for increased efficiencies and capabilities.³² Hence, this question aimed to understand whether or not this trend carried over into the veteran-owned businesses. Thirty-five percent reported being solely an online (e-commerce) business. Specifically, 33 percent of the respondent's businesses performed online sales and/or services, and three percent provided wholesale services via e-commerce. These results indicate the trend may hold true for veteran-owned businesses as well, and NSMAE has the opportunity to follow this trend through the longitudinal line of effort.

Lack of cash has been one of the main reasons businesses are not successful.³³ Based on the results in the study, 59 percent of respondents reported a business profit in 2019, 13 percent broke even, and 28 percent reported a loss. Given that together, 41 percent either broke even or reported loss, this suggests these veteran entrepreneur respondents most likely will need access to capital to eventually allow their business to achieve positive cash flow.

Table 4.4 In 2019, did this business/venture make:	Frequency	Percent
Profit	1,037	58.69%
Breakeven	235	13.30%
Loss	495	28.01%
Total	1,767	

The government and private sector institutions have created various certification opportunities for disadvantaged groups to enable access to various business opportunities that both the public and private sector offer. Seventy-three percent of the respondents reported their business is formally or informally certified by a national, state, local, or database/self-certification body. Of those certified, 55 percent report the certification process is difficult, while 21 percent report the certification process is easy. The remaining 24 percent thought it was neither difficult nor easy.

Table 4.5 Is your business formally or informally certified by a national, state, local or database/self-certification body?	Frequency	Percent
Yes	1,199	73.11%
No	441	26.89%
Total	1,640	

Motivations

The motivations for starting a business and being an entrepreneur can vary. In our literature review, as part of survey question development, we identified various motivations for starting a business. We included thirty of those in the survey, including flexible work hours, dissatisfaction with employment, setting an example for family, desire to be my own boss, among others. The motivations for starting a business for veteran entrepreneurs are listed in Table 5.1 below. The respondents were asked to select their top five motivations for starting a business. The motivations are listed in the descending order, the most selected motivations are on the top, and the least selected motivations are at the bottom:

Table 5.1 Identify the top factors that motivated you to start or become interested in starting your own business. Please select top five.	Frequency	Percent
Make my own decisions	1,065	44.39%
The chance to implement my own ideas/Creating something of my own	1,041	43.39%
The opportunity to be a financially independent/increase personal income	1,039	43.31%
Maintain personal freedom	941	39.22%
Helping society/supporting community	805	33.56%
Improving my quality of life	778	32.43%
Having more free time/flexible hours	689	28.72%
Secure future for my family	494	20.59%
Dissatisfaction in a professional occupation	452	18.84%
Building personal wealth	420	17.51%
To meet the challenge of starting a business	359	14.96%
Acquire a comfortable living	341	14.21%
Limited career opportunities	298	12.42%
To spend more time with my family	285	11.88%
Leadership, being at the head of an organization	276	11.50%
To prove I can succeed	256	10.67%
Personal security	247	10.30%
Earn supplemental income with my business	236	9.84%
The difficulty of finding the right job	231	9.63%
Build up equity for retirement	202	8.42%
Discrimination at work	187	7.79%
Other, please specify:	182	7.59%
There was no other option but to go into business for myself	176	7.34%
Wanting to make more money than by working for wages	144	6.00%
Maximize business growth	138	5.75%
Following a family tradition of business ownership	59	2.46%
Increase sales and profit	50	2.08%
Manage people	30	1.25%
Public recognition	19	0.79%
Gaining high social status	11	0.46%
Total	2,399	



When it comes to top motivations for entrepreneurship, the results here are aligned with findings presented elsewhere regarding the motivations of entrepreneurs.³⁴ The one major difference is that within the top five motivations, NSMAE respondents reported “helping society/supporting community” as one of the top five motivations for entrepreneurship. This is generally not included in the top five for overall entrepreneurship, but may also reflect changing societal attitudes over time where helping others may not always have been included as an option.

Considering “helping society/supporting community” is within top five reasons veterans start a business and “gaining high social status” and “public recognition” are at the bottom of the motivation list, these findings support the argument made by Lida Citroen in a 2020 Military.com article asserting veterans are “servant leaders.”³⁵ Additionally, helping society/supporting community are common motivations among social entrepreneurs; however, 96 percent of veteran entrepreneur respondents indicated they own a for-profit business. This observation could be unique to veterans, given the military training that teaches them to accomplish the mission with purpose, direction, and motivation.³⁶ Considering 93 percent of veteran entrepreneur respondents indicated that skills they gained in the military helped them with their business, these findings suggest that entrepreneurship, like the military, provides them with an opportunity to pursue a mission, including the purpose, direction, and motivation.

As mentioned in the previous section, 73 percent of respondents indicated they were certified by some official and/or governmental entity as a veteran-owned business. Interestingly, these certifications or government and public sector incentives did not emerge as a significant motivation. This is consistent with findings that these government incentives are influential in cultivating entrepreneurial motivation but play a larger role in easing access to resources and in directing entrepreneurs’ motivation and drive to specific veteran-focused channels.³⁷ The results here are aligned with existing literature pertaining to minority groups in the U.S. with regard to startup motivation, which shows African American and Latino entrepreneurs are motivated more by the opportunity for independence than by government incentives and policies.³⁸

When comparing amongst current, past, and aspiring business owners/entrepreneurs, the three common motivations in the top five include *the chance to implement my own ideas/creating something of my own, the opportunity to be financially independent/increase personal income, and maintain personal freedom*. In addition to these three, the former entrepreneurs identified *having more free time/flexible hours* and *improving my quality of life* among the top five motivations, while aspiring entrepreneurs had *improving my quality of life* within top five motivations.

Definition of Success

The survey asked respondents to describe what entrepreneurial success looks like for them. Our respondents said that, for them, success means: having a business that provides quality service, being profitable, having financial freedom, being independent, having something that contributes and makes a positive impact on the veteran community and the community as a whole, being a mentor, having a business that generates jobs for veterans as well as the overall community, leveraging their skills, and having a job they loved. Below are some direct quotes related to the definition of success provided by the respondents:



"To me, it (success) is having the freedom to work as needed to provide for my family. As long as I earn an income to provide for my family and am able to go and make memories with them, then that is success."

- Army Veteran
Business Owner and Entrepreneur
Construction Industry

"(Success means) starting a business and building the people, processes, and procedures up until the business runs on a system that works, even if the people change."

- Navy Veteran
Entrepreneur and Businessman
Construction Industry

"(Success means) working to live, not living to work."

- Air Force Veteran
Business Owner and Consultant
Professional, Scientific, and Technical Services Industry

"For me, entrepreneurial success is having a business, with a global footprint, that provides employment opportunities for those who are qualified and passionate, but unable to acquire meaningful employment."

- Army Veteran
Chief Executive Officer (CEO), Consultant, and Veteran Entrepreneur
Professional, Scientific, and Technical Services Industry

"Success is being in a position of mentorship to other new business owners or entrepreneurs."

- Marine Corps Veteran
Business Owner, Chief Executive Officer (CEO), and Veteran Entrepreneur
Professional, Scientific, and Technical Services Industry

"For me, entrepreneurial success looks like an improved lifestyle for myself and others: contributing to the improvement of public policies to the gain of my community, and helping my community grow and prosper, all while achieving financial freedom for myself and my family."

- Navy Veteran
Business Owner, Chief Executive Officer (CEO), Consultant, and Veteran Entrepreneur
Professional, Scientific, and Technical Services Industry

"(Success means) serving women like me and girls, 10 - 17, who are still developing into young women, with a successful future. I want to continue influencing, inspiring, teaching, and empowering young women, but also - women who feel like I've felt for the past ten years: successful and confident on paper, but scared to death to take the leap."

- Navy Veteran
Artist Business, Business Owner, and Vetrepreneur
Professional, Scientific, and Technical Services Industry

"Entrepreneurial success allows an individual to enjoy the fruits of their labor. You decide what the top-down message is, what the corporate culture will be, you decide what the expectations should be for your business and employees, and you get the ability to implement the skills and lessons learned from former bosses that were good leaders. It means you no longer have to deal with bad bosses or unmotivated employees, and you get to set the tone and lead by example. Success validates the entrepreneur's vision and leadership. Simply put, success is freedom."

- Air Force Veteran
Business Owner, Consultant & Team Leader, and Vetrepreneur
Professional, Scientific, and Technical Services Industry

Barriers to Entrepreneurship

As part of the literature review of existing studies related to military-connected entrepreneurs and barriers they face, we identified thirty-three barriers and included them in the NSMAE survey. The respondents were asked to identify the top five barriers that hinder them in pursuing or achieving their business venture or entrepreneurial goals. Table 6.1 represents the barriers for veteran entrepreneurs in descending order:

Table 6 .1 Are there any problems or barriers that hindered you in pursuing or achieving your business venture or entrepreneurial goals? Please select the top five.	Frequency	Percent
Lack of initial capital	831	41.57%
Problems finding good employees/contracted personnel	569	28.51%
Irregular income	487	24.36%
Current economic situation	465	23.36%
Lack of mentors for my business	443	22.16%
Taxes and legal fees	427	21.36%
Lack of experience in entrepreneurship or business ownership	399	19.96%
Healthcare expenses for employees	327	16.36%
Federal regulations and policies	323	16.16%
Startup paperwork and bureaucracy	281	14.06%
State regulations and policies	270	13.51%
Other	264	13.21%
Lack of experience in management/accounting	225	11.26%
Lack of relationships with other entrepreneurs	225	11.26%
Lack of knowledge of the business world and the market	219	10.96%
Lack of organizations to assist entrepreneurs	203	10.16%
Personal health issues (disability, etc.)	197	9.85%
Lack of available assistance in assessing business viability	192	9.65%
Lack of legal assistance or counseling	185	9.25%
Lack of a formal network to help start a business	182	9.10%
Fear of failure	156	7.80%
Excessive risk	146	7.30%
Lack of support from people around me (family, friends, etc.)	141	7.05%
Lack of physical office space	123	6.15%
Having to work too many hours	118	5.90%
Doubts about personal abilities	116	5.80%
Family or personal problems	115	5.75%
Local regulations and policies	106	5.30%
Lack of healthcare coverage for self/family	100	5.00%
Total	1,999	

One of the biggest challenges to starting or growing a business is access to capital, and this is not unique to veterans.³⁹ “Lack of initial capital” was the highest selected barrier among the respondents, followed by “problems finding good employees/contracted personnel.” The next set of barriers within the top five included “irregular income” and “current economic situation,” followed by a “lack of mentors for my business.”



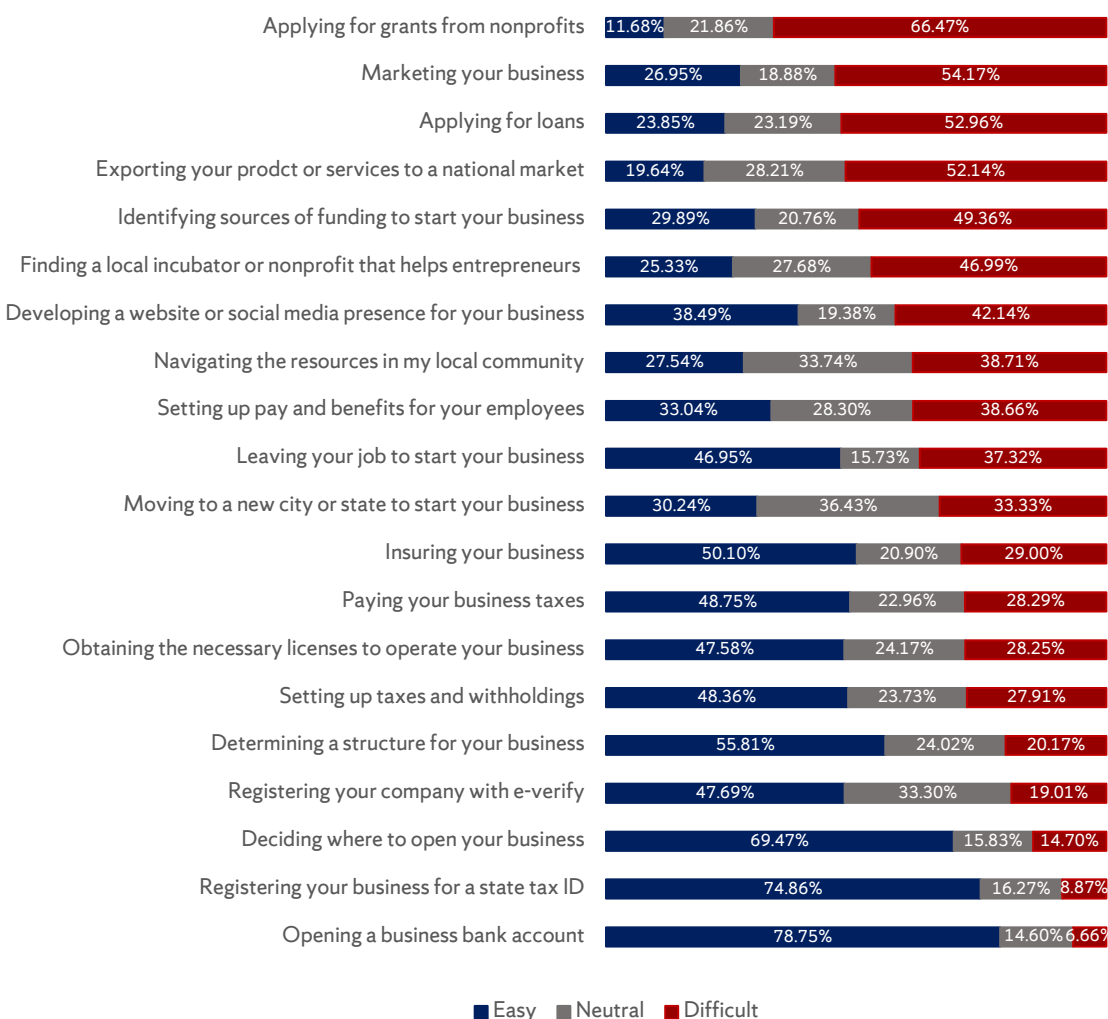
The “lack of healthcare coverage for self/family” was on the bottom of the list of barriers, usually a barrier to entrepreneurship that one observes among the general population. However, veteran entrepreneur respondents have healthcare through the VA system, which explains this outcome.

