

RESEARCH REPORT | ENTREPRENEURSHIP | APRIL 2022

# 2021 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.), policymakers, 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

This report shares findings from the 2021 National Survey of Military Affiliated (NSMAE) entrepreneurs about their experiences related to entrepreneurship, COVID-19 pandemic, military, and overall wellbeing. In the last decade, the rate of civilian and veteran entrepreneurship has shown signs of decline. However, there has been a surge in entrepreneurship in the U.S. since the pandemic. The pandemic has created conditions favorable for entrepreneurship; however, it has also affected the entrepreneurial activities and specific barriers for military-affiliated entrepreneurs that influence and shape their entrepreneurial activity, even though entrepreneurship is a viable career choice, given the transient nature of military life.

Furthermore, the pandemic has impacted our already limited understanding of military-affiliated entrepreneurship, given that it caused numerous businesses to close; others to pivot and change their business models, operations, and markets; and created uncertainty with regards to public policies. Additionally, during the pandemic, many entrepreneurs experienced risks regarding their health and the health of their family members, employees, and customers and the interminable changes within policies and regulations. The culmination of these experiences, trends, and circumstances further constrains our understanding of the 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 and pandemic-related experiences influence and shape the entrepreneurial outcomes of veteran entrepreneurs.

Overall, the data collected from this study contributes to our understanding of entrepreneurship in the military-affiliated community and identify pandemic-related and 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, policymakers, 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 vigorous discussion about the support mechanisms and pedagogies in place to help military-affiliated individuals in their entrepreneurial activities even in the times of uncertainty.

The NSMAE is a multi-year, annual and longitudinal study of military-connected 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.), policymakers, 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

In general, our findings from this report support previous research affirming that veterans have distinctive experiences, perspectives, and challenges related to entrepreneurship. This study reveals that entrepreneurship is a medium that assists veterans in overcoming challenges related to transition from military to civilian life and disability-related barriers. The emerging insights into economic, political, and sociocultural factors that affect veteran entrepreneurship offer a foundation for recommendations in advancing veteran entrepreneurial outcomes. The recommendations are located at the end of this report and provide guidance to stakeholders and practitioners in veteran and entrepreneurship programs and services, policy and public sector, and veteran entrepreneurs.

## Key Insights

### Entrepreneurial Characteristics



**45% CONSIDER THEMSELVES TO BE A SOCIAL ENTREPRENEUR**



INDICATE THIS IS THEIR FIRST VENTURE

**While 40% have had multiple ventures**

- ▶ 36% owned 1-2 businesses
- ▶ 47% owned 3-4 businesses
- ▶ 17% owned 5 or more business

#### Motivations to Entrepreneurship

##### Personal Independence

- Make own decisions (36%)
- Maintain personal freedom (36%)



##### Financial Independence

- Opportunity to be financially independent/increase personal income (35%)
- Helping society/supporting community(21%)

##### Opportunity Recognition

- Chance to implement own ideas/creating something (32%)

##### Work Life Balance and Flexibility

- Improving quality of life (26%)
- Having more free time/flexible hours (25%)

### MILITARY TRANSITION INTO ENTREPRENEURSHIP

**63% WERE INTERESTED IN ENTREPRENEURSHIP PRIOR TO THE MILITARY**

▶ 43% had difficulty with the transition from military to civilian life

#### Top Transitional Challenges for Veteran Entrepreneurs were:

- ▶ Loss of sense of purpose/camaraderie (26%)
- ▶ Financial struggles (25%)
- ▶ Getting socialized to civilian culture (25%)
- ▶ Loss of connection with military community (25%)
- ▶ Finding employment for myself (24%)

**56%** indicated that entrepreneurship was helpful in finding a purpose after military

**47%** indicated that entrepreneurship made the transition easier



## Business Characteristics, Growth, and Sales

### BUSINESS CERTIFICATIONS

OF THOSE WITH CERTIFICATION:

**76%** ARE CERTIFIED BY A NATIONAL, STATE, LOCAL CERTIFICATION BODY (formally or informally)

**61%** REPORTED THAT THE CERTIFICATION PROCESS IS DIFFICULT

49% generate revenue from clients that require certification(s)



▶ 64% are certified by Center for Verification and Evaluation, through the VA/Vets First (CVE) (i.e., SDVOSBs/VOSBs)

▶ 61% are certified by Small Business Administration (SBA) (i.e. 8(a), HUBZone, WSOB)

#### TOP BUSINESS DESIGNATIONS:

- 71% Service-disabled veteran-owned businesses
- 65% Veteran-owned Businesses
- 35% Small business certification

### The Nature of Business

Businesses/ventures were:

- ▶ 57% Service-based business
- ▶ 31% Both product & service-based business
- ▶ 12% Product-based business



IN 2020, THEIR BUSINESSES/ VENTURES WERE:



**85% CONSIDER THEMSELVES SUCCESSFUL ENTREPRENEURS**

YET 56% depend on their top five customers, and in case they lost those top five customers they would either get out of business or would reap significant negative consequences

#### What does entrepreneurship success look like to you?

**“Entrepreneurial success is building a self-sufficient business with a diverse customer base and dedicated management team and employees. It is a business that offers its employees long term stability, work/life balance and provides innovative, high-quality solutions to its customers.”**

- Navy Veteran, Maritime Software and Engineering Services Industry

## Barriers to Entrepreneurship

### Top Problems or Barriers in Pursuing or Achieving Business Goals

**49%**

Lack of initial capital



**43%**

Problems finding good employees/contracted personnel

**41%**

Lack of financing

**38%**

Current economic situation

**31%**

Irregular income



**29%**

Federal regulations and policies



**28%**

Taxes and legal fees

Please describe the largest challenge(s) your business has faced in the last 12 months?

**“[The largest challenge was the] “stress of worrying if your employees would be able to buy presents for their kids.”**

- National Guard Veteran, Oil and Gas Industry



### Longitudinal Study

The prevalence of certain problems and barriers faced by these veteran entrepreneurs changed dramatically between 2020 and 2021; when comparing the percentage of veteran entrepreneurs in our longitudinal study the biggest changes occurred in 2021 were:

	2020	2021	
<b>PROBLEMS FINDING GOOD EMPLOYEES</b>	29.9%	39.0%	▲ INCREASED BY 9.10%
<b>DEALING WITH FEDERAL REGULATIONS &amp; POLICIES</b>	16.5%	27.8%	▲ INCREASED BY 11.30%
<b>LACK OF FINANCING</b>	37.5%	24.1%	▼ DECREASED BY 13.40%

## Business Capital

### CAPITAL FOR DIFFERENT STAGES

#### Startup

**96%** REQUIRED INITIAL START-UP CAPITAL FOR THEIR BUSINESS

OF THESE:

- ▶ 59% required less than \$25,000 of funding
- ▶ 21% required between \$25,000 and \$99,999 of funding
- ▶ 20% required more than \$100,000 of funding



#### Growth

**92%** NEEDED FUNDING TO EXPAND OR GROW A BUSINESS

OF THESE:

- ▶ 51% required more than \$50,000 of funding
- ▶ 37% required more than \$100,000 of funding
- ▶ 42% were able to secure the funding needed
- ▶ 27% were not able to secure any funding at all



### Sources of Capital



IN 2020

**80%**  
RESPONDENTS  
REQUIRED  
FINANCING

#### SOURCE OF FINANCING:

- ▶ Personal and family savings of the owner (45%)
- ▶ CARES Act's Paycheck Protection Program (PPP) (43%)
- ▶ Business credit card (33%)
- ▶ CARES Act's Economic Injury Disaster Loans (EIDL) (24%)
- ▶ Personal credit cards (23%)

#### Startups (0-3 years old businesses)

- 71% personal and family savings of the owner
- 34% personal credit cards
- 16% CARES Act's Paycheck Protection Program (PPP)
- 15% CARES Act's Economic Injury Disaster Loans (EIDL)



#### Businesses older than 3 years

- 47% CARES Act's Paycheck Protection Program (PPP)
- 42% personal and family savings of the owner
- 33% business credit cards
- 28% CARES Act's Economic Injury Disaster Loans (EIDL)



#### APPLIED FOR CREDIT/FINANCING WITH A LENDER OR CREDITOR

- ▶ 60% were approved by the lender or creditor
- ▶ 8% obtaining partial funding
- ▶ 32% were declined (Of those, 61% did not reapply anywhere and 28% were turned down by the same or different institution)



## Debt Overview

The average business debt of the respondents in 2021



**\$191,686**

### 66% report business debt on credit cards

- ▶ 38% have less than 10% of their business debt on credit cards
- ▶ 50% have 10-99% of their business debt on credit cards
- ▶ 12% report all (100%) their business debt to be on the credit cards



### Interest paid on the largest debt amount on loan/credit card:

- 43% pay an interest rate that is 10% or higher
- 19% pay more than 20% interest rate.



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

- 18% No stress at all
- 20% Not very much stress
- 40% Some stress
- 22% A great deal of stress

### What advice would you give other veteran entrepreneurs?

**“Make sure goals are realistic and that you have all resources required to attain them; also, be flexible, and be prepared for both obstacles and opportunities. Know how to recognize both and how they can be beneficial to you.”**

- Army Veteran, Professional, Scientific, and Technical Services Industry



## ENTREPRENEURIAL ECOSYSTEM

### Finance

- ▶ **40%** do not feel that capital is readily available
- ▶ **63%** do not feel that the federal funding resources and support (PPP, EIDL, etc.) have been helpful to their business
- ▶ **66%** are not aware of Community Development Financial Institutions (CDFI) resources

### Government Support and Programs

- ▶ **53%** find it difficult to cope with governmental bureaucracy
- ▶ **47%** do not feel that there are enough adequate government programs to support their business

### Community and Networks

- ▶ **69%** feel responsible for their community
- ▶ **64%** can find people in their local community to relate to with regards to business ownership
- ▶ **63%** feel a sense of belonging in their local community
- ▶ **44%** have difficulty navigating resources within their local community



## Wellness

**79%** REPORTED GOOD TO EXCELLENT GENERAL HEALTH



While 21% reported poor or fair health

- ▶ 17% reported loss of energy either often or constantly
- ▶ 17% reported feeling burnout either often or constantly
- ▶ 19% reported difficulty concentrating either often or constantly

### Disability Related Experiences

**79%** HAVE A SERVICE-CONNECTED DISABILITY

OF THOSE WITH A SERVICE-CONNECTED DISABILITY

- ▶ 31% indicate that service-related disability creates obstacles in their business
- ▶ 41% do not feel supported by Medical and Disability Service providers
- ▶ 36% entrepreneurship helped overcoming disability related challenges and barriers
- ▶ 36% entrepreneurship helped with the recovery process
- ▶ 34% entrepreneurship played a significant role in my recovery process

### Suicide Ideation



DURING PAST YEAR

**4%** CONSIDERED ATTEMPTING SUICIDE

OF THOSE

**59% sought help**  
**41% did not seek help**

## COVID-19 Pandemic

### Preparedness for Entrepreneurship

**87%** OF VETERAN ENTREPRENEURS WERE ABLE TO SUCCESSFULLY ADAPT THEIR BUSINESS DURING THE PANDEMIC



**64%** OF VETERAN ENTREPRENEURS INDICATED THAT THEY LOST BUSINESS DUE TO THE PANDEMIC

- ▶ 56% identified additional opportunities for their business during the pandemic
- ▶ 79% were able to accommodate remote work

## Literature Review

### Introduction

For decades, in the U.S., military veterans have engaged in entrepreneurial activity at higher rates than non-veterans (i.e., civilians).<sup>1</sup> These veteran entrepreneurs financially out-earn their non-veteran counterparts.<sup>2</sup> In countries like Israel, where military service is mandatory and generally lasts 24 to 32 months, veterans have been credited with creating economic value and advancing national security with their entrepreneurial endeavors.<sup>3</sup> Similar patterns have been observed around the world among veterans, although substantial variation exists in terms of challenges faced.<sup>4</sup> Military experience is credited with providing individuals with training and skills that are transferable into an entrepreneurial context and viewed as crucial ingredients for success among entrepreneurs.<sup>5</sup>

However, overall rates of veteran entrepreneurship have been declining, e.g., 15% of veterans, compared to 11% of nonveterans, were entrepreneurs in 2005, and 12% of veterans, compared to 10% of nonveterans in 2014.<sup>6</sup> Recent findings indicate that millennial veterans are less likely to be entrepreneurs than non-millennial veterans. Furthermore, a forthcoming study found that while entrepreneurship rates are higher among veterans relative to non-veterans, veterans are less likely to be entrepreneurs after accounting for demographic differences because they are more likely to be male, older (when looking only at the labor force), and have higher levels of education.<sup>7</sup> 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.<sup>8</sup>

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.<sup>9</sup> 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% owned by veterans of any branch of the U.S. military.<sup>10</sup> According to the Small Business Administration (SBA)<sup>11</sup>, veterans owned majority interest in 2.52 million businesses in 2012. According to the 2018 Annual Business Survey (ABS)<sup>12</sup>, veteran business owners accounted for 6.1% (351,237) of all U.S. employer businesses and employ approximately 4 million workers. Research indicates that veteran small business households had higher net worth than other veteran households, but similar income, while veteran households with small businesses tend to have higher income than non-veteran small business households.<sup>13</sup> 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

Veterans are more likely than their civilian peers to start and run their own businesses.<sup>14</sup> Consequently, there has been a surge in military veteran entrepreneurship programming over the past few years, and the topic of military

veteran entrepreneurship has significant traction among practitioners and policymakers.<sup>15</sup> One of the reasons for this interest in military veterans relates to the social capital and skills necessary for entrepreneurial success, i.e., innovation, risk taking, flexibility, resiliency, grit, adaptation to new environments, team building, mutual support, and self-efficacy that these individuals have developed while in the military, and its subsequent impact on their entrepreneurial efforts.<sup>16</sup> Military experience is credited with providing individuals with training and skills that are transferable into an entrepreneurial context<sup>17</sup> and are viewed as crucial ingredients for success among entrepreneurs.<sup>18</sup> As examples, military service proved extremely valuable to successful entrepreneurs, including Sam Walton (Walmart), Malcolm Forbes (Forbes Magazine), and Fred Smith (FedEx).

For decades, in the U.S., veterans have engaged in entrepreneurial activity at higher rates than non-veterans (i.e., civilians).<sup>19</sup> Recent data suggest that the COVID-19 pandemic has been an entrepreneurship catalyst that led to an increased number of startups in the U.S. According to U.S. Census Bureau's Business Formation Statistics 5.4 million applications were filed to form new businesses in 2021, a 53% increase from 2019 and a 23% increase from 2020.<sup>20</sup> While these data are encouraging, existing research suggests that necessity-driven entrepreneurship is ineffective during times of recessions and pandemics, while innovation and opportunity recognition are more relevant as success factors during those periods.<sup>21</sup> Little is known how many of these new startups are necessity vs. opportunity businesses, and how many of them are veteran-owned, suggesting further need to understand the nature of entrepreneurial motivation and challenges and barriers that these entrepreneurs face both during and after the pandemic.

Furthermore, despite the capabilities of leadership, adaptability, discipline, and organization within each service member, many experience challenges during and after the transition from military to civilian life.<sup>22</sup> Recent research suggests that self-efficacy and firm profitability are negatively correlated with transition difficulties faced by veterans and indicates that the transition from military to civilian life affects access to social capital and entrepreneurial self-efficacy.<sup>23</sup> The nature of military experiences, training, and culture, and the experiences associated with the transition from military to civilian life create both opportunities and barriers for veteran entrepreneurs. While there has been some research on opportunities, there is lack of research and understanding of the barriers related to transition from military to civilian life and the role of entrepreneurship within this transition process. This research is important given that veteran entrepreneurs who leverage transition-focused support systems and resources during and post-military transition report a higher degree of self-efficacy and performance.<sup>24</sup>

Finally, entrepreneurs with disabilities—regardless of veteran status—face additional disability-specific challenges.<sup>25</sup> In 2019, in the U.S., there were 4.7 million veterans—25% of the total veteran population—reporting a service-connected disability.<sup>26</sup> Roughly two in five service-connected disabled veterans report trouble finding (38%) and keeping (40%) civilian employment.<sup>27</sup> The challenges entrepreneurs with disabilities face 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.<sup>28</sup> 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. Furthermore, while there are emerging findings that suggest that entrepreneurship aids in overcoming disability-related barriers,<sup>29</sup> little is known how entrepreneurship affects the lives and employment outcomes of service-connected veterans.

## **Programs and Services for Veteran Entrepreneurs**

Programs for veteran entrepreneurs have grown in the U.S. since the mid-2000s. Some examples include the Entrepreneurship Boot Camp for Veterans (EBV), Boots to Business (B2B), Veteran Entrepreneurship Program (VEP), Bunker Labs, and VBOCs. 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.<sup>30</sup> The recent research suggests some barriers may be more acute or more difficult to overcome for veterans.<sup>31</sup> 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 contribute to a better understanding of entrepreneurship activity in the military-affiliated community. They also identify 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 development of 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, in 2020 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 assist 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 into 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 220 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. The survey instrument relied on 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; entrepreneurial ecosystem; family and general wellness; and COVID-19.

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, suicidal 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 second year of the survey—data collection in 2021. 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 study was conducted through an online survey distributed and managed using the Qualtrics online survey system and was approved by the Syracuse University Institutional Review Board. The sampling strategy was purposive, seeking to recruit diverse groups of veteran entrepreneurs through a variety of known channels. The primary recruitment pool was the IVMF-affiliated veteran entrepreneur community (e.g., ARSENAL and CVOB participants) contacted via listserv emails. Individuals who participated in the 2020 NSMAE were specifically invited via email to participate again this year as part of a longitudinal cohort. Veteran entrepreneurs were also invited to participate through veteran service organization (VSO) partners, government small business social networks, nonprofit organizations, and through IVMF social media messaging.

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 201 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.).

Survey items include 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. Analysis was conducted using analytic software including SPSS, STATA, SAS Enterprise Guide, and SAS Visual Analytics.

The survey was disseminated from May 27, 2021, to August 3, 2021. A total of 3,580 respondents started the survey and 2,649 responses are included in the final sample (74% response rate). The survey was collected in two versions: the full survey for first-time participants, and a shorter version for longitudinal participants who had previously participated in 2020. The resulting 2,649 combined responses in the sample include 645 longitudinal responses matched to 2020 data, and 2,004 responses for only the current year.

Participation in the study was voluntary and confidential. 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.

## Limitations

As with most survey research, this study is limited by voluntary self-selection into the sample and self-reporting by participants whose answer to each question item was voluntary. Individual self-report relies upon the respondent's perceptions of their situation and attitudes, which may or may not accurately reflect their circumstances. Attitudes, in particular, may vary over time, so a one-time survey may not capture the complexities and dynamism of their experience. Recruitment for this study was targeted to individuals who registered their businesses as veteran-owned or sought to participate in entrepreneurship programs, so therefore this study should not be construed to be representative of the population of all veteran or military-affiliated business owners. Specific efforts were made to recruit women and minority veterans, veterans with disabilities, and military spouses; however, analysis is limited for many demographic sub-groups due to sample sizes of individuals answering specific questions.

## Sample

Survey participants were screened into participating in the rest of the survey through required questions about business ownership and military status. Respondents proceeded through the survey when they identified both an interest in entrepreneurship (as a current, former, or aspiring business owner) and reported a military affiliation. Around 4 in 5 respondents (78%) reported being a current business owner (Table 1.1).

<b>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?</b>	<b>Frequency</b>	<b>Percent</b>
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%
<b>Total (all respondents)</b>	<b>2,494</b>	

The longitudinal data (see Table 1.1.1) indicates that 9% of respondents closed their businesses since they took the survey last year. Two percent have closed permanently, while 7% have closed their business temporarily. On the other hand, 4% of respondents have started a business since they took the survey last year. The main three reasons for business closers included low sales/cash flow (46%), COVID regulations/mandated closure (30%), and low sales/cash flow (27%)

<b>Table 1.1.1 (Longitudinal) Since you took the survey last year, which of the following has changed or not changed?</b>	<b>Frequency</b>	<b>Percent</b>
Nothing has changed; I'm still a business owner	410	79%
I closed my business permanently	13	2%
I closed my business temporarily	36	7%
I started a business	23	4%
I have wanted to or thought about it, but I have not actually done it	32	6%
<b>Total</b>	<b>517</b>	

Respondents were also asked to identify their current military status and/or affiliation. Most of the respondents (85%) identified their primary military affiliation as either veteran or retiree (Table 1.2).

Table 1.2 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%
<b>Total (all respondents)</b>	<b>2,447</b>	

**Given the relatively small sample sizes of each sub-population and the expected differences between their experiences of entrepreneurship, analysis throughout this report will be limited to only those respondents who identified as veterans or retirees.** For simplicity, we will simply refer to this group throughout the report as “veterans” because all retirees are also veterans. However, data from other groups will be reported in additional IVMF data products such as reports, briefs, or infographics wherever such analyses are possible. It should be noted that subsequent sections of this report are focused on the experiences and attitudes of veteran/retiree entrepreneurs only.

Eight percent identified as former business owners, and according to the longitudinal data, about 8% of all survey participants in 2020 have either permanently (2%) or temporarily (6%) closed their businesses (See Table 1.1). When asked why their business closed, many of the responses who centered around the COVID-19 pandemic including people not buying their products, the inability [due to COVID] to maintain relationships with customers, unable to obtain COVID-19 relief funds from SBA, and not being able to find people to hire to do the work necessary to be successful.

Other reasons veteran entrepreneurs said their business closed included retirement, divorce, access to capital, they found a job, and death of a business partner. A few said that they just sold their business. One veteran entrepreneur simply said, “I tried it [my business] on my own and couldn’t sustain the energy needed to be successful.”

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*“The biggest challenge was for me finding people to do the technical work.”*

Army Veteran  
Professional, Scientific, and Technical Services Industry

*[The biggest challenge] “was being unable to obtain COVID relief funds from SBA on several attempts.”*

Navy Veteran  
Wholesale Trade Industry

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## Demographics

Around 82% of veteran respondents identified as currently having a business, being self-employed, doing freelance/contract work, or otherwise working for themselves (Table 1.3). Although 82% were current business owners, 86% identified themselves as an entrepreneur (Table 1.4). This means that some former or aspiring business owners also self-identify as entrepreneurs. In this report, we consider all respondents to the screening question (Table 1.1) to be an entrepreneur.

Table 1.3 Business owner status (calculated)	Frequency	Percent
Current Business Owner	1684	81.59%
Former Business Owner	150	7.27%
Aspiring Entrepreneur	230	11.14%
<b>Total</b>	<b>2,447</b>	

Table 1.4 Do you consider yourself an entrepreneur?	Frequency	Percent
Current Business Owner	1,757	86.09%
Former Business Owner	284	13.91%
<b>Total</b>	<b>2,041</b>	

The definition of social entrepreneurship provided to participants in this survey was “a social entrepreneur is an entrepreneur that develops products and/or services that create solutions to social, cultural, or environmental issues.” Around 45% of veteran respondents considered themselves to be social entrepreneurs (Table 1.5).

Table 1.5 Do you consider yourself as a social entrepreneur?	Frequency	Percent
Current Business Owner	870	44.57%
Former Business Owner	970	55.43%
<b>Total</b>	<b>1,750</b>	

Most veteran respondents were male (78%), and 22% were female. This proportion somewhat overrepresents women among the veteran population; it is possible that women are over-represented in this sample. However, other evidence suggests that female veterans may simply be more likely to become entrepreneurs.<sup>32</sup>

Table 1.6 What is your gender?	Frequency	Percent
Male	1441	77.51%
Female	411	22.11%
Prefer to self-describe	7	0.38%
<b>Total</b>	<b>1,859</b>	



The median age of veteran respondents was 54 years old, with 90% of the respondents over 39 years of age.

Table 1.7 What is your age?	Frequency	Percent
18-29	13	0.74%
30-39	172	9.73%
40-49	428	24.22%
50-59	576	32.60%
60-69	346	19.58%
70+	232	13.13%
<b>Total</b>	<b>1,767</b>	

Respondents identified their race/ethnicity by selecting all that applied from the list below. Most identified under a single category. The most prevalent race/ethnicity veteran respondents identified themselves as was white (61%). Around 1 in 5 (21%) identified as Black or African American; 9% identified as Hispanic, Latin or Spanish origin.

Table 1.8 How do you describe your race/ethnicity? Please select all that apply.*	Frequency	Percent
American Indian/Alaskan Native	53	2.89%
Asian	36	1.96%
Black /African American	393	21.39%
Hispanic/Latino/Spanish Origin	172	9.36%
Native Hawaiian/Pacific Islander	20	1.09%
White	1117	60.81%
Other/Combination	85	4.63%
Total (responses)	1876	102.12%
<b>Total (cases)</b>	<b>1837</b>	<b>100.00%</b>

\* For 429 cases, their demographics were imported from last year's survey and did not allow multiple selections. These have been integrated into counts and case total as single-entry responses.

The median household income for veteran respondents was in the \$100,000 to \$149,999 category, and 63% reported more than \$100,000 of household income. A household income of less than \$50,000 was reported by 16% of veteran respondents. Median individual income for veteran respondents (excluding any income from a spouse or partner) was in the \$80,000 to \$99,999 category. Veterans earning more than \$100,000 of individual income made up 50% of respondents, whereas 28% reported earning less than \$50,000 in individual income.

Table 1.9 What was your personal total gross (before tax) income for 2020? (Not including spouse)	Frequency	Percent
Less than \$50,000	239	27.89%
\$50,000-\$79,999	122	14.24%
\$80,000-\$99,999	71	8.28%
\$100,000-\$149,000	187	21.82%
More than \$150,000	238	27.77%
<b>Total</b>	<b>857</b>	

<b>Table 1.10 What was the total HOUSEHOLD gross (before tax) income for 2020?</b>	<b>Frequency</b>	<b>Percent</b>
Less than \$50,000	133	15.95%
\$50,000-\$79,999	83	9.95%
\$80,000-\$99,999	94	11.27%
\$100,000-\$149,000	181	21.70%
More than \$150,000	343	41.13%
<b>Total</b>	<b>834</b>	

More than three in four veteran respondents (76%) reported completing a bachelor's degree or better, most commonly a master's degree (39% of respondents). The overwhelming majority (98%) had at least some college or additional education beyond high school.

<b>Table 1.11 What is the highest level of education you have completed?</b>	<b>Frequency</b>	<b>Percent</b>
Less than high school diploma/GED	2	0.19%
Regular high school diploma	14	1.35%
GED or alternative credential	4	0.38%
Some college credit, but less than 1 year of college credit	16	1.54%
1 or more years of college credit, no degree	87	8.37%
Vocational/trade school/Certificate	24	2.31%
Associate degree (for example: AA, AS)	76	7.31%
Bachelor's degree (for example: BA, BS)	294	28.27%
Master's degree (for example: MA, MS, MEng, MEd, MSW, MBA)	400	38.46%
Professional degree (for example: MD, DDS, DVM, LLB, JD)	39	3.75%
Doctorate degree (for example: PhD, EdD)	61	5.87%
Other	23	2.21%
<b>Total</b>	<b>1,040</b>	

Most veteran entrepreneur respondents are currently married/domestic partners (77%). Seventeen percent reported having been married in the past (16% divorced/separated, 1% widowed), and 6% identified as single, never married.

<b>Table 1.12 Are you currently residing in a:</b>	<b>Frequency</b>	<b>Percent</b>
Large metropolitan area (over 500,000)	279	26.32%
Large city (250,000 - 500,000)	92	8.68%
Medium-sized city (50,000 - 250,000)	278	26.23%
Small city or town (under 50,000)	274	25.85%
Farm or ranch	41	3.87%
Rural but not farm or ranch	96	9.06%
<b>Total</b>	<b>1,060</b>	

About half of veteran entrepreneur respondents (54%) reported living in their current community for more than 10 years. Just under one in 20 veteran entrepreneurs report living in their current community for less than a year (5%) and 9% report living in their current community for less than 3 years.

Table 1.13 How long have you been in your current residence?	Frequency	Percent
Less than a year	52	4.87%
1-2 years	94	8.80%
3-5 years	162	15.17%
5-10 years	189	17.70%
More than 10 years	571	53.46%
<b>Total</b>	<b>1,068</b>	

## Service Member Characteristics

### *Service Characteristics*

Veteran entrepreneur respondents also provided information about their military service background. Respondents were asked to report which service periods they served during and could select multiple periods if their service spanned these different timeframes. Respondents most commonly reported serving during the post-9/11 era (50%) and/or Gulf War era between August 1990 and August 2001 (51%), with 38% serving between May 1975 and July 1990, 16% serving during the Vietnam era, and 2% serving at some point before July 1964.

Most veteran respondents (90%) reported at least one permanent change of station (PCS) move during their time of service, with 44% reporting 5 or more PCS moves. Likewise, most veteran entrepreneur respondents also reported at least one deployment (83%), with 30% reporting four or more deployments.

The most common branch of service was the Army (47%), followed by the Navy (20%), Air Force (18%), and Marines (12%).

Table 2.1 To what branch of service do you belong?	Frequency	Percent
Air Force	342	18.28%
Army	884	47.25%
Coast Guard	19	1.02%
Marine Corps	227	12.13%
Navy	379	20.26%
Other	20	1.07%
<b>Total</b>	<b>1,871</b>	

About two-thirds (68%) of veteran respondents were enlisted. Most veteran entrepreneurs had achieved a rank of senior enlisted (45%) or officers (30%) during their military service.

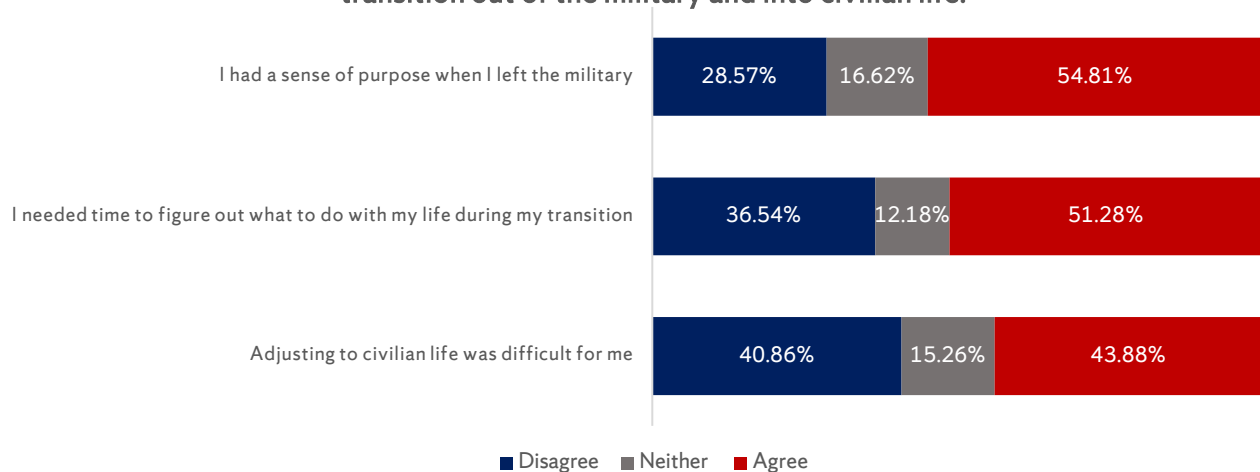
Table 2.2. What was your highest rank achieved?	Frequency	Percent
E1-E4	396	22.84%
E5-E9	786	45.33%
W1-W5	39	2.25%
O1-O3	179	10.32%
O4-O7	334	19.26%
<b>Total</b>	<b>1,734</b>	

Most veteran respondents reported having a service-connected disability (80%), with just under half (48%) reporting a disability rating of 70% or higher. Just over two in five veteran respondents (43%) rated their transition from active duty as difficult or very difficult.

Table 2.3. How would you describe your overall transition from active duty?	Frequency	Percent
Very difficult	130	13.87%
Difficult	275	29.35%
Smooth	304	32.44%
Very smooth	228	24.33%
<b>Total</b>	<b>937</b>	

About 41% of respondents had difficulty adjusting to civilian life, compared to 44% who did not experience that difficulty (see Figure 2.1). Veteran entrepreneur respondents were asked to identify their top five key challenges related to their transition. Around one in four (25%) reported no challenges during transition. The most common key challenges reported were finding employment (25%), getting socialized to civilian culture (24%), loss of sense of purpose (24%), financial struggles (23%), and loss of connection with military community (22%).

**Figure 2.1 Indicate your level of agreement with the statements regarding your transition out of the military and into civilian life:**



Fifty-one percent of veteran entrepreneur respondents agreed that they needed time to figure out what to do with their life during transition, and 44% agreed that adjusting to civilian life was difficult. More than half (54%) agreed that they had sense of purpose when they left the military, while 29% did not have a sense of purpose (see Figure 2.1).

## Entrepreneurship and Transition

About one out of five respondents did not experience any challenges during the transition from military survey, meaning that about 78% of the respondents experienced one or more challenges during their transition. The most common challenge was the loss of sense of purpose and loss of camaraderie (26%). Four out of the top five challenges were related to adjusting to new life, including getting socialized to civilian life (25%), loss of connection to military community (25%), and finding employment (24%). Financial struggles was the second most cited challenge, experienced by 25% of the respondents (see Table 2.4)

Table 2.4 What were the key challenges in your transition? Please select your top five.	Frequency	Percent
Loss of sense of purpose/camaraderie	166	25.94%
Financial struggles	161	25.16%
Getting socialized to civilian culture	160	25.00%
Loss of connection with military community	158	24.69%
Finding employment for myself	155	24.22%
<b>Total</b>	<b>640</b>	

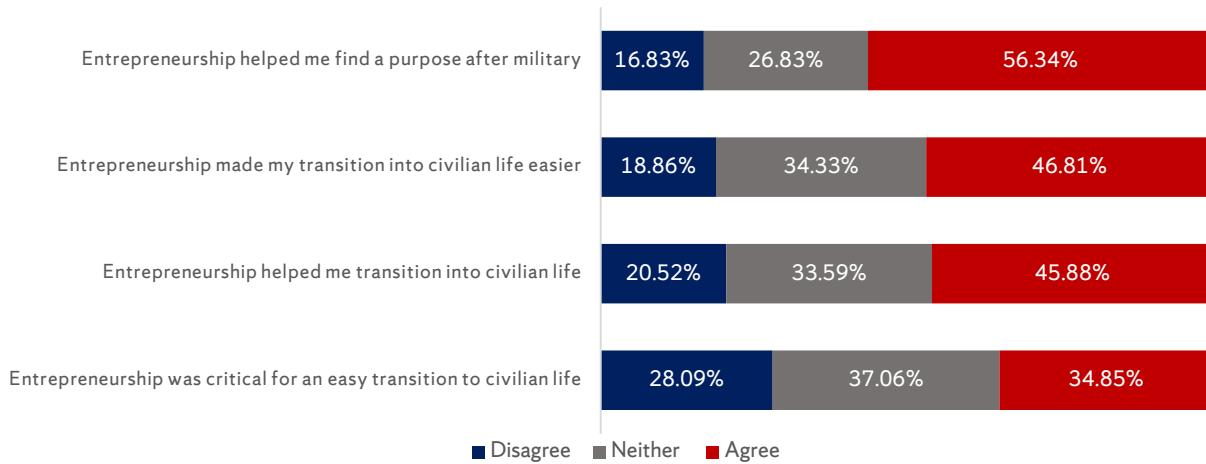
\*The participants were asked to select up to five challenges and Table 2.4 shows only five most selected challenges.

Another aspect of this survey is to understand military service and transition challenges in relation to entrepreneurship. Thirty-seven percent of the veteran entrepreneur respondents indicated they were not interested in entrepreneurship prior to serving in the military while 63% indicated interest. More specifically, 33% indicated they were slightly or somewhat interested in entrepreneurship prior to serving in the military and about 19% indicated they were moderately or extremely interested in entrepreneurship before serving in the military.

Table 2.5 How interested were you in entrepreneurship before serving in the military?	Frequency	Percent
Not at all interested	391	37.27%
Slightly interested	213	20.31%
Somewhat interested	136	12.96%
Moderately interested	137	13.06%
Extremely interested	172	16.40%
<b>Total</b>	<b>1,049</b>	

For a slight majority of respondents (56%) entrepreneurship was helpful in finding a purpose after military, while only 17% did not feel that way. Forty-seven percent felt that entrepreneurship made the transition easier, while 38% felt that entrepreneurship was critical for in making the transition from military into civilian life easy, compared to 28% who did not feel that entrepreneurship was critical for an easy transition (see Figure 2.2.).

**Figure 2.2 Indicate your level of agreement with the statements regarding your transition out of the military and into civilian life:**



Note: the sample of those answered this question was n=997

### *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 (see Table 2.7). 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 Table 2.6 below). The top five skills respondents selected in 2021 are: work ethic/self-discipline (54%), leadership and management skills (48%), teamwork (47%), perseverance (34%), and mental toughness (32%). The top five skills in 2021 were the same top five skills from 2020 NSAME results. While some skills moved up or down, all are still within top five. In both 2020 and 2021, veteran respondents selected work ethic/self-discipline as a skill mostly strengthened and enhanced through their military training and experience. Furthermore, just as in 2020, more than 93% indicated these skills helped them in their business/venture (helped them somewhat, moderately, and extremely; see Table 2.7).

<b>Table 2.6 In thinking about your skills enhanced by the military, please select all of those that were strengthened/enhanced by your military experience. (Select top five)</b>	<b>2020</b>	<b>2021</b>
Work ethic/self-discipline	55.47%	53.93%
Leadership and management skills	40.45%	47.46%
Teamwork	46.03%	46.69%
Perseverance	32.94%	33.90%
Mental toughness	37.45%	32.20%
Training and teaching others	24.14%	30.05%
Ability to get things done	25.54%	24.96%
Professionalism	20.39%	23.27%
Adaptation to different challenges	23.07%	21.11%
Dealing with uncertainty	20.39%	19.41%
Organization	16.31%	18.95%
Confidence and self-esteem	20.39%	18.64%
Making decisions in time- and resource-constrained environments	16.31%	17.87%
Crisis management	15.56%	14.79%
Social/communication skills	12.55%	14.33%
Cultural understanding	16.52%	13.56%
Level-headedness and perspective	13.95%	12.17%
Goal setting	9.33%	10.94%
Time management	8.26%	10.79%
Moral code and social responsibility	14.48%	9.55%
Working effectively with supervisors and other authorities	5.69%	8.32%
Other, please specify:	3.65%	0.92%
None	0.97%	0.62%
<b>Total</b>	<b>n=932</b>	<b>n=649</b>

About 4% of the veteran entrepreneur respondents selected the ‘other’ option under the skills strengthened and enhanced. Top skills listed by these respondents include value and code ethics, self-pride, patience, and ability to understand various backgrounds and abilities of people. While the military does teach moral codes and ethics<sup>33</sup>, the results here suggest that veterans already come with moral code and ethics to the military, as only 10% in 2021 have selected this as a skill enhanced by the military.

<b>Table 2.7 To what extent did the skills selected help you with your business/venture?</b>	<b>Frequency</b>	<b>Percent</b>
Not at all	23	2.64%
Slightly	35	4.01%
Somewhat	97	11.12%
Moderately	177	20.30%
Extremely	498	57.11%
<b>Total</b>	<b>830</b>	

The survey asked an open-ended question on what specifically from their military experiences helped them with their business or business goals. Leadership was the quality most mentioned when veteran entrepreneurs were asked what specific skills, they believed they brought with them when starting a business. One participant listed *“leadership strategies, stressful situations, and a perspective of optimism,”* as important experiences that helped them with their business goals.

Veteran entrepreneurs stated that the military gave them the internal strength and the mental attitude they needed to be successful entrepreneurs. Others said adaptability, dedication, commitment, discipline, endurance, honor, grit, resiliency, respect, responsibility, tenacity, and work ethic were specific military traits that helped them with their business. Veteran entrepreneurs also said specific skills learned in the military. For example, they mentioned team building and communication skills, along with how to pay attention to detail, management skills, strategic thinking, problem solving, and the ability to think outside of the box as military skills that helped them with their business. Another said that it was the *“the ability to look at a situation, evaluate what’s missing, and implement changes to bring those missing things to the equation.”* And another said that it was the ability to *“plan and execute with little to no guidance,”* that helped with the business. Several veteran entrepreneurs also said that the entire military culture—and serving other people—was what made them successful veteran entrepreneurs.

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*“Determination, honor, and team building. We never quit! We stand by our word. And the most important thing is we work together for a common cause.”*

Marine Corps Veteran  
Construction Industry

*“The military provided me the ability, at an early age, to realize the importance of finishing what I was responsible to finish.”*

Air Force Veteran  
Professional, scientific, and technical services Industry

*“My military experiences helped give me the confidence and determination needed to start my own business, and my military connections have created business opportunities.”*

Army Veteran  
Construction Industry

*“My military experience that helps me with my business currently is the ability to multi-task, work hard, and not stop, no matter how difficult the task at hand might be. I also have the self-confidence in myself that the military gave me to never settle for less than you feel you are worth.”*

Air Force Veteran  
Transportation and warehousing Industry

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## Characteristics, Motivations, and Barriers

### Entrepreneurial Characteristics

Eighty-six percent of the respondents consider themselves as entrepreneurs, see Table 3.1. Interestingly, 62% of former business owners and 60% of aspiring business owners consider themselves to be entrepreneurs, while 8% of current business owners do not consider themselves to be entrepreneurs.


Table 3.1 Do you consider yourself an entrepreneur?	Frequency	Percent
Yes	1,777	86.14%
No	286	13.86%
<b>Total</b>	<b>2,063</b>	



Do you consider yourself an entrepreneur?	Yes		No		Total
	Frequency	Percent	Frequency	Percent	
Current Business Owner	1550	91.61%	142	8.39%	1692
Former Business Owner	68	62.96%	40	37.04%	108
Aspiring Business Owner	25	59.52%	17	40.48%	42

Sixty-one percent of the respondents who owned a business at the time of the data collection indicated this was their first business venture. The other 39% indicated this was not their first business. Thirty-five percent had between one to two businesses, 46% had between three to four businesses, and 18% had five or more businesses.

Table 3.2 Is this your first business/venture?	Frequency	Percent
Yes	744	61.34%
No	498	41.06%
<b>Total</b>	<b>1,213</b>	



How many total businesses have you started and/or owned?	Frequency	Percent
1 to 2	113	35.33%
3 to 4	163	46.44%
5 or more	64	18.23%
<b>Total</b>	<b>351</b>	

Overall, the vast majority (92%) founded or started their businesses, 6% purchased an existing business, about 1% inherited the business, and 1% received transfer of ownership or gift. Additionally, 73% are sole owners of their business, while 27% are co-owners, predominantly (64%) with two other co-owners (Table 3.4).

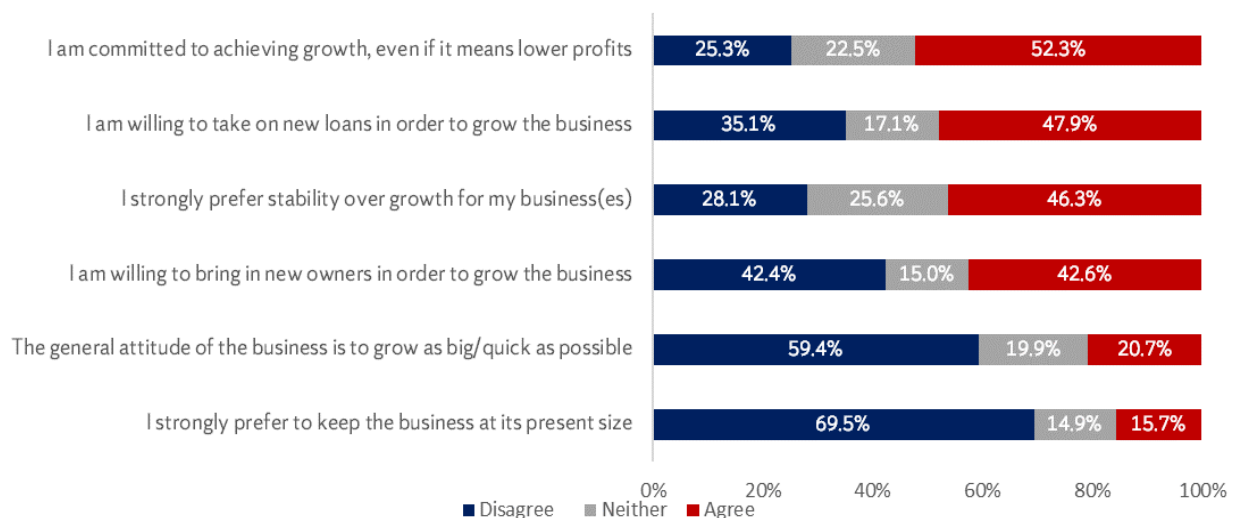
Table 3.3 How did you initially acquire ownership of this business?	Frequency	Percent
Founded or started	1,158	91.90%
Purchased	80	6.35%
Inherited	10	0.79%
Received transfer of ownership or gift	12	0.95%
Recruited into the business	26	2.02%
<b>Total</b>	<b>1,286</b>	

Table 3.4 Are you the sole owner of your business/venture?	Frequency	Percent
Yes	922	73.00%
No	341	27.00%
<b>Total</b>	<b>1,263</b>	

How many people own this business?	Frequency	Percent
1	10	2.97%
2	216	64.09%
3	56	16.62%
4	25	7.42%
5	30	8.90%
<b>Total</b>	<b>337</b>	

Overall, the vast majority (96%) of all respondents report having a for-profit business. The respondents were asked if they consider themselves a social entrepreneur, an entrepreneur who develops products and/or services that create solutions to social, cultural, or environmental issues. About 45% identified being a social entrepreneur (Table 1.5).

Figure 3.1 Please indicate your agreement with the statements below



Compared to the overall small business population, veteran small business owners seem to be more growth oriented. Specifically, 51% of small business owners are primarily interested in growing their business, compared to 70% of veteran business owners (see Figure 3.1), while 30% of small business owners are focused on sustaining their current business, compared to 16% of veteran-owned small businesses.<sup>34</sup> Fifty-two percent of respondents chose growth over profits, and 48% are willing to take on new loans to grow their businesses. However, 59% believe that the general attitude of the business is not to grow as quickly as possible or as fast as possible; 46% prefer stability over growth (see Figure 3.1).

Other features of entrepreneurship characteristics are attitudes and perspectives (see Figure 3.2). Eighty-nine percent of veteran respondents indicated that owning their companies is energizing to them. Similarly, 92% feel motivated to improve their existing products and services. Overall, 80% of all veteran respondents are placing a lot of effort in growing and advancing themselves, their employees and their products and services to better serve the unmet needs of their customers. Furthermore, 70% of respondents identified that being a business founder and the one who nurtures and grows a company are both important parts of who they are.

Figure 3.2 Please indicate to what extent you agree or disagree with the following statements:



Other features of entrepreneurship characteristics are attitudes and perspectives (see Figure 3.3). The vast majority of respondents do not give up easily, even in the face of difficulties (92%) and strive toward excellence (90%). Moreover, consistent with prior findings, veterans are selfless or “servant leaders,”<sup>35</sup> as 89% are glad to share their experiences with other entrepreneurs and aspiring entrepreneