

# Veteran Entrepreneurship

Mirza Tihić, Syracuse University

Rosalina Maury, Syracuse University

Alexander McKelvie, Syracuse University

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# Why Entrepreneurship for Veterans?

# FAMOUS VETERANS WHO BECAME ENTREPRENEURS

- ▶ Phil Knight - Nike - Army
- ▶ Frederick Smith - FedEx - Marines
- ▶ Bob Parsons - Go Daddy - Marines
- ▶ Richard Kinder - Kinder Morgan - Army
- ▶ Blake Hall - ID.me - Army
- ▶ Catheryne Nicholson - Block Cypher - Navy
- ▶ Matt Griffin - Combat Flip Flops - Army
- ▶ Jack Taylor - Enterprise - Navy
- ▶ Jay Van Andel - Amway - Air Force
- ▶ Paul Sperry - Sperry Shoes - Navy
- ▶ Gordan Logan - Sport Clips - Air Force
- ▶ Chuck Wallace - Esurance - Air Force
- ▶ Derek Sisson - Famous Brands - Marines

# VETERAN ENTREPRENEURSHIP

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



# National Survey of Military-Affiliated Entrepreneurs

# The Need

- ▶ Several limitations and missed opportunities with existing data sources
- ▶ Increasing interest in research on veteran entrepreneurs:
  - Studies narrowly focus on a specific aspect of business ownership
  - Redundant
  - May lack cultural competency of the population
- ▶ Declining research participation (e.g., “survey fatigue”) in the absence of a coordinated approach
- ▶ Consequently, our collective understanding of veteran entrepreneurial activity is limited—this limitation will only worsen with time
- ▶ There is a clear need and demand to assess military-affiliated business ownership on a more frequent, systematic basis.

## DATA GAPS

Critical gaps and missed data opportunities in our understanding of veteran and military spouse entrepreneurs:

- ✘ Limited to a finite set of questions nested within broader population surveys
- ✘ Draw from small samples
- ✘ Conducted at lengthy time intervals



# National Initiative

- ▶ With support from the Kauffman Foundation, we launched a multi-year study of **veteran and military spouse** entrepreneurs.
- ▶ The first national initiatives to develop data-driven research focused on military-affiliated entrepreneurship.
- ▶ Initiative is designed to address knowledge gaps in understanding of veteran and military spouse entrepreneurs and the supports and resources needed to assist throughout their entrepreneurial journey.

## Aim 1

Fill persistent knowledge gaps in public data on military-connected entrepreneurial behavior over time

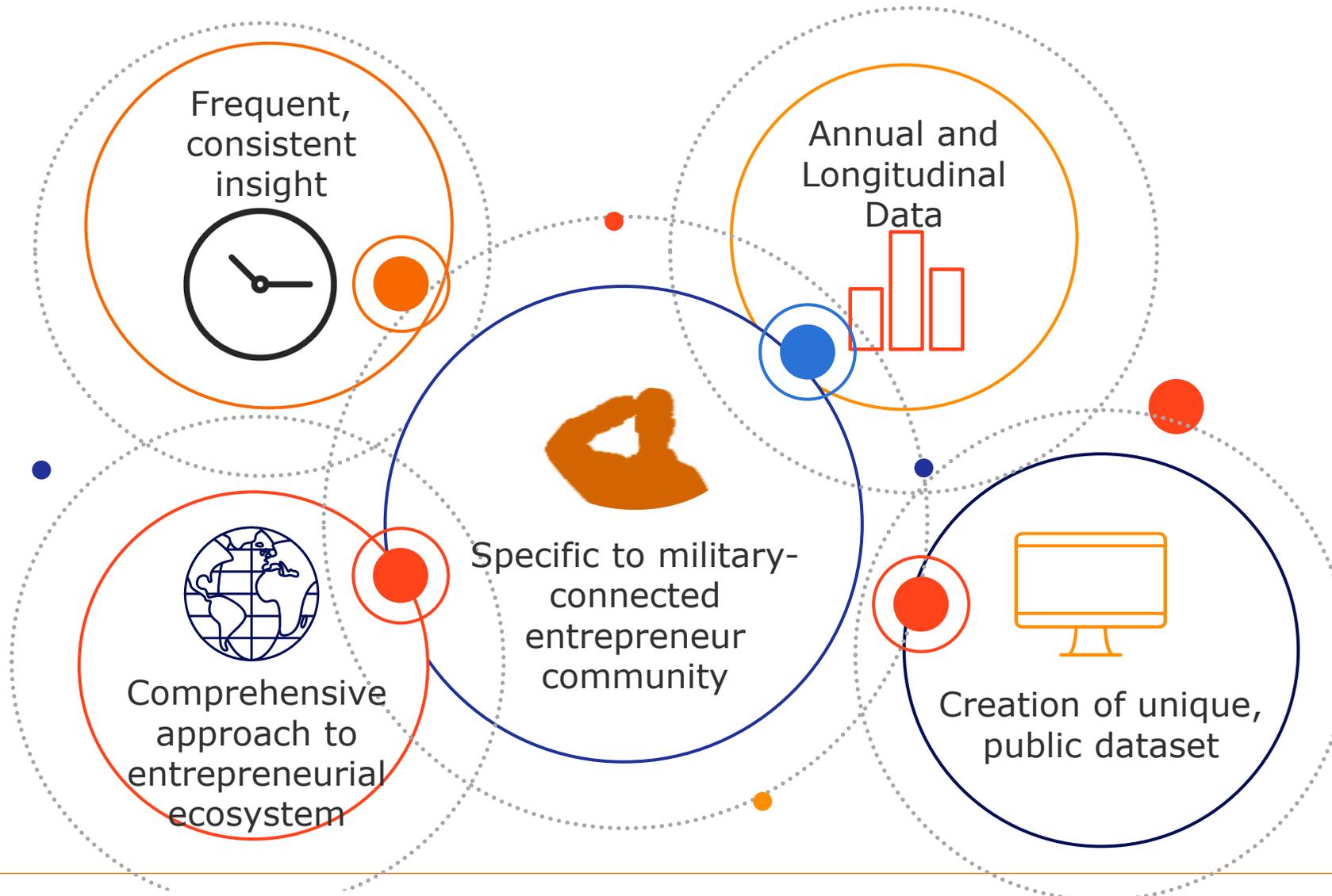
## Aim 2

Track veteran and military spouse entrepreneurial experiences and behaviors at different points in the business life cycle

## Aim 3

Gather more timely perspectives on the impact of contemporary issues and policies on veteran and military spouse business ownership and entrepreneurship

# Key Differentiators





# Survey

# Sample 2020

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	2,927	

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	

# Sample 2021

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.	1,952	78.27%
Yes, I used to do something like that, but not anymore.	209	8.38%
Yes, I have wanted to or thought about it, but I have not actually done it.	333	13.35%
Total	2,494	

Which of the following best describes your current military status and/or affiliation?	Frequency	Percent
Veteran/Retiree	2,074	84.76%
Spouse/Partner/Family	226	9.24%
Active Duty/NGR	147	6.01%
Total	2,447	

# Motivations

2020	
<b>Make my own decisions</b>	44%
<b>The chance to implement my own ideas</b>	43%
<b>The opportunity to be financially independent</b>	43%
<b>Maintain personal freedom</b>	39%
Helping society/supporting community	34%
Improving my quality of life	32%
Having more free time/flexible hours	29%
Secure future for my family	21%
Dissatisfaction in a professional occupation	19%
Building personal wealth	18%

**61% interested** in entrepreneurship prior to military

**21% NOT interested** in entrepreneurship prior to serving in the military

2021	
<b>Maintain personal freedom</b>	37%
<b>The opportunity to be financially independent</b>	36%
<b>Make my own decisions</b>	35%
<b>The chance to implement my own ideas</b>	33%
Improving my quality of life	25%
Having more free time/flexible hours	24%
Helping society/supporting community	24%
Opportunities to innovate	20%
Secure future for my family	19%
Personal belief / faith	18%

**43% interested** in entrepreneurship prior to military

**36% NOT interested** in entrepreneurship prior to serving in the military

# Transition

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**48% had difficulty with the transition from military to civilian life**

## Challenges

- 55% needed time to figure out what to do with life
- 50% had a sense of purpose at the time of separation
- 45% adjusting to civilian life was difficult



## Entrepreneurship & Transition

- **56% entrepreneurship** helped me find a **purpose** after military
- 47% entrepreneurship helped me transition into civilian life
- 46% entrepreneurship made my transition into civilian life easier
- 35% entrepreneurship was critical for an easy transition from military into civilian life

# Disability

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79% reported a service-connected disability

## Challenges

32%  
service-related  
disability creates  
obstacles in business  
ownership

35%  
entrepreneurship  
helped overcoming  
disability related  
challenges and barriers

33%  
entrepreneurship  
helped with the  
recovery process

31%  
entrepreneurship  
played a significant role  
in my recovery process

41% did not feel supported by Medical & Disability Service Providers

# Current Barriers

2020	
Lack of initial capital	42%
Problems finding good employees	29%
Irregular income	24%
Current economic situation	23%
Lack of mentors for my business	22%
Taxes and legal fees	21%
Lack of experience in entrepreneurship	20%

2021	
Lack of access to capital	35%
Problems finding good employees	30%
Lack of financing	29%
Current economic situation	27%
Irregular income	22%
Federal regulations and policies	19%
Lack of mentors for my business	18%

- 86% had support from friends and family to start a business
- 67% had support from community to start a business

- 64% had NO support from Medical & Disability Service Providers to start a business
- 61% had support assistance from Small Business Service Providers (i.e. SBA, SBDC, VBOC, etc.)

**63% navigating the resources in local community was NOT easy**

# Capital Needs in 2020

**80%** needed funding in 2020



Sources of funding in 2020:

- 45% personal/family savings of owner(s)
- 43% CARES Act's Payroll Protection Program (PPP)
- 33% business credit card(s)
- 24% CARES Act's Economic Injury Disaster Loans (EIDL)
- 23% personal credit card(s)
- 22% business loan from a bank or financial institution

51%  
needed more  
than \$50,000

37%  
needed more  
than \$100,000

21%  
needed more  
than \$250,000

6%  
needed more  
than \$1M

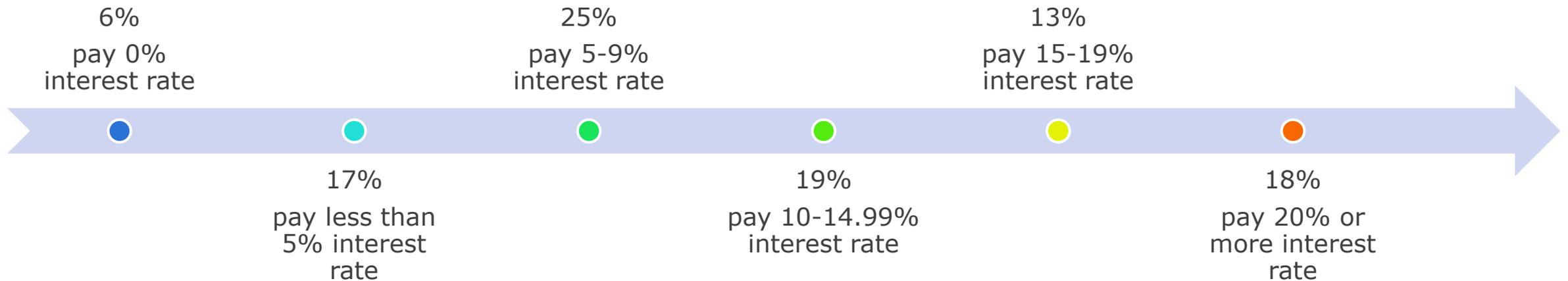
**27% were NOT able to secure any funding needed to expand or grow the business**

# Debt



The average business **debt** reported was **\$191,686**

Interest rate (%) they pay on the loan/card with the largest balance:



The percent (%) of business debt that is on credit card(s):

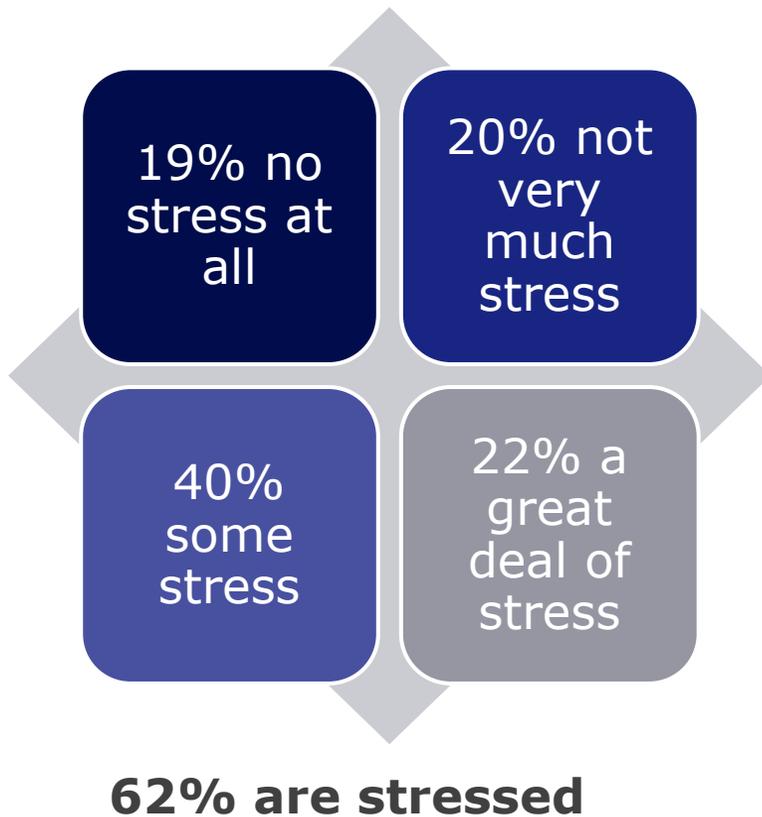


- 43% more than 10%
- 19% more than 20%
- 13% all business debt is on the credit card

34% have **NO** credit card debt

# Debt – continued

How much stress does your business' financial condition cause you?

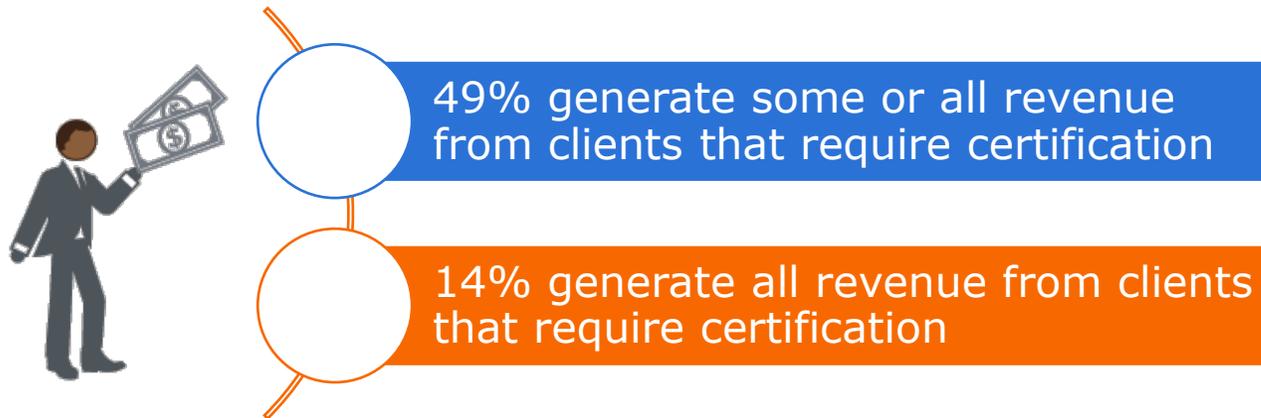


- 66% are NOT aware of the Community Development Financial Institution (CDFI) resources
- 63% do NOT feel that Federal Funding Resources (PPP, EIDL, etc.) have been helpful for their business
- 52% do NOT believe that sufficient venture capitalist funding is available for their business
- 49% do NOT believe that sufficient government subsidies/incentives are available for their business
- 49% do NOT believe that sufficient debt funding (i.e., loans, credits) is available for their business
- 49% do NOT believe that sufficient funding is available from private individuals for their business
- 40% do NOT believe that capital they need is readily available
- 39% do NOT believe that sufficient equity funding (i.e., investors) is available their business

# Certifications

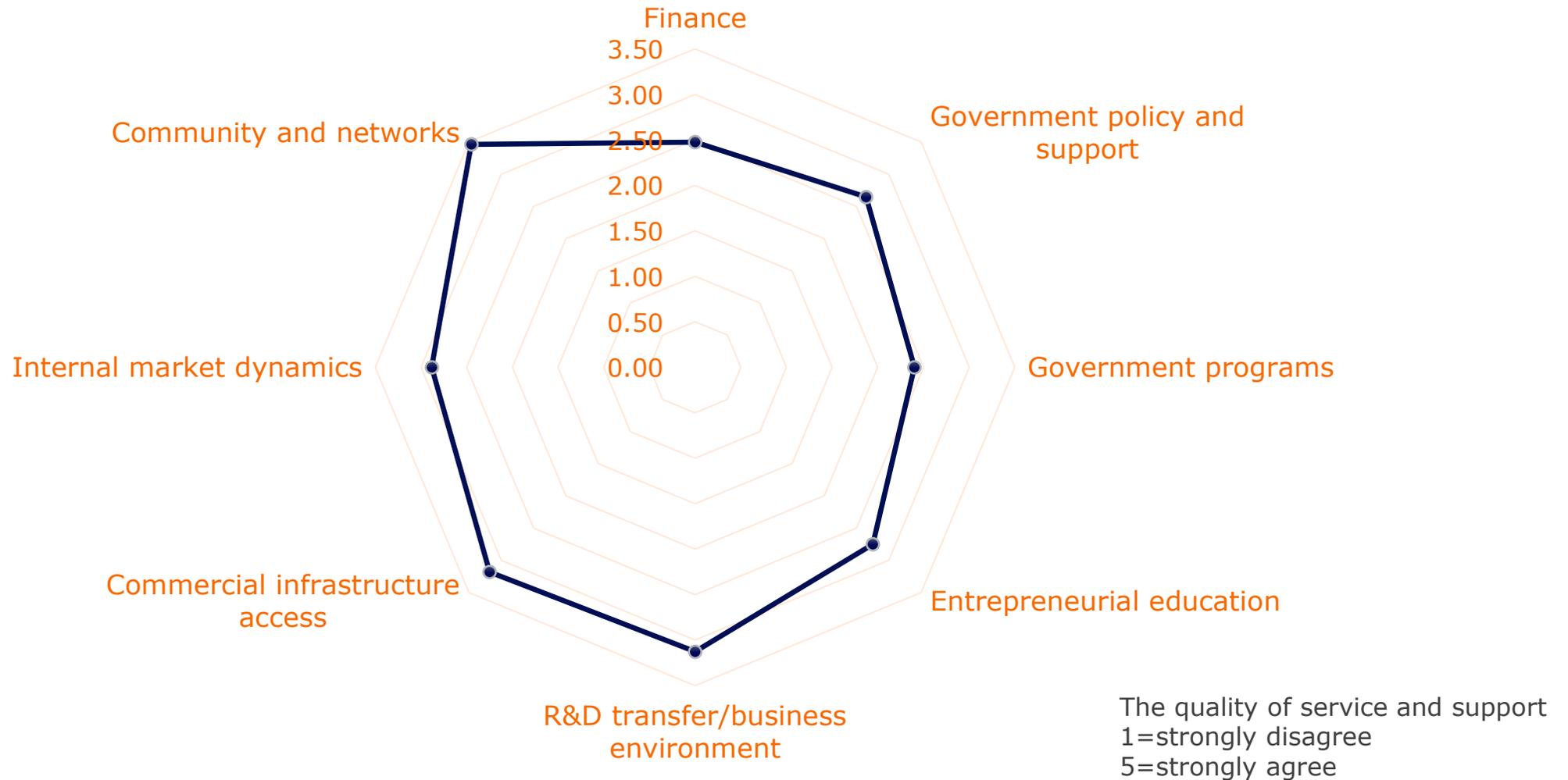
## 76% reported their business to certified by a national, state, local or database/self certification body

- 61% the process of obtaining certification(s) is difficult
- 61% finding government contracts is NOT easy
- 59% applying for the government certifications is difficult
- 53% finding corporate contracts that require certification(s) is NOT easy
- 37% applying for non-government certifications is difficult



- 61% doing government contracting is NOT easy
- 53% government DOES NOT provide adequate assistance with certification process
- 41% government DOES NOT provide adequate assistance with government contracting
- 33% there are NOT enough resources to assist thorough the certification process
- 29% indicate it is NOT easy to maintain the certification(s)

# Entrepreneurial Eco-system Landscape



# National Survey of Military-Affiliated Entrepreneurs

To learn more about the National Survey of Military-Affiliated Entrepreneurs please visit

<https://ivmf.syracuse.edu/nsmae-series/>



# Research Paper

The Network Structure of Veteran Entrepreneurs and Its Effects on Self-efficacy

# THEORETICAL DEVELOPMENT

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

*We examine if veterans experience social capital dificiancy.*

# HYPOTHESES

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

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

# HYPOTHESES

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

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

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

# HYPOTHESES

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

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

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

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

# METHODOLOGY

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

# RESULTS

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

# RESULTS

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

# DISCUSSION

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

# THANK YOU



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



**Rosalinda Vasquez Maury**  
Director of Applied Research and Analytics  
IVMF, Syracuse University  
Email: [rvmaury@syr.edu](mailto:rvmaury@syr.edu)



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