Entrepreneurship Related Barriers

In addition to barriers to entrepreneurship, we asked respondents to rate the level of difficulty of performing several tasks related to owning a business. Consistent with the findings presented elsewhere in this report, funding or financing related factors emerged as top concerns (in this case, respondents reporting having higher levels of difficulty with these tasks). Sixty-six percent of veteran entrepreneur respondents reported difficulty with applying for grants from nonprofit organizations, 53 percent reported difficulty with applying for loans, and 49 percent reported difficulty with identifying sources of funding to start the business. These results indicate that veteran entrepreneur respondents have a demand for funding yet have difficulty in identifying and obtaining funding needed for their business ventures. Additionally, 54 percent indicated marketing their business and 52 percent indicate exporting their product to a national level are difficult tasks. Several studies, including a JPMorgan Chase Institute study from 2019⁴⁰ suggest lack of cash flow is one of the major reasons businesses don't succeed. Lack of cash flow not only prevents businesses from paying their bills (suppliers, marketing, etc.), but our results suggest lack of cash flow also hinders respondents' ability to market their products and services, and bring their products to the national level market.

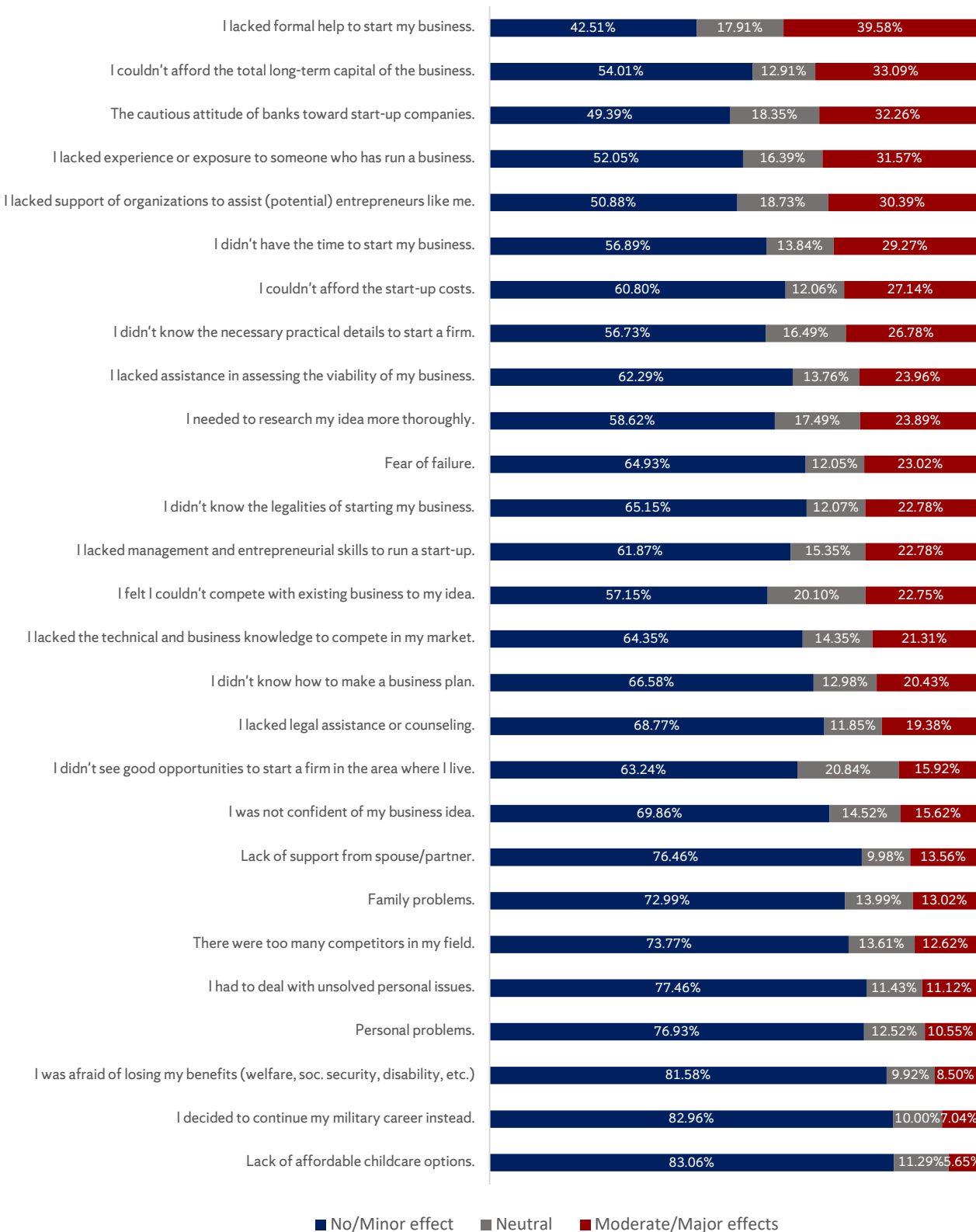
In the general entrepreneurship literature, the second most common task that entrepreneurs struggle with are regulatory or policy-related tasks, such as registering a business.⁴¹ This does not appear to be the case with veteran entrepreneur respondents (see Table 6.1 and Figure 6.1). Namely, the majority of NSMAE respondents reported little difficulty with the following regulatory tasks: opening a business bank account (79%), registering the business for a state tax ID (75%), determining the structure of the business (56%), and registering the company with e-verify (48%).

Figure 6.1 Please rate how difficult it was for you, personally, to do each of the following:



Furthermore, we asked respondents to indicate the factors that affected their decision to start up their business. Forty percent of veteran entrepreneur respondents indicated the lack of formal help to start their business had a major effect on starting their business. Moreover, 32 percent indicated the lack of experience or exposure to someone who had a business and 30 percent indicated the lack of support of organizations to assist (potential) entrepreneurs like themselves also had a major effect on starting their business. Having these three aspects within the top five factors impact starting a business is worrisome, considering there is a growing number of resources for veteran entrepreneurs to assist with these challenges. Other factors that impacted starting a business are related to funding: 33 percent indicated they could not afford the long-term capital and 32 percent indicated the cautious attitude of banks toward startup companies all had a major effect on starting their business. Overall, these findings support the need for ensuring veteran entrepreneurs have access to entrepreneurship training and assistance, mentors, and financial education.⁴²

Figure 6.2 Please think back to the time when you first wanted to start your business, but did not. Please indicate to what extent the following affected or could affect your decision





Disability-Related Barriers

Does your service-related disability create obstacles in business ownership?

Owning a business in and of itself is challenging, and for some veterans, additional barriers and challenges related to their service may pose further complications. The survey asked respondents who have a service-related disability to expand on whether or not this created obstacles in their business ownership. Respondents identified PTSD, physical limitations, TBIs, chronic fatigue, and chronic pain as obstacles for them while running their business, saying these disabilities inhibited them from, at times, focusing when talking with clients and/or being able to physically keep up the high demands necessary to grow a business. These barriers are significant for this population, considering approximately 78 percent of veteran entrepreneur respondents identified having service-connected disabilities. Following are quotes related to barriers experienced related to the service-related disability by respondents:

"I work heavily on getting my mental health on track, but there are times where it gets the better of me and faking it, working through it, becomes exhausting. I know everyone deals with their own demons whether mental health or physical, but I feel a strong burden at times. It's hard, and lonely." - Air Force Veteran
CEO and Entrepreneur
Construction Industry

"The injuries I suffered while serving in the US Army create obstacles for me in my business because of the chronic pain associated with my injuries. It's difficult to sit or stand for extended periods of time. I often have to stop working to stand, walk, and stretch to find relief if possible. I am often tired because of inadequate sleep, which affects my creative thinking during the work day." - Army Veteran
Businessman and Vetpreneur
Professional, Scientific, and Technical Industry

"My body sometimes doesn't react well to stress or stressful situations. I also deal with depression and anxiety, so it is a challenge combatting some of the symptoms, which at times interfere with how efficient I am with some duties. It makes me even more nervous about going forward--not knowing how to explain my needs and challenges to those who want to help or who I plan to pursue to work with me." - Air Force Veteran
Director & Founder

"Physically I think I am fine, but mental acuity has been challenging. I have hearing loss, TBI and PTSD which I believe plays a role in comprehension, writing, explaining, understanding some items associated with entrepreneurship. It has been truly a challenge for me personally." - Army Veteran
Business owner, CEO, and Vetpreneur
Corporate Travel Management industry

"My major disability is PTSD which makes it hard to reach out and connect effectively. I also have physical disabilities that make it hard to perform my manufacturing duties for long periods of time." - Army Veteran
Businesswoman, Chief Executive Officer (CEO), and Vetpreneur



Manufacturing Industry

"My illness has been a major, major obstacle. I am a fighter, and a great student with tremendous leadership potential, and I am motivated to continue figuring out how best to put that into a successful venture." - Air Force Veteran

Freelancer

Health Care and Social Assistance Industry

"I am currently rated 100% service-connected. Due to the new medication I am on, I get tired fairly quickly. Therefore my time is limited in the shop or job site. This has a huge impact on turnaround time on projects as well as installation time. At this point, I have paused my business as I try to look for a new shop space that I do not have to share so that I can hire people to help me. At the same time, I am scaling down the projects I am creating o launch a new product line that has been well received by a blind study group. I am also working on improving the process for creating my previous product and hope to patent that, which I have zero knowledge on how to do." - Army Veteran

Vetpreneur

Construction Industry

"It's a continuing mental exercise to maintain perspective with remnants of PTSD affecting me. I've learned to take a breath and truly think about most decisions other than the routine stuff. So, understanding and managing my disabilities has been a key to any success I may have." -Coast Guard Veteran

Business Owner and Entrepreneur

Retail and Furniture Building Industry

"Some of my work required lifting various items. My physical limitations frequently become agitated for days on end from some of the physical aspects of the work requiring me to throttle back and not accomplish as much as I want/need to at any given time. If this were my sole income, I would be in big trouble." -Navy Veteran

Consultant and Vetpreneur

Specific Equipment Rentals/Sales Industry

"I am not able to physically perform some tasks at times so I have to have at least one other employee to perform those functions." - Air Force Veteran

Business Owner and Entrepreneur

Health care and Social Assistance Industry

Business Capital

As previously indicated, lack of capital was one of the top barriers that hindered veteran entrepreneur respondents in pursuing or achieving their business venture or entrepreneurial goals. In this section, we aim to provide further insight on the capital needs, sources of capital, and other capital-related information that impact veteran entrepreneurs.

Capital Needs

Ninety-one percent of all respondents required initial start-up capital for their business venture. Interestingly, as illustrated in Table 7.1, 31 percent of those needed funding needed less than \$5,000 to start their venture. Twenty-nine percent needed between \$5,000 and \$24,999, which means the majority (60%) of those that needed funding needed less than \$25,000. Another 22 percent needed between \$25,000 and \$99,999, while the remaining respondents (18%) needed more than \$100,000 initially to acquire the business.

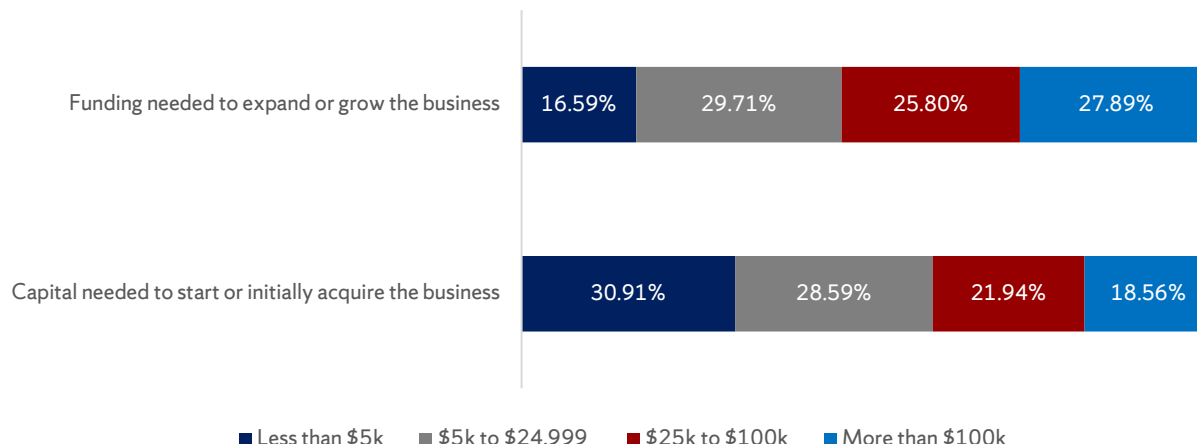
Table 7.1 Total amount of capital needed to start or initially acquire a business	Frequency	Percent
Less than \$5,000	493	30.91%
\$5,000 - \$9,999	224	14.04%
\$10,000 - \$24,999	232	14.55%
\$25,000 - \$49,999	164	10.28%
\$50,000 - \$99,999	186	11.66%
\$100,000 - \$249,999	163	10.22%
\$250,000 - \$999,999	98	6.14%
\$1,000,000 - \$2,999,999	24	1.50%
\$3,000,000 or more	11	0.69%
Total	1,595	

When it comes to capital needed to expand or grow a business in 2019, only seven percent did not need capital. For those that needed capital, 17 percent of them needed less than \$5,000, while 30 percent needed between \$5,000 and \$24,999. Another 26 percent needed between \$25,000 and \$99,999, while the remaining respondents (28%) needed more than \$100,000 to expand or grow the business (see Table 7.2).

Table 7.2 The total amount of capital needed to expand or grow your business in 2019	Frequency	Percent
Less than \$5,000	191	16.59%
\$5,000 - \$9,999	137	11.90%
\$10,000 - \$24,999	205	17.81%
\$25,000 - \$49,999	163	14.16%
\$50,000 - \$99,999	134	11.64%
\$100,000 - \$249,999	170	14.77%
\$250,000 - \$999,999	94	8.17%
\$1,000,000 - \$2,999,999	40	3.48%
\$3,000,000 or more	17	1.48%
Total	1,151	

Both results related to starting and growing a business are consistent with findings in the entrepreneurship literature that suggest that 90 to 95% of entrepreneurs require some amount of financing to start their business.⁴³

Figure 7.1 What was the total amount of capital needed for your business in 2019?



Note: the sample of those that need funding to expand was n=1,302, and for those to start a business was n=1,721

The majority (60%) of the veteran entrepreneurs were able to secure most or all initial funding for starting or acquiring the business., while 25 percent were not able to secure any funding at all.

Table 7.3 Ability to secure the funding needed to start or initially acquire the business	Frequency	Percent
Not at all	419	24.87%
Slightly	102	6.05%
Somewhat	159	9.44%
Mostly	229	13.59%
Completely	776	46.05%
Total	1,685	

Forty-one percent of the veteran entrepreneurs were able to secure the funding needed to expand or grow the business in 2019, while 31 percent were not able to secure any funding at all.

Table 7.4 Ability to secure the funding needed to expand or grow this business	Frequency	Percent
Not at all	383	30.89%
Slightly	148	11.94%
Somewhat	200	16.13%
Mostly	162	13.06%
Completely	347	27.98%
Total	1,240	

Compared to start-up or initial capital to start or acquire a business, the findings in Tables 7.3 and 7.4 suggest it is getting more challenging to obtain the required capital. These findings suggest veteran entrepreneur respondents have a demand for external financing. The next section looks at the source of capital.

Source of Capital

The vast majority (72%) of our respondents required financing in 2019. Respondents were asked to select all sources of capital utilized in 2019 and per Table 8 the top five sources of capital used include personal/family savings of the owner (63%), a business credit card (38%), personal credit cards (35%), business loan from a bank or financial institution (23%), and personal/family assets other than savings of owner (13%). Twenty-eight percent indicated that they did not need any capital in 2019. Venture capital is used by only ten veterans, which is 0.8 percent of the respondents.

The findings related to personal/family savings of the owner as a primary source of funding are consistent with existing entrepreneurship studies. The existing studies indicate the top three sources of capital used by businesses for a startup or initial acquisition of capital are personal/family savings of the entrepreneur (64.4%), business loans from banks or financial institutions (16.5%), and personal credit cards (9.1%).⁴⁴ Considering second main source of capital for veteran entrepreneurs is business credit cards (38%), veteran entrepreneur respondents most likely pay a much higher interest rate for this source of capital.

Table 8.1 In 2019, were any of the following sources of capital used for your business?	Frequency	Percent
Personal/family savings of owner(s)	793	62.89%
Business credit card(s)	478	37.91%
Personal credit card(s)	440	34.89%
Business loan from a bank or financial institution	285	22.60%
Personal/family assets other than savings of owner(s)	169	13.40%
Other source(s) of capital, please specify:	98	7.77%
Personal/family home equity loan	94	7.45%
Business loan/investment from family/friend(s)	87	6.90%
Government-guaranteed business loan from a bank or financial institution	76	6.03%
Business loan from federal, state, or local government	58	4.60%
Grants	44	3.49%
Investment by venture capitalist(s) or angel investors	10	0.79%
Crowdfunding platform (for example, Prosper, Kickstarter, etc.)	9	0.71%
Community Development Fund Initiative	5	0.40%
Total	1,261	

The three least used sources of funding include investment by venture capitalist(s) or angel investors, crowdfunding platforms (e.g., Prosper, Kickstarter, etc.), and Community Development Fund Initiative (CDFI). The low amount of veteran entrepreneur respondents using investment from a venture capitalist(s) aligns with general entrepreneurship findings.⁴⁵, where securing venture capital is an uncommon source of financing for startups. However, more surprising is that less than one percent use crowdfunding platforms and CDFIs.

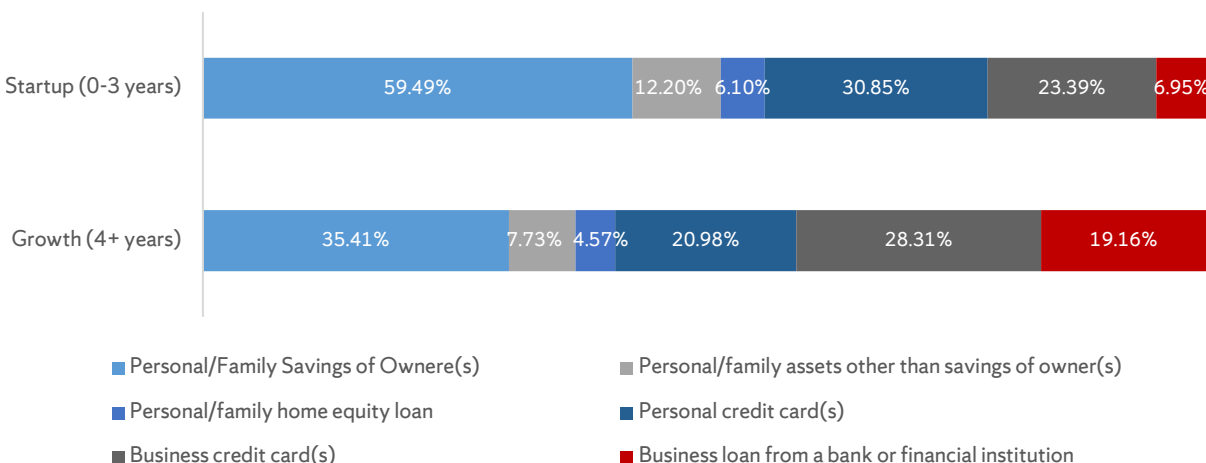
According to the SBA, crowdfunding works well for companies requiring less than \$75,000 of capital.⁴⁶ Moreover, crowdfunding serves as a useful tool to determine proof of concept and primarily benefits entrepreneurs with smaller campaigns (e.g., \$75,000 or less). Per Tables 7.1 and 7.2, most veteran entrepreneur respondents need less than \$75,000 of capital; therefore, crowdfunding appears to be an underutilized source of capital.

CDFIs could be an additional resource to address the capital needs of veteran entrepreneur respondents. The CDFI is an arm of the Treasury Department that provides financial and technical assistance awards. CDFIs vary by region and include banks, credit unions, loan funds, and venture capital funds. The goal of the CDFI is to broaden economic opportunity among low-income and minority communities by providing access to basic financial services for individuals and businesses. CDFIs have been assisting numerous small businesses across the nation. The majority of loans through CDFI institutions are less than \$100,000, and the average loan is about \$27,000.⁴⁷

Access to financial resources changes based on the age of the business. We looked at the difference between businesses 0-3 years old (startup) and businesses older than three years (growth). For startup businesses, 59 percent indicate that owner's personal/family savings was one of the sources of capital, followed by personal credit cards (31%). Seventy-eight percent of all the capital for startup businesses came from the owner's personal source (savings, credit card, family assets, and home equity loan), while only 22 percent came from business-related sources, namely business card (17%) and business loan (5%).

Thirty-five percent of respondents from growth businesses report the owner's personal/family savings was one source of capital. The next most used sources of funding were business credit cards (28%), personal credit cards (21%), and business loans (19%). Fifty-nine percent of the growth businesses used the owner's personal source of capital, and 41 percent used business related sources, namely business cards (24%) and business loans (17%).

Figure 8.1 In 2019, were any of the following sources of capital used for your business/venture? (Startup & Growth Businesses)



Note: the sample of those that selected the source of capital was n=1,744

Seventy-eight percent of all the capital for startup businesses came from the owner's personal source (e.g. savings, credit card, family assets, and home equity loan). This implies a significant personal risk for entrepreneurs. The risk of investing personal savings and getting a personal debt could be mitigated with the sources previously identified,

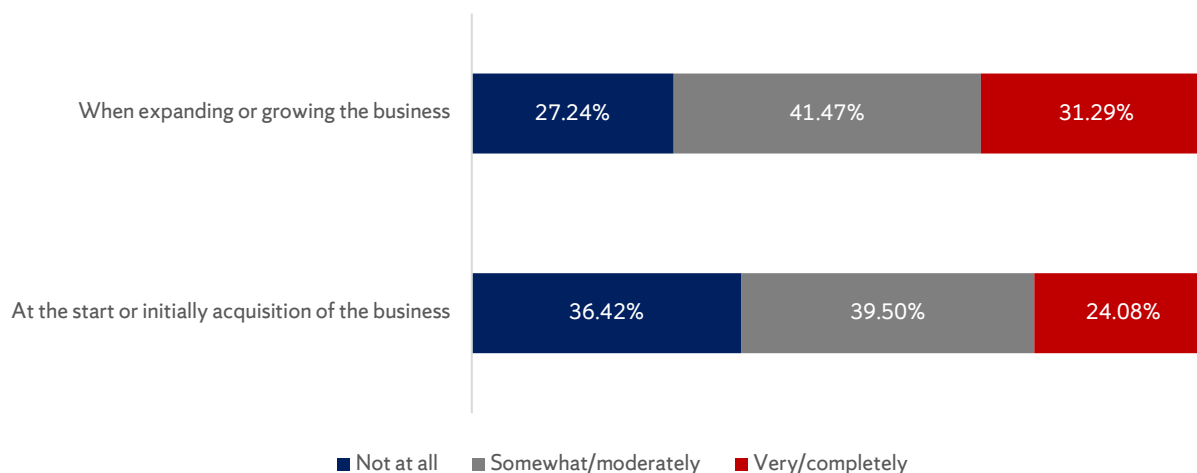
i.e. crowdfunding and micro-loans through CDFIs. Moreover, both crowdfunding and CDFIs offer more than just financial sources, such as assistance in networking, testing the product, technical assistance, etc.

Overall, female respondents rely more on personal sources of funding than male respondents. Sixty-four percent of women veteran entrepreneurs rely on personal sources of capital compared to 49 percent of men.

Readiness for Traditional Lending

To better understand the barriers to accessing various sources of capital, we look at the financial preparedness of the veteran respondents. Overall, there is some improvement in the preparedness for traditional funding when we compare the capital needs to start or acquire a business and capital needs to expand or grow a business. Thirty-six percent of respondents indicated they did not feel prepared for traditional lending processes when they started or acquired their business compared to 27 percent when they were expanding or growing a business in 2019.

Figure 9.1 How prepared for the traditional lending process did you feel?



Note: the sample of those answering for growing business was n=1,454, and those answering for starting a business was n=1,557

While 93 percent of veteran entrepreneur respondents indicated military experience had helped them with their business, the majority (65%) do not believe having a military affiliation helped them at all in securing funding for their business.

Table 9.1 Do you think your military-affiliated status helps you secure funding?	Frequency	Percent
Not at all	1,036	65.40%
Slightly	172	10.86%
Somewhat	208	13.13%
Mostly	89	5.62%
Completely	79	4.99%
Total	1,584	



Respondents were also asked to explain how prepared for the traditional lending process they felt they were when they started or acquired their business. Respondents provided a myriad of answers to this question. Many said that they self-funded, so they did not need to go through the traditional lending process. Some said due to their background (e.g., finance, lawyer) they were able to get through the process. Others said it would have been much more difficult had it not been for their accountant. Only a few said that the process was not difficult and that the bank they used was quite helpful. Comments include:

"It was a lot of doing research information and exploring all my options and putting things together. It was a handful in the beginning but it got a lot better with time."

- Marine Corps Veteran

Businessman, Chief Executive Officer (CEO), Entrepreneur, and Franchise Owner
Construction Industry

"I was unprepared to speak banking and/or accounting terms. I was unaware that tax accounting and bookkeeping are entirely different with different rules."

- Navy Veteran

Business Owner
Facilities Management Services Industry

"I researched and knew all that was required for a business loan; however, initially I did not want to take on any debt."

- Army Veteran

Business Owner and Entrepreneur
Professional, Scientific, and Technical Services Industry

"Despite all of the small business training and seminars I attended before and after I started my business, none of them addressed business financing in enough detail to help me avoid several early mistakes. One such example is understanding the different types of business financing debt vs equity, and the pluses and minuses of each. I also eventually learned traditional business financing does not work like personal credit. It took two years of beating my head against the wall in frustration before I figured it out. By the time I did, I was already under-capitalized and fighting to stay open. I still have not recovered from the slow start that ensued."

- Army Veteran

Businessman and Entrepreneur
Professional, Scientific, and Technical Services Industry

"I am not trained as a business person and had no idea what would actually be involved in starting my own firm. Expenses got covered when money came in, but I was always chasing it seemed, rather than being prepared with a strategy."

- Navy Entrepreneur

Business Owner and Self-Employed
Arts, Entertainment, and Recreation Industry

Access to Capital

In the past year, 57 percent of all respondents applied for credit/financing with a lender or creditor. Accordingly, of those who applied, a slight majority (56%) reported they were not declined by the lender or creditor. Ten percent reported obtaining partial funding, and 34 percent reported being declined. Moreover, of those who were declined, 59 percent did not reapply anywhere, while 14 percent of them were turned down by the same or different institution. This outcome seems to be consistent across entrepreneurs regardless of veteran status. According to a 2019 Small Business Credit Survey study conducted by the Federal Reserve Bank, four out of ten businesses were turned down by a lender or creditor.⁴⁸ The high rate of veteran respondents that were turned down and gave up on trying to reapply for funding may explain the reliance on credit card financing for their businesses.

Table 10.1 In the past year, has a particular lender or creditor turned down any request you made for credit, or not given as much credit as you applied for?	Frequency	Percent
Yes, turned down	332	34.23%
Yes, not as much credit	96	9.90%
No, not turned down	542	55.88%
Total	970	

Were you later able to obtain the full amount you requested by reapplying to the same institution or applying elsewhere?	Frequency	Percent
Yes	58	13.74%
No, turned down again	117	27.73%
No, did not reapply	247	58.53%
Total	422	

The respondents who were turned down were asked to identify the top five reasons given by the institution to explain why they were turned down (Table 10.2).

Table 10.2 Reasons for being turned down for credit	Frequency	Percent
Credit rating service/credit bureau reports	118	28.85%
Lack of/not enough assets/collateral/property/equity to secure the loan; size of down payment; financial status	101	24.69%
Amount of income; or simply "income"	83	20.29%
Amount of debt; size of other payments; ability to repay loan	78	19.07%
Institution is "strict" in lending requirements	56	13.69%
Haven't established a credit history	51	12.47%
Credit records/history from other institution; other loans or charge account; previous payment records; bankruptcy	51	12.47%
Bank policy	37	9.05%
Other miscellaneous	32	7.82%
Other financial characteristics of borrower	22	5.38%
Total	409	



We asked respondents to briefly describe the reasons for denial. Many respondents said the main reason they were turned down for credit was due to a poor credit rating. Other responses included: business too new, business didn't make enough money (insufficient funds), the amount of paperwork and strict eligibility requirements, previous bankruptcy, too much reliance on personal credit over time, bank limits/restrictions on what it can let a company borrow (i.e., banks wouldn't lend for CBD company), not enough information on the growth of business, some previous delinquent payments and some collections, large student loans, and loans due to school. A small number of respondents reported they felt racial bias played a factor in their inability to secure a line of credit.

"When I first started (my business) I was told I didn't have sufficient revenue or revenue history. When the company's revenues grew from \$200K in 2016 to \$2M in 2018 and 2019, the goal post shifted to: My company did not have three consecutive years of profitability. The bank said my company lacked sufficient cash flows." - Army Veteran

Businessman, Business Owner, Entrepreneur/Vetrepreneur, and Self-Employed
Professional, scientific, and technical services Industry

"I had too many credit inquiries in the past 12 months. I have a service dog as well as a disability, plus my age, and they (the bank) felt I was not a good credit risk, even though I had done this line of work for over 40 years." - Marine Corps Veteran

Self-Employed, Vetrepreneur, and VOSB
Professional, scientific, and technical services Industry

Debt Structure

According to our findings, 34 percent of the respondents who applied for credit/financing with a lender or creditor (see Table 10.1.) were turned down, citing poor credit as a top factor. Therefore, it is important to understand the debt structure of the source of the funding that the respondents have.

	Frequency	Percent
Less than 3%	57	5.77%
3-9.99%	526	53.24%
10-19.99%	286	28.95%
20-29.99%	111	11.23%
30% or more	8	0.81%
Total	988	

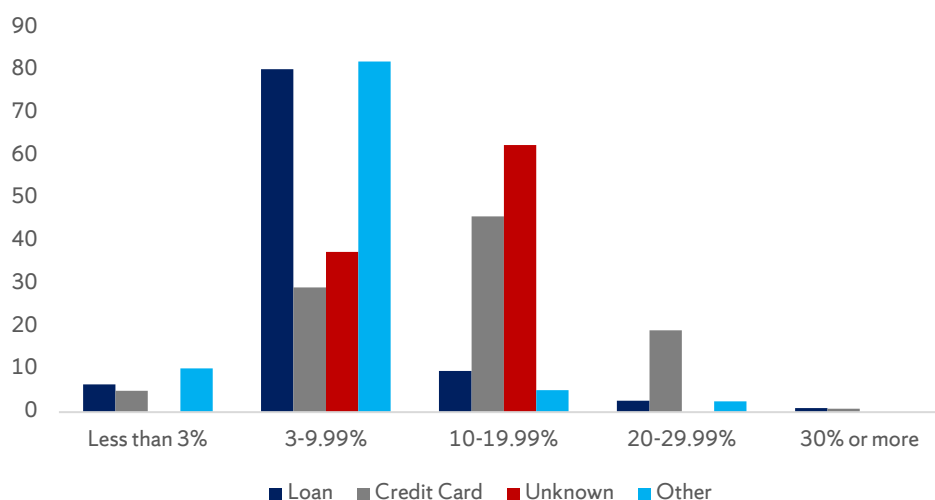
	Frequency	Percent
Loan	433	32.46%
Credit Card	575	43.10%
Unknown	84	6.30%
Other	242	18.14%
Total	1,334	

About 29 percent of those with a loan/card debt pay an interest rate between 10-19.99%, while 12 percent pay more than 20% interest rate.

Forty-three percent of the balance is credit-card debt. The majority (66%) of respondents with credit card financing pay an interest rate of 10% or more. Twenty percent of those who do credit card financing pay an interest rate between 15-19.99%, while 19 percent pay an interest rate between 20-29.99%.

Thirty-two percent of the balance is loan debt. When it comes to loan financing, the majority (79%) of those who obtained a loan pay an interest rate less than 8%. About half (52%) of those with loan financing pay an interest rate between 3-6.99%. Namely, 17 percent pay an interest rate between 3-3.99%, 17 percent pay an interest rate between 4-4.99%, and 18 percent pay an interest rate between 5-5.99%.

Figure 11.1 Interest by Type of Funding



Note: the sample of those answering type of funding was n=1,334

The cost of capital can negatively affect the profit of the business.⁴⁹ Credit cards are the most used funding source, and the majority of the veteran entrepreneur respondents pay an interest rate higher than 10 percent. This is a comparatively high cost of capital. These findings suggest further increased personal financial risk for the respondents, as their capital cost is higher than for those using other sources of funding. Furthermore, the increased cost of capital also increases the risk of defaulting on payments, which can impact the entrepreneur's personal credit score and further prevent the entrepreneur from qualifying for lower interest based loan (usually less than 10% interest rate).

Access to Resources

Business Related Resources

The results related to access to business related resources within the local communities vary based on the type of the resource (see Figure 12.1). Notably, most are financial resources. Of particular note are grants, Community Development Financial Institutions (CDFI), and finance/credit resources. About 59 percent of veteran entrepreneurs report grant resources are inadequate and need improvement to meet basic or minimal levels of service. Similarly, 42 percent report about the CDFI resource, while 30 percent report the same about the financing and credit resources. Related to CDFI, more than half (52%) of the respondents did not know about this resource (see Table 12.1).

Overall, educational and training resources related to entrepreneurship—including colleges/universities, conferences, specific entrepreneurship programs and SBA resources—are reported to provide adequate to outstanding services. For example, respondents report that College/University academic programs (37%), conferences and workshops (31%), and SBA resources (31%) are outstanding in the sense that these are service models other communities may want to imitate. Per Table 12.2., SBA resources were the most used by the respondent, with the SBDC used by 30 percent of respondents, PTAC by 26 percent, SCORE Business Mentors used by 22 percent, the SBA District Offices used by 21 percent, and VBOC by 20 percent of respondents.

Related to awareness of existing resources, 36 percent of respondents did not know about local incubators and accelerators. Furthermore, of those who knew about these resources, 34 percent report the resource is inadequate and needs improvement to meet basic or minimal levels of service. Thirty-two percent report Veteran Serving Organizations (VSO) resources are inadequate and need improvement to meet basic or minimal levels of service.

The survey also measured three types of networking resources, namely networking and engaging with other business owners, networking and engaging with other military-affiliated individuals, and networking and engaging with other military-affiliated business owners. Regarding these three, respondents overall report better access to business owners than to other military-affiliated individuals and other military-affiliated business owners. Thirty-two percent report resources that provide networking and engaging with other business owners provide adequate and outstanding services, while 36 percent report resources that provide networking and engaging with other military-affiliated business owners are inadequate and need improvement to meet basic or minimal level of service. Similarly, 32 percent report resources that provide networking and engaging with other military-affiliated individuals are inadequate and need improvement to meet basic or minimal level of service.

With regard to business activities and operations assistance, 34 percent of all respondents did not know about a third-party certification resource. Of those who knew of this resource, 29 percent report the resource is inadequate and needs improvement to meet basic or minimal levels of service. Also, 40 percent report inadequate services related to government contracting resources.

Table 12.1 Resources within the Community for the Business/Venture	Knew about resources		Did not know about the resources	
	Frequency	Percent	Frequency	Percent
Internet access	1,558	87.73%	218	12.27%
Networking and engaging with other business owners	1,448	83.84%	279	16.16%
Taxes, accounting, and finances	1,393	80.33%	341	19.67%
Veteran Serving Organizations	1,392	80.42%	339	19.58%
Conferences and workshops	1,389	80.20%	343	19.80%
Networking and engaging with other military-affiliated individuals	1,377	80.20%	340	19.80%
Technological system, processes, equipment	1,369	77.56%	396	22.44%
SBA resources (SBDC, WBDC, VBOC, etc.)	1,369	79.00%	364	21.00%
Networking and engaging with other military-affiliated business owners	1,368	79.44%	354	20.56%
Social media/website resources	1,356	79.62%	347	20.38%
Physical office space (traditional)	1,335	75.08%	443	24.92%
Legal	1,323	77.82%	377	22.18%
College/University academic programs	1,295	76.04%	408	23.96%
Financial record keeping system	1,285	74.80%	433	25.20%
Marketing strategies	1,279	75.46%	416	24.54%
Business plan resources	1,262	74.24%	438	25.76%
Financing/Credit	1,259	72.82%	470	27.18%
Government contracting	1,251	73.20%	458	26.80%
Credit	1,234	72.08%	478	27.92%
Staffing	1,136	67.82%	539	32.18%
Coworking space	1,131	64.78%	615	35.22%
Third-party certification resources	1,108	65.91%	573	34.09%
Local incubators/Accelerators	1,087	64.28%	604	35.72%
Human resource infrastructure	1,079	64.61%	591	35.39%
Grants	972	56.32%	754	43.68%
Community Development Financial Institution (CDFI)	817	47.95%	887	52.05%

Figure 12.1 Resources within the Community for the Business/Venture

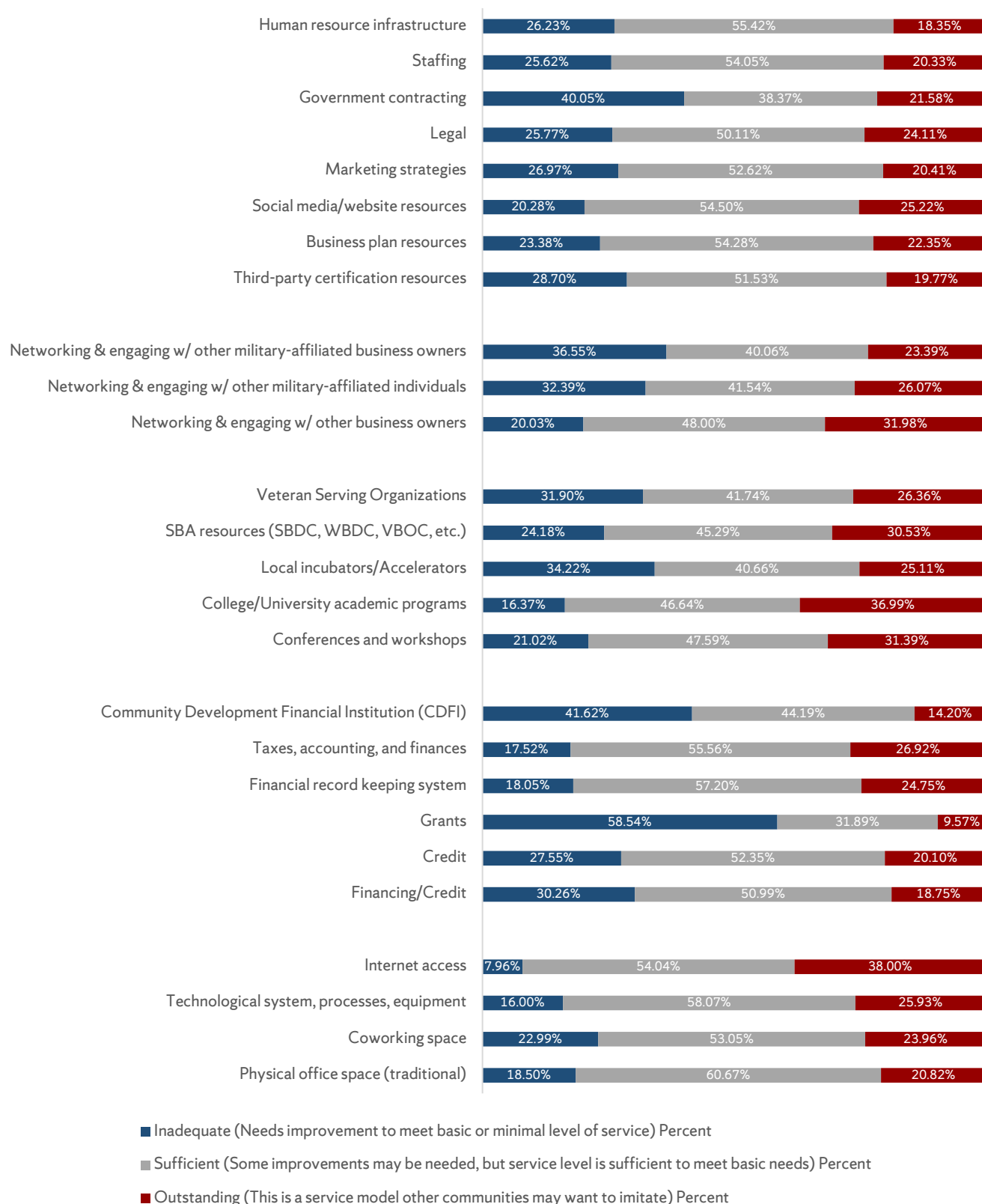


Table 12.2 Which of the following, if any, resources related to your business or idea did you primarily use?	Frequency	Percent
Small Business Development Centers (SBDC)	510	29.91%
Procurement Technical Assistance Centers (PTAC)	449	26.33%
SCORE Business Mentors	374	21.94%
SBA District Offices	350	20.53%
Veterans Business Outreach Centers (VBOC)	342	20.06%
Other entrepreneurs	323	18.94%
Mentors	317	18.59%
SBA Regional Offices	262	15.37%
None	238	13.96%
Local university of community college	176	10.32%
VA Vocational rehabilitation	160	9.38%
Entrepreneurship conferences (i.e. GrowthCon)	135	7.92%
Entrepreneurial meet-up groups (1 Million Cups, meetup.org., etc.)	128	7.51%
Local small business incubators	118	6.92%
Total	1,705	

General Resources

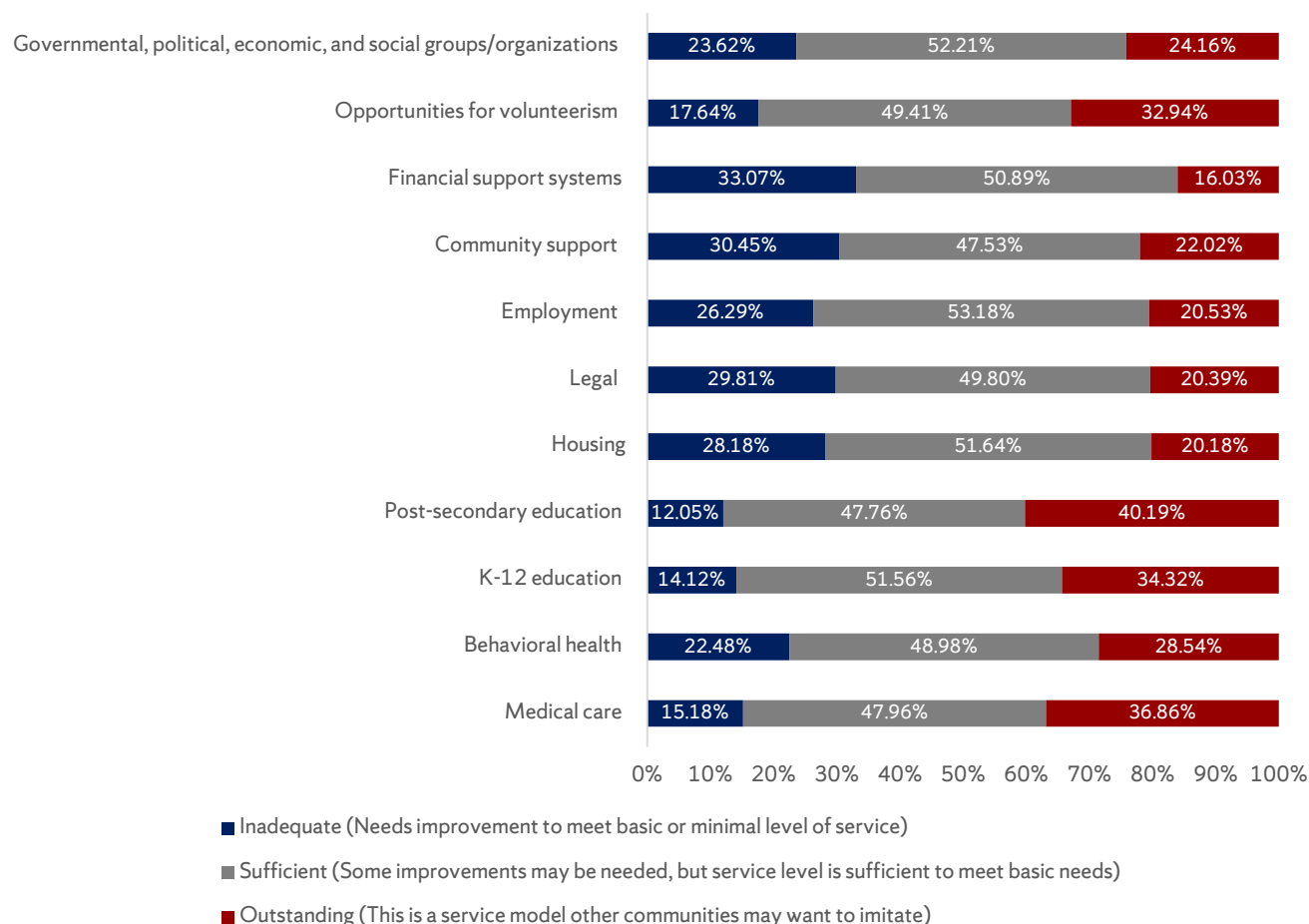
Overall, NSMAE respondents were asked to rate their communities with regard to several factors on the terms of “outstanding - service model other communities want to imitate,” “sufficient - some improvements may be needed” or “inadequate - needs improvement to meet basic or minimal level of service.” The factors included medical care (i.e., available and accessible medical care for military members, veterans, and their families) behavioral health (i.e., mental health services are available and accessible, barriers to care are being addressed), opportunities for volunteerism (i.e., involvement of military members and veterans in local committees and boards), K-12 education (i.e., school policies and personnel are well-prepared for and supportive of military children), and post-secondary education (i.e., institution policies and personnel are well-prepared for and supportive of student service members, veterans, and their families).

Results indicate 40 percent of respondents rated post-secondary education, 37 percent selected medical care, 34 percent selected K-12 education, 33 percent selected opportunities for volunteerism, and 29 percent selected behavioral health resources as outstanding services in their communities that others may want to imitate.

Previous studies on entrepreneurship identified a lack of healthcare benefits as a barrier to entrepreneurship.⁵⁰ This is not the case with veteran entrepreneur respondents, as they have the VA medical coverage and benefits.

The resources reported to provide inadequate services and need improvement to meet basic or minimal levels include: financial support systems (33%) (financial support system information and education are available and accessible), community support (30%) (programming for military members, veterans, and their families; available and accessible child care), legal (30%) (veterans court services, available and accessible legal aid), housing (28%) (homelessness prevention and treatment programs, shelter beds dedicated to veterans, facilities for women and children), and employment (26%) (support services for veteran job search and placement are available and accessible).

Figure 13.1 General Resources in the Community



These findings could reflect previously identified business-related barriers, i.e., access to capital has been identified as a significant barrier. These findings further support veteran entrepreneur respondents need funding; however, results also imply they lack access or supply of the capital. The lack of community support could explain the low utilization of crowdfunding and CDFI resources. Even though 26 percent indicate employment services are inadequate, the survey findings indicate lack of employment is not a motivation for becoming an entrepreneur and finding qualified employees is one of the top barriers to entrepreneurship. Therefore, the lack of satisfaction with employment services appears to come from barriers to successful entrepreneurship, namely, the difficulty of finding qualified employees, which employment services typically assist with.

Business Certifications

Our results identify 73 percent of the respondents reported their business is formally or informally certified (e.g., minority owned business, veteran-owned small business, etc.) by a national, state, local, or database/self-certification body (see Table 4.5). Of those certified, 55 percent report the certification process is difficult. To better understand the business certification process, the survey asked the survey takers an open-ended question to describe the certification process.

Table 14.1 How would you describe the process to obtain certification?	Frequency	Percent
Extremely easy	57	3.54%
Moderately easy	280	17.37%
Neither easy nor difficult	381	23.64%
Moderately difficult	608	37.72%
Extremely difficult	286	17.74%
Total	1,612	

While some said the Center for Verification and Evaluation (CVE) certification process was tedious but rather easy, especially with regard to renewals, respondents generally described the process as time-consuming, and expressed dissatisfaction with the amount of information required to obtain certification. Respondents also said confusing and inadequate online application software, “dealing with the VA to get certified was a challenge,” along with a lack of communication between agencies and lack of clarity with state/federal processes was challenging and caused certification to be a ‘difficult’ even ‘painful’ process with little to no ‘support’ or ‘guidance.’ And, while many said the process was difficult and at times overwhelming, they believed it was necessary and put in place to ‘protect them.’ Other respondents believed the process was especially difficult for those with disabilities. Below are selected quotes from their responses:

“I’m not only a veteran, but also a military spouse. The CVE certification requires proof of a physical location which seems easy, but with frequent moves, there is some lag and a whole lot of bureaucracy involved in updating all relevant databases. My workforce is virtual and my businesses are structured to run without geographic constraint. I expect in the wake of COVID-19, this will be even more commonplace. I believe the CVE process should become more accommodating to this business structure.” - Navy Veteran

Business Owner and Vetpreneur
Real Estate and Rental and Leasing Industry

“My wife/partner and I spent over 100 hours on the phone with VA, received multiple conflicting instructions, and were sent on a wild-goose chase to multiple VA facilities in multiple cities. We literally logged hundreds of man hours and hundreds of travel miles pursuing certification.” - Army Veteran

Business Owner and Vetpreneur
Finance and Insurance Industry

“Due to my injury two months after starting my business. I do not have 100% faculty over my hands. Getting paperwork and typing requires much more effort than previously before my injury. Getting certifications done is harder than it used to be. Also navigating how to acquire and obtain certifications is time-consuming and difficult to understand.”

“I started the process to get Veteran Owned Small Business certification and they require so many documents that the process is exhaustive. I spent a half day gathering and uploading the documents requested and hit a roadblock at submitting company minutes. We have not been keeping minutes the way we should and so we need to recreate the history to meet this requirement. That has been very time-consuming. I haven’t given up. Finding the time is also a challenge.” - Army Veteran

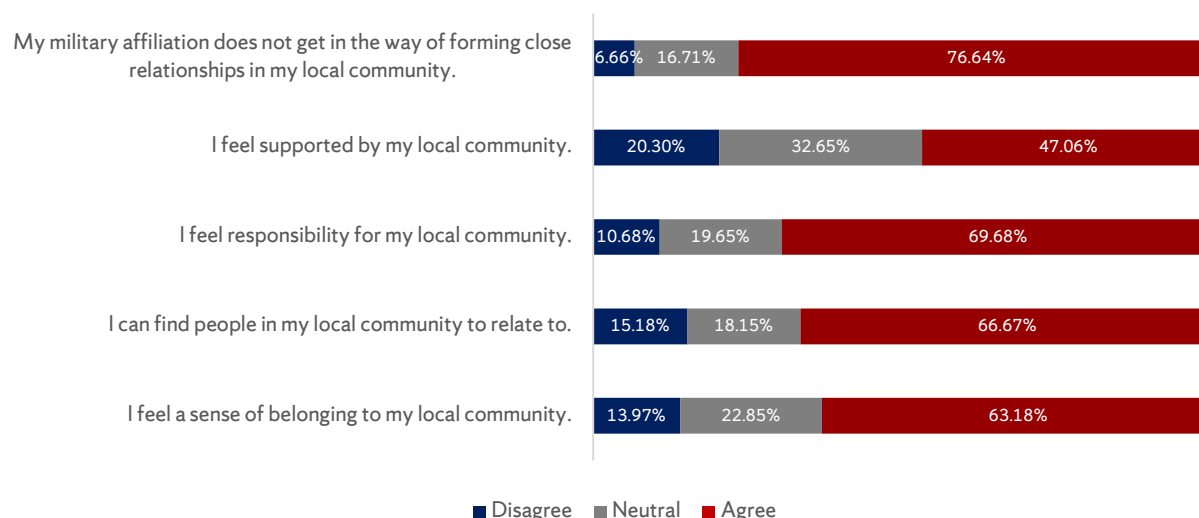
Business Owner and Entrepreneur
Home Services Industry

“Starting out with no revenue stream and no contracts, it is extremely difficult to prove that you own a small business in the category that it should be identified as.” -Army Veteran
Business Owner, Chief Executive Officer (CEO), Consultant, and Vetpreneur
Corporate Travel Management Industry

Social Capital and Support

Seventy-seven percent of respondents feel their military affiliation does not get in the way of forming close relationships within their communities. Moreover, 70 percent of respondents feel responsible for their community and 67 percent report they can find people within their community to relate to. These outcomes suggest veterans care about their community and find people to relate to within that community, further supporting the notion that veterans are “servant leaders” discussed above. However, 20 percent of the respondents do not feel supported by their local community.

Figure 15.1 Community

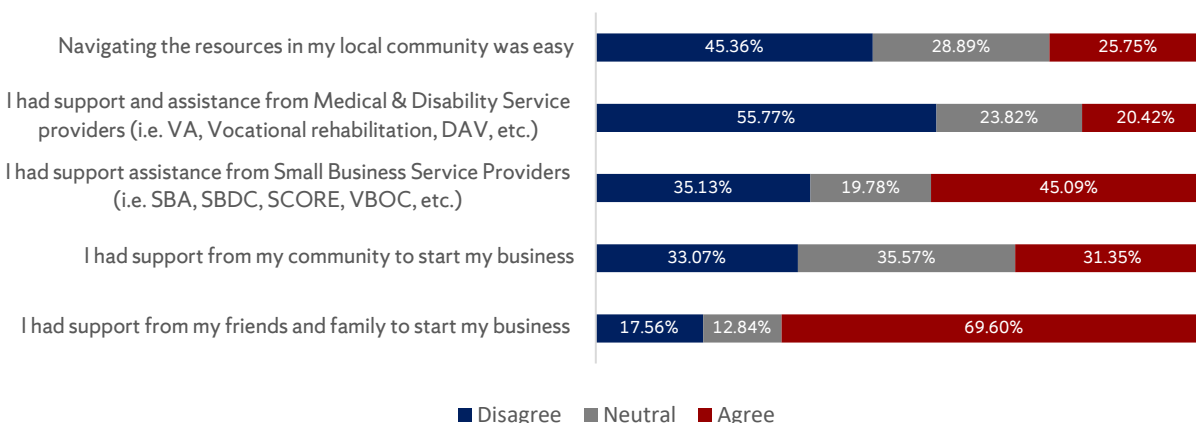


When it comes to level of support with the community, 56 percent indicate they did not have support and assistance from medical & disability service providers, and 45 percent indicate navigating resources within their community is not easy. However, 70 percent had support from friends and family to start their business, and 45 percent had support assistance from small business service providers (e.g., SBDC, SCORE, VBOC, etc.). When it comes to community support to start a business, 33 percent indicated they did not have community support, while 31 percent indicated they had community support.

The lack of support within medical and disability services is consistent with previous research that indicates medical and disability services providers often lack insight and understanding of entrepreneurship, and as such, become a barrier to entrepreneurship.⁵¹ Similarly, research suggests that when small business service providers lack insights and understanding about disability, they too can become a barrier to entrepreneurship.⁵² Given that

70 percent of the veteran entrepreneur respondents have a service-connected disability, it can explain why 35 percent did not feel supported by small business services providers.

Figure 15.2 Level of Support



Twenty-seven percent of respondents reported they do not know anyone they can rely on to help their business. Further, of those who have someone they can rely on, 32 percent indicate those individuals are not in their local community. This could explain the reason that “lack of mentors” is within the top five barriers to entrepreneurship for NSMAE respondents.

Table 15.1 How many people do you know that you could rely on for help for your business/venture?	Frequency	Percent
None	423	26.70%
1 to 4	634	40.03%
5 to 9	217	13.70%
10 or more	310	19.57%
Total	1,584	



Are most of these people located in your local community?	Frequency	Percent
Yes	808	67.84%
No	383	32.16%
Total	1,191	

Self-efficacy Among Veteran Entrepreneurs



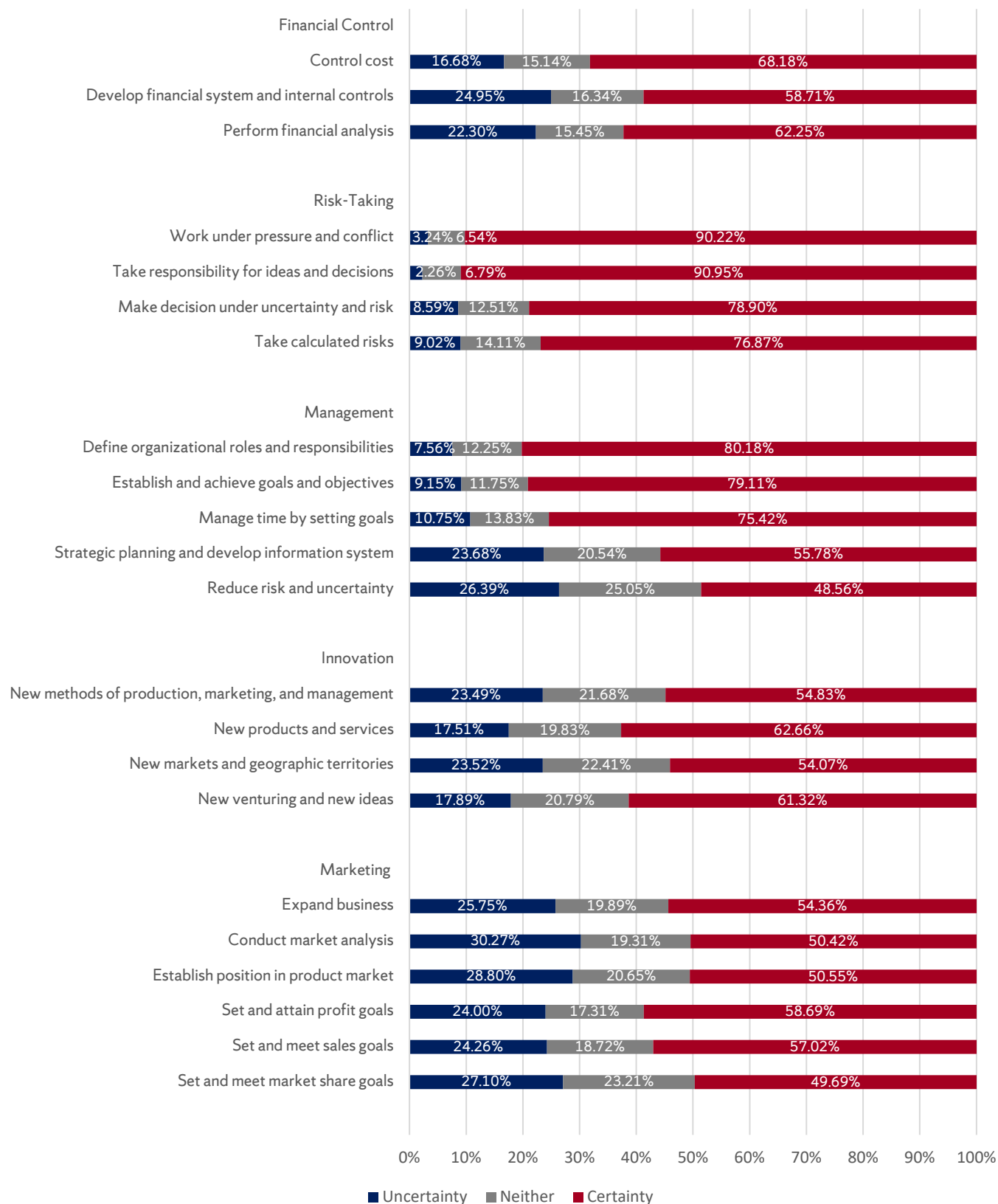
Self-efficacy refers to an individual's belief in his or her capacity to execute the tasks necessary to start and grow an entrepreneurial venture. The entrepreneurial self-efficacy questionnaire⁵³ consists of five business-related factors: marketing, innovation, management, risk-taking, and financial control. These are broken down into 22 more specific roles and tasks related to business ownership (see Figure 16.1). Survey respondents were asked to indicate their degree of certainty in performing each of these roles and tasks. Their responses were on a scale from being completely unsure (1) to complete sure (5).

The respondents exhibit the highest level of certainty within the “risk-taking” group of factors. The risk-taking factors include taking calculated risks, making decisions involving uncertainty and risk, taking responsibility for ideas and decisions, and working under pressure and conflict. Ninety-one percent of respondents feel certain in their ability to take responsibility for ideas and decisions, while 90 percent are certain they can perform and work under pressure. Furthermore, 79 percent are confident in their ability to make decisions involving uncertainty and risk, and 77 percent are confident in their ability to take a calculated risk. These findings are in line with other studies that suggest veteran entrepreneurs demonstrate good decision-making in chaotic environments, confidence, and achievement traits are developed and enhanced through military service.⁵⁴ Our findings offer additional support to existing studies, given 93 percent of veteran entrepreneur respondents indicated the skills they gained in the military helped them with their business venture.

One group of factors where respondents did not report high levels of confidence was related to marketing. This includes tasks such as setting and meeting market share goals, setting and meeting sales goals, setting and attaining profit goals, establishing a position in the product market, conducting market analysis, and expanding the business. Thirty percent of veteran entrepreneurs report the lowest level of confidence in conducting market analysis. Twenty-nine percent report no confidence in establishing a position in the product market, 27 percent report lack of confidence in setting and meeting market share goals, while 24 percent reported lack of confidence in both setting and meeting sales goals and setting and attaining profit goals.

Comparing these two factors and respondents self-efficacy, it appears as though military experience and training do not prepare the veteran entrepreneur respondents for marketing-related tasks. This could explain why respondents felt that lack of previous entrepreneurial experience is one of the leading barriers to entrepreneurship (see Table 6.1). However, considering all marketing-related tasks are goal-oriented and rely on market analysis to set those goals, one can compare intelligence gathering in the military that is informing the mission and its goals. Thus, future research could seek to understand if the military training skills is not transferable into marketing skills or are the small-business service providers not assisting the veteran entrepreneurs in transferring these skills and applying them within marketing efforts. Alternatively, given the focus is on self-efficacy, better communicating the transferability of prior military experience to these tasks might increase the respondents' self-efficacy.

Figure 15.1 Confidence Performing Business-Related Tasks (Self-Efficacy)





A team of researchers conducted a regression analysis to understand self-efficacy among veteran entrepreneurs using the NSMEE data. They used the results of the study for a presentation and paper that were submitted to the 2021 Babson College Entrepreneurship Research Conference, and the results of that study suggest the following related to self-efficacy and veteran entrepreneur respondents:⁵⁵

- Veterans that live in local community less than 10 years tend to have lower self-efficacy
- The longer the time since military separation, the higher the self-efficacy
- Being a known/certified veteran business increases self-efficacy
- Type of initial funding does not affect self-efficacy, but the amount of capital does
- The more resources veteran has, the higher self-efficacy
- Community support and belongingness increase self-efficacy

These findings are similar to self-efficacy findings among entrepreneurs from disadvantaged groups, e.g., Latinos, African Americans, etc. Entrepreneurs from disadvantaged groups exhibit lower self-efficacy due to lack of networking opportunities, lack of relevant work experiences prior to starting a business, lack of access to startup capital, and have less access to formal and informal network contacts that can provide them access to resources and opportunities.⁵⁶

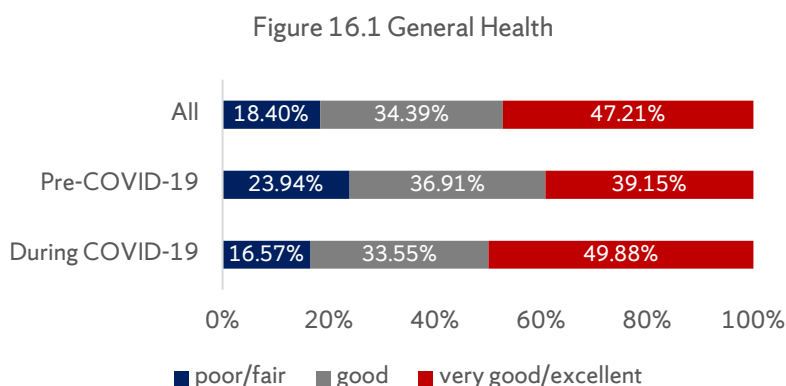
Furthermore, per Table 15.1, women tend to have lower self-efficacy than men across all 22 various roles and tasks related to business ownership.

- While men overall have a good that they can execute all these tasks with moderate or complete certainty, women show lower self-efficacy when it comes in executing marketing related tasks, to include 1) set and meet market share goals, 2) establish position in product market, 3) conduct market analysis, and 4) expand business.
- Women exhibit lower self-efficacy related to executing tasks related to innovation within the business, i.e. new markets and geographic territories, and new methods of production marketing, and management.
- Additionally, women report lower self-efficacy related to management factors such as reducing risk and uncertainty, strategic planning and developing information systems .

Table 15.1 Please indicate your degree of certainty in performing each of the following roles/tasks related to business ownership	Men		Women	
	Frequency	Mean	Frequency	Mean
Set and Meet Market Share Goals	943	3.43	311	2.8
Set and Meet Sales Goals	999	3.54	336	3.04
Set and Attain Profit Goals	1,038	3.56	357	3.05
Establish Position in Product Market	994	3.45	330	2.79
Conduct Market Analysis	1,015	3.36	356	2.9
Expand Business	1,041	3.52	338	2.91
New Venturing and New Ideas	1,010	3.71	346	3.31
New Markets and Geographic Territories	982	3.54	320	2.99
New Products and Services	998	3.7	334	3.32
New Methods of Production, Marketing, and Management	947	3.55	327	2.99
Reduce Risk and Uncertainty	1,026	3.43	348	2.84
Strategic Planning and Develop Information System	1,008	3.64	343	2.93
Manage Time by Setting Goals	1,060	3.96	377	3.94
Establish and Achieve Goals and Objectives	1,065	4.05	381	3.96
Define Organizational Roles and Responsibilities	1,016	4.16	360	3.99
Take Calculated Risks	1,063	4.09	360	3.66
Make Decisions Under Uncertainty and Risk	1,065	4.13	363	3.76
Take Responsibility for Ideas and Decisions	1,075	4.56	377	4.45
Work Under Pressure and Conflict	1,081	4.51	378	4.31
Perform Financial Analysis	1,074	3.81	375	3.11
Develop Financial System and Internal Controls	1,051	3.71	369	2.99
Control Cost	1,076	3.9	363	3.4

Wellness

Overall, 82 percent of respondents report good to excellent general health. Twenty-four percent of the respondents reported poor or fair health before the COVID-19 crisis (March 2020), compared to 17 percent during COVID-19 (April-July 2020). Moreover, 50 percent of the respondents in the April-July 2020 time period reported very good or excellent health. These findings are consistent with respondents' overall satisfaction with the medical health care they obtain in their community.



Veteran entrepreneur respondents were asked to briefly elaborate on how entrepreneurship has impacted their health and well-being. Many respondents said stress was the biggest negative health issue they faced related to their position as entrepreneurs and that COVID-19 added to that stress. Other negative health issues included not eating or sleeping well. Of note is not all responses were negative. Respondents said owning their own business helped them eat and sleep better and being an entrepreneur improved their mental and physical health. They also had the freedom to find time for exercise along with more time with family. Many, while tired and facing stress, said, they loved working for themselves.

“When I opened up my own business, it took me six months to land a contract but the freedom of being able to grow and establish my own business gave me more satisfaction than climbing any ladder in the workforce.” - Marine Corps Veteran

Business owner, Chief Executive Officer (CEO), Entrepreneur, and Self-employed Professional, Scientific, and Technical Services Industry

“Starting my business increased my stress and anxiety levels tremendously. I suffered from insomnia and depression. Physically, I was not able to sustain a healthy work life balance because I was working all the time and lacked finances to maintain my lifestyle. I went months without the ability to pay myself, while at the same time I borrowed money via personal loans and lines of credit to fund payroll and other business expenses to stay in operation, all of which impacted my physical and emotional well-being.” - Army Veteran

Business Owner, Businessman, Entrepreneur/Vetpreneur, and Self-Employed IT Professional Services Industry *“I try not to get overly stressed about anything anymore, but there are still some days when meeting deadlines and working with demanding clients*



gets the better of me. Still I wouldn't trade it for being an employee. Can't even imagine doing that." - Air Force Veteran

Business owner, Chief Executive Officer (CEO), and Vetrepreneur
Professional, Scientific, and Technical Services Industry

"Being an entrepreneur has a positive impact on my health I believe. I am always thinking about new processes and new products to introduce to my clients. My client base reaches out to me to chat, ask questions, and pick my brain about new ideas. I love what I do. When you are doing what you love, and you are good at it. There is no better feeling in the world."

- Army Veteran
Entrepreneur and Vetrepreneur
Construction Industry

"I loved my experiences and will always be grateful for all I have gained. But owning and running my business was tough. I sacrificed my own health and financial well-being at times to be successful. I don't know if I would do it again." - Navy Veteran

"Since COVID 19, there has been an influx of emotions to include fear, worry, stress and concern about the present and the future. The stress has me worried about my health and my long-term ability to be able to continue to work as an entrepreneur." - Army Veteran

Businesswoman, Consultant, Entrepreneur, and Vetrepreneur
Counseling and Professional Consulting Services Industry

"I am much more stressed out, but I enjoy my overall life a lot more now. I have a lot more satisfaction." - Marine Corps Veteran

Business Owner, Businessman, Entrepreneur/Vetrepreneur, and Self-Employed
Utilities Industry

"Although quitting and starting my consulting firm was stressful in and of itself I found that I was finally sleeping better, eating better, and finding time to exercise and spend time with my husband and animals and other family members." - Army Veteran

Consultant and Self-Employed
Environmental Consulting Industry

COVID-19 Pandemic

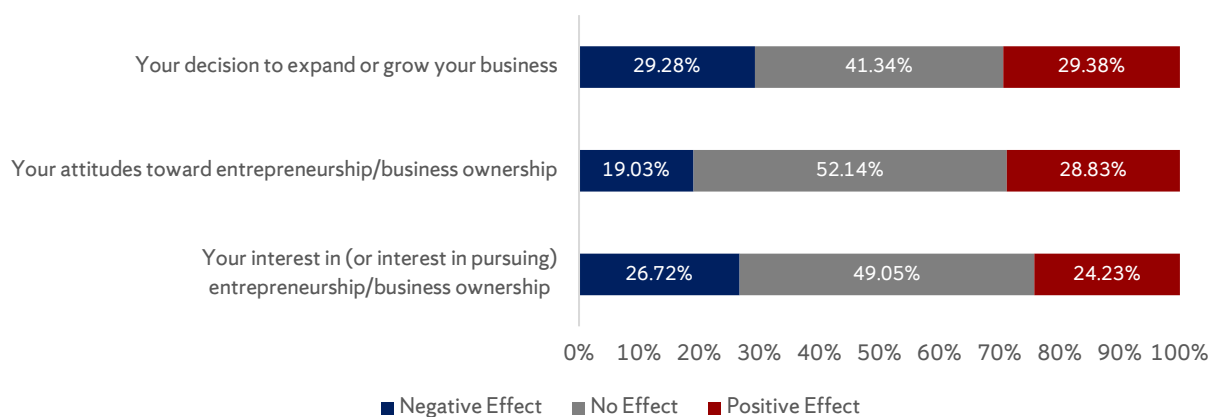
Sixty-five percent of the respondents indicated their military experience has moderately or extremely prepared them for the challenges associated with the COVID-19 pandemic. Twenty percent felt the military experience has slightly or somewhat prepared them for COVID-19 related challenges, while 15 percent indicated their military experience has not at all prepared them for COVID-19.

Table 17.1 To what degree has your military experience or lifestyle prepared you for the COVID-19 crisis?	Frequency	Percent
Not at all	165	15.17%
Slightly prepared	79	7.26%
Somewhat prepared	142	13.05%
Moderately prepared	302	27.76%
Extremely prepared	400	36.76%
Total	1,088	

While 41 percent reported the COVID-19 pandemic did not have any effect on their decision to expand or grow their business, 29 percent of respondents reported it had a negative impact. Equally, another 29 percent reported it had a positive effect on their decision to expand and grow their business.

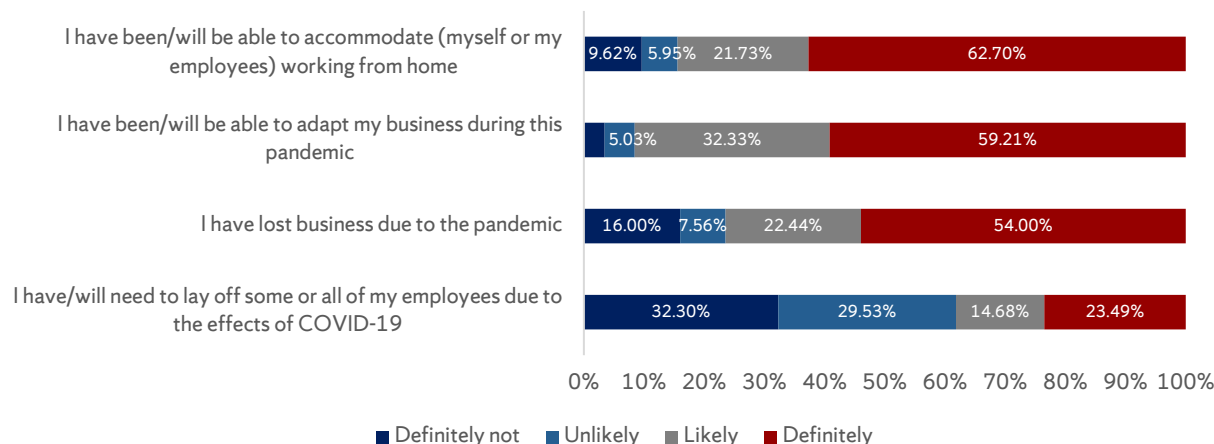
Fifty-two percent of respondents report the COVID-19 pandemic had no effects on their attitudes toward entrepreneurship, while 29 percent report COVID-19 had a positive effect. The COVID-19 pandemic did not have an effect on 49 percent of the respondents when it comes to their interest in entrepreneurship; however, 27 percent reported it had a negative effect compared to 24 percent who reported it had a positive effect.

Figure 17.1 Impact of COVID-19 on Attitude and Interest in Entrepreneurship



When it comes to accommodations, 84 percent of the veteran respondents were able to accommodate a transition for themselves and their employees to work from home. 82 percent were able to adapt their business during the COVID-19 pandemic. However, 59 percent report having lost business and another 32 percent indicate they will likely lose business as a result of the pandemic. About 38 percent had to lay off some or all employees due to COVID-19 pandemic and its effects.

Figure 17.2. Impact of COVID-19 on the Business



Eighty-four percent of respondents believe their business will survive the pandemic. Overall, 22 percent of the respondents indicate they are not aware of the resources available to them and their business during the COVID-19 pandemic.

When it comes to support specific to COVID-19, 56 percent of respondents indicated they were supported by the federal government, compared to 35 percent who indicated the federal government had not supported them. Sixty percent of respondents did not feel supported by their state government. Further, sixty percent think their local government has not supported them. Forty-five percent believe they have not been supported by their local community, while 27 percent feel they have been supported by their local community.

Figure 17.3 Outlook and Support during COVID-19

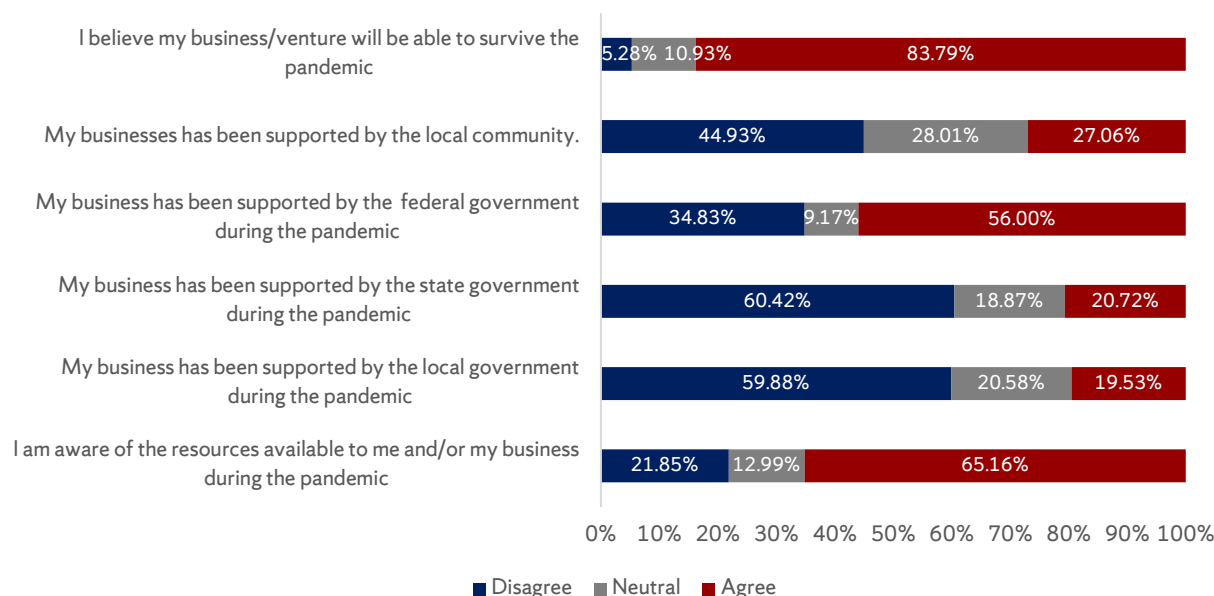


Table 17.2 Do you anticipate closing your business indefinitely?	Frequency	Percent
Already closed my business	10	1.07%
I do not anticipate shutting down my business indefinitely	637	67.98%
I anticipate the closure of the business	290	30.95%
Total	937	

How long do you believe your business can continue to operate before you are forced to close it indefinitely?	Frequency	Percent
Less than a month	9	3.10%
1-2 months	30	10.34%
3-5 months	66	22.76%
6-12 months	70	24.14%
More than a year	115	39.66%
Total	290	

At the time of the data collection, one percent of the respondents reported they already closed their business (see Table 17.2) due to the pandemic. However, sixty-eight percent of the respondents did not anticipate needing to shut down their businesses indefinitely. The remaining 31 percent of the respondents indicated they were anticipating closing their business in the future if COVID-19 continues. Forty percent believed their business would be able to operate for more than a year, while 33 percent believed they would operate between 1-5 months.

Twenty-eight percent (301) of the respondents reported not being eligible for the CARES Act Payroll Protection Program (PPP), a program implemented by the Small Business Administration with support from the Department of the Treasury to provide small businesses with funds to pay up to eight weeks of payroll costs including benefits. Fifty-three percent of those eligible were approved and received the funds, while four percent who were approved were waiting for the funds at the time of the survey. Five percent were turned down or not approved, and 12 percent were eligible but had not yet applied at the time of the survey.

Table 17.3 What best describes your situation with regards to the CARES Act Payroll Protection Program (PPP)?	Frequency	Percent
Approved, received funds	404	53.16%
Approved, waiting for funding	30	3.95%
Turned down/not approved	39	5.13%
Applied, eligible but unable to find lender	14	1.84%
Applied, pending approval	48	6.32%
Eligible, have not yet applied	91	11.97%
Other, please specify:	134	17.63%
Total	760	

Twenty-four percent or 256 of the respondents reported not being eligible for the CARES Act Economic Injury Disaster Loan (EIDL), a loan program implemented by the SBA and designed to provide economic relief to businesses experiencing a temporary loss of revenue due to COVID-19. Of those who were eligible, 24 percent were approved and obtained funding, another eight percent were approved and waiting for funding at the time of

the survey. Thirty-one percent of the respondents indicated they were not sure about the eligibility and 12 percent indicated that were eligible did not apply yet. Five percent reported being eligible and turned down or not approved.

Table 17.4 What best describes your company's situation with regard to the CARES Act Economic Injury Disaster Loan (EIDL)?	Frequency	Percent
Unsure about Eligibility	247	30.91%
Eligible - Have not yet applied	94	11.76%
Eligible - Unable to find a lender	17	2.13%
Eligible - Turned down/not approved	40	5.01%
Approved - Waiting for Funding	63	7.88%
Approved - Funded	189	23.65%
Other, please specify:	149	18.65%
Total	799	

The primary resources respondents reported needing for their businesses during the COVID-19 pandemic were general funds such as financing, loans, and grants (38%), assistance with government contracting (28%), and assistance with day-to-day operations (25%).

Table 17.5 Top three resource needed during the COVID-19 crisis	Frequency	Percent
General funding (financing, loans, grants)	362	36.79%
Government contracting assistance	275	27.95%
Day-to-day operations	250	25.41%
Emergency funding	196	19.92%
Assistance with adjusting marketing efforts	156	15.85%
Inventory/Supplies	145	14.74%
Social media/website assistance	137	13.92%
Federal funding (non-emergency)	133	13.52%
Professional advice (legal, healthcare, etc.)	117	11.89%
Other, please specify:	107	10.87%
Mentorship	100	10.16%
Total	984	

Due to the pandemic, respondents were also asked several open-ended questions in order to gain more insight into trends that might not have been addressed in prior questions. In one such question, respondents were asked to describe the effects COVID-19 had or will have on their businesses.

The COVID-19 has created a dichotomy for veteran entrepreneurs. While many respondents said that COVID-19 has 'destroyed-them,' 'been devastating to their business, and that 'they've lost everything.' Many also said that the pandemic 'created uncertainty for their business and their employees.' Just as many other comments said COVID-19 was a positive for their business. Many responded there was 'no or very little impact on their business,' that the pandemic created a 'lot of growth opportunities for them and their business,' was 'a good thing,' and forced them to 're-strategize their business model.' Respondents also said it was a positive to be forced to go online.



Conversely, others, whose businesses required ‘face-to-face,’ said online options were not possible and greatly impacted their work. Others said that the politicization of the restrictions caused their employees to be afraid to come back into impacting normal operations. Below are selected quotes from their responses:

“It has created a lot of uncertainty for my employees which is not something they are used to. It has also created a lot of growth opportunities.” - Army Veteran
Business Owner, Entrepreneur, and Vetpreneur/Consultant
Management Consulting Industry

“My sales are negatively impacted and will not rebound unless significant change occurs, including a vaccine for COVID-19. I plan to hang on as long as possible, but operating expenses are exceeding income. It is a difficult environment.” - Army Veteran
Chief Executive Officer (CEO)
Manufacturing Industry

“We are stronger because of it (the pandemic). We received loans we wouldn’t have ordinarily gotten, reached out for assistance we wouldn’t have ordinarily asked for, and worked on finances more than we have the entire 15 years of business.”
- Marine Corps Veteran
Chief Executive Officer (CEO), Consultant, Entrepreneur and Vetpreneur
Professional Consulting and Coaching Industry

“COVID - 19 has had no real effect on my business. I plan to get things going very soon. We already use face protection and are required to exercise good hand sanitation in our business. So, there was no transition for us. We already have clients inquiring about our product.” - Army Veteran
Entrepreneur and Vetpreneur
Construction Industry

“The biggest changes we see coming in our field is the change to service delivery. This will mean that remote communication capabilities and virtual workspaces will be much more important to us in the future.” - Army Veteran
Business Owner, Businessman, Entrepreneur, and Vetpreneur
Construction Industry

“I am out \$15000+ in three months, had to sell a property to cover some short term expenses, and will end up owing the government money next year on the capital “gains” I realized to cover my expenses this year. The pandemic will dramatically curb my ability to grow my business.” - Army Veteran
Entrepreneur
Real Estate Industry



Implications

Conclusion

Overall, the findings from this report contribute to our knowledge of veteran entrepreneurs. The results revealed a further understanding of the entrepreneurial characteristics, motivations, challenges, and resources of veteran entrepreneurs.

This study corroborates previous studies conducted through the IVMF on veteran entrepreneurs that there is a relationship between military service and entrepreneurship. The results indicate the skills veterans learned from the military helped them in their pursuit of entrepreneurship and business ownership. Specifically, military training in leadership, risk-taking, and management are transferable to entrepreneurship and may contribute to entrepreneurial success. However, veteran entrepreneurs indicate they lack the fundraising, finance, and marketing-related skills. These skills are not typically part of military experience or training. Thus, coordinated and consistent technical assistance and training on entrepreneurship is needed for veterans to fill in these skills and resources gaps and where further clarification of the transferability of their skill sets from the military to various business endeavors.

The NSMAE 2020 results reveal veteran entrepreneurs are motivated by the opportunity to be independent, creative and innovative, as well as the opportunity to help society and support their communities. It is not surprising the sense of service instilled throughout one's military career continues in their post military life and the proclivity to serve - to create value by solving social and economic problems - translates into their entrepreneurial endeavors. The findings also reveal a variety of barriers to entrepreneurs include access to capital, costs of capital, difficulty navigating support and training resources, access to incubators and mentors, certification process hurdles, marketing-related resources and skills, and lack of support from medical and disability service providers. This is consistent with research conducted elsewhere on entrepreneurs, but has tended to focus on one or two barriers, such as access to capital. However, our findings reveal entrepreneurship success or failure is a reflection of multiple factors, rather than dependent solely on one.

One notable finding is most veteran entrepreneurs who participated in NSMAE reported needing less than \$25,000 to start a business and more than \$25,000 to grow their business. However, the top three sources of capital are personal savings, business credit cards, and personal credit cards. This reliance on individual sources of capital indicates = veteran entrepreneurs are not aware of or do not know how to utilize alternative sources of funding, such as grants, crowdfunding, and CDFIs. Furthermore, the findings indicate] veteran entrepreneurs have a growing demand for external financing and some struggle to access these external funds due to a lack of financial readiness. Consequently, veteran entrepreneurs use credit cards and end up paying high-interest rates - with higher personal risk and high financial costs. The results imply financial education - personal and business - is a critical piece of the solution.

Access to capital is important. However, it is only one of many challenges veteran entrepreneurs experience. While most respondents experienced support from family and friends, a number of entrepreneurs do not feel supported by their local community, have difficulty navigating local resources, lack knowledge and access to local resources, and do not feel supported by the medical and disability service providers. Overall, veteran entrepreneurs reported experiencing the most help through SBA resources and college or university academic programs. Given the numerous challenges and corresponding resources, the results of this study indicate a greater need for coordination and consistency among resource and service providers.

It is not an exaggeration to say the COVID-19 pandemic has introduced an unprecedented set of challenges all over the world. Veteran business owners are feeling the effects along with their civilian counterparts. Nevertheless, most respondents felt their military experience had helped prepare them for the business challenges associated with COVID-19. During the data collection period, the majority of respondents did not anticipate the need to close their business. However, the resources they needed the most during the early COVID-19 period included funding (emergency funding and general funding) and assistance with government contracting, operations, and adjusting their marketing efforts. Most eligible respondents reported taking advantage of the CARES Act Payroll Protection Program and Economic Injury Disaster Loan. Accordingly, most respondents then believed their business had been supported by the federal government during the pandemic; however, they did not believe their business was supported by their local and state governments.

Overall, while theory and practice suggest military veterans are well positioned to be entrepreneurs, many veteran entrepreneurs still struggle. These struggles are largely based on the lack of understanding of the veteran entrepreneurs' needs and challenges and the lack of coordination and consistency between various resources and service providers. Through this report and subsequent briefs, we aim to address the cited challenges and barriers to support veteran and military-affiliated entrepreneurship initiatives and those that provide the support, resources, and assistance to this community.



Recommendations

Central to the IVMF's mission is the ability to apply relevant findings from research to practice, and therefore the below checklists detail top recommendations to stakeholders and practitioners in the public, private, and nonprofit sectors who are committed to enhancing the ability of the military-affiliated community to forge their own career path through entrepreneurship and small business ownership. Additionally, we have included a set of recommendations for the entrepreneurs themselves.

Stakeholders and Practitioners in Veteran and Entrepreneurship Programs and Services

Technical Assistance

- ✓ Provide assistance and educational opportunities related to market research and analysis, establishing marketing strategy, goals, and objectives, and implementation of the marketing plan. Remember, veterans are trained to gather intelligence and set mission goals and objectives. Assist them in transferring those skills into market assessment and marketing planning.
- ✓ Provide assistance to veteran entrepreneurs to pivot during the current business climate and adjust their marketing goals and efforts, e.g., build an online store, develop an online brand, etc.
- ✓ Educate yourself and your organization about (other) veteran entrepreneurship resources. Connect with them, collaborate, and educate the veteran entrepreneurs you serve about these resources, too.
- ✓ Provide resources to assist in the development of a BAIL (Banker, Accountant, Insurance, and Lawyer) team relevant to their business and industry.



- ✓ Familiarize yourself and your team with the various certification options and resources both nationally and within your state to provide assistance and guidance to veteran entrepreneurs and educate aspiring veteran entrepreneurs about certification needs, so they can incorporate it within their business planning process.

Capital

- ✓ Connect veterans to financial literacy training and/or create incentives within your programs and services to encourage financial literacy training.
- ✓ Capital doesn't mean much if the business is not ready to take it on. Capital must come when the business owner is both educated on the various types of capital and experienced enough to have some insight as to what is best for the company, e.g., what the business can handle with regard to an influx of capital. This includes exploring alternative funding options that are specific to veterans as well as those that involve a level of commitment to financial education and readiness.
- ✓ Encourage awareness of CDFIs, where to find them, how to work with them, and how to leverage them to grow their business and their network.
- ✓ Increase awareness of crowdfunding opportunities and assist with planning and execution.
- ✓ Promote available small business grants, as well as business plan competitions and other sources of nontraditional capital.

Collaboration, Coordination, and Advocacy

- ✓ While multiple approaches of entrepreneurship and small business programming are well-suited to address the diverse needs of veteran entrepreneurs, programs should look for opportunities to collaborate with each other and with other service providers in the area. At the very least, organizations have an incentive to make information about their programs easily accessible by sharing materials and cross-promoting each other so veterans can easily identify which programs may be the best fit to meet their needs.
- ✓ Connect veteran entrepreneurs with employment agencies to address their staffing needs. For aspiring entrepreneurs, make them aware that finding the right employees might be challenging and connect them with employment agencies early on to understand how the staffing process works.
- ✓ Familiarize yourself with relevant resources to help strengthen your local referral network. Direct veteran entrepreneurs and aspiring entrepreneurs to relevant resources within their community.
- ✓ **Medical and disability service providers:** entrepreneurship is a viable employment option for veterans with disabilities as it provides flexibility and empowerment that veterans may not find in tradition career options. Connect with local small business service providers, encourage veterans to explore small business ownership by connecting them with local small business service resources.
- ✓ **Small business service providers:** educate yourself and your staff about disability and disability-related resources and service providers within your community, including VA and VA related services to better serve your veteran entrepreneurs with disabilities.
- ✓ Connect, follow, and sign up for news and updates with institutions and organizations providing news, studies, best practices, and technical assistance and support for organizations that work with veterans and entrepreneurs, i.e., Ewing Marion Kauffman Foundation, Institute for Veterans and Military Families, etc.
- ✓ Advocate for more streamlined national certification and procurement processes across all sectors. This will alleviate the difficulty of learning and keeping up with various processes, and in return increase the technical assistance efficiency and effectiveness.

Policy and Public Sector

Technical Assistance

- ✓ Entrepreneurship and small business services and programs should self-evaluate. This study's findings indicate programs need improvements. Therefore, to understand where these improvements are needed, they would greatly benefit from evaluating their services for relevancy and applicability and identifying gaps in their services. The gap analysis should serve to identify and collaborate with complementary resources and services providers more effectively. Entrepreneurship and small business services and programs should invest in survey and reflective tools to evaluate their program and service effectiveness.
- ✓ This study shows there is a need for greater collaboration between resource and service providers. Veteran entrepreneurs seek assistance with various organizations that have no access to each other's databases and often fail to understand what resources and services veterans are eligible for or have already accessed. Considering a large number of small business service providers are funded through the SBA resources, a centralized database of SBA clients would allow all service providers to gain insights into what services and assistance the veteran entrepreneur has obtained and update that database accordingly. This database would be equivalent to medical patient charts that are accessible to all medical providers.
- ✓ Overall, veterans are not familiar with business incubators as a resource, and those utilizing such a resource believed the services needed improvements. There appears to be a lack of incentives for business incubators and accelerators to work with veteran entrepreneurs. Many incubators are members of the International Business Innovation Association (InBIA); thus, engaging and incentivizing the InBIA could lead to veteran entrepreneurship initiatives and increased participation of veteran entrepreneurs with these resource and service providers. The starting point is to understand the lack of veteran entrepreneur assistance and engagement among InBIA members and other incubators and accelerators.

Regulation and Capital

- ✓ CDFIs can be instrumental in addressing not only the access to capital challenge but also most central barriers facing veteran entrepreneurs. Make veterans part of the protected population according to the U.S. Treasury and incentivize participating CDFI institutions to serve the veteran population.
- ✓ Veteran entrepreneurs find the certification process difficult. Create and/or further develop information dissemination and mentoring programs to assist veteran entrepreneurs with certification, government contracting, and supplier diversity contracting.
- ✓ The certification and procurement processes are fragmented across the private and public sectors. Streamline the national certification and procurement processes to create consistency and uniform across the sectors.
- ✓ Veterans struggle with personal and business finances. Institutions such as the SBA can partner with CDFIs to develop Individual Development Accounts to incentivize financial literacy training and financial readiness during the business planning process. For example, partner with CDFI to offer IDA programs within VBOCs where veterans are required to go through financial literacy training, open a saving account with the CDFI to save/invest toward their business and the IDA account matches those funds (1:1, or 2:1) once they complete financial literacy training and a business plan. This will address the financial readiness and enable veterans to get seed funding.



Entrepreneurs

Education and Training

- ✓ Gather market intelligence: find out what resources are available to veterans and entrepreneurs locally and what assistance and support they offer. Start with your SBA resources, i.e., VBOC, SBDC, WBDC, SCORE, and PTAC. Make the connection today as these resources will not only provide business planning assistance but offer access to entrepreneurship networks, clubs, and mentors within your local community.
- ✓ Seek assistance with the certification process, i.e., PTAC offers training and mentoring. Leverage certifications within the private sector, work with corporations and their supplier diversity programs that provide technical assistance and seek diversity suppliers.
- ✓ Invest time in market research and analysis. Seek assistance from mentors, advisors, and service providers to help with market research, setting sales goals and objectives, and developing and implementing a marketing strategy, etc.
- ✓ Expand your network: find out what resources are available to veteran entrepreneurs nationally and what assistance and support they offer, i.e., IVMF's ARSENAL of programs. Center of Excellence (COE) for Veteran Entrepreneurship, Kauffman's Fastrack and 1 Million Cups, etc. There may also be resources available in your local community, but national organizations can be a good first step.

Capital

- ✓ Discuss financial literacy and financial education with your mentors, bankers, and small business advisor. Invest time in financial education, understand the various sources of capital, and when and how to access them.
- ✓ Locate your local Community Development Financial Institutions (CDFI), reach out, connect, and learn about their financing and educational programs. They offer financial literacy training and low-cost financing for startups and growth companies. There is a list of CDFIs at <https://www.cdfifund.gov/Pages/FAQ.aspx>
- ✓ Leverage crowdfunding platforms to test your products and get your business funded. Ninety percent of a successful crowdfunding campaign is done before the campaign is launched; therefore, it is about having a plan, network, and community, so don't do it alone: seek assistance from mentors, local community members, family, friends, BAIL team members, veteran and military community members, and others.

Network

- ✓ Start vetrepreneurship: join veteran entrepreneurship networking groups and programs, attend their events and conference, i.e., IVMF Arsenal, Center of Excellence (CoE) for Veteran Entrepreneurship, etc.
- ✓ Join industry-specific associations, clubs, and groups. Attend networking events and conferences to expand your network within your industry.
- ✓ Give back: network, mentor, and share access to resources with other veteran entrepreneurs and aspiring entrepreneurs.
- ✓ Conduct customer discovery and/or customer follow-ups. Seek assistance from mentors and advisors with these critical tasks.

Resources

- ✓ Explore local, regional, and virtual business incubators and accelerators. Business incubators assist with the growth and success of startup and early-stage companies and often are a good path to capital from economic-development coalitions, angels, and other investors.



- ✓ Build your BAIL (Banker, Accountant, Insurance, and Lawyer) team as part of your startup and growth strategy. Your BAIL members need to be subject matter experts within your industry. Communicate your needs for guidance and assistance, let them help you, i.e., a banker and account can help with financial planning for personal and business needs.
- ✓ Connect with local universities and colleges, i.e., the business school, understand what programs and resources they offer to assist you with your business. For example, student consulting clubs, student entrepreneurship clubs, student veterans' organizations, internship programs, and other similar resources can help you with your business needs and expand your network.

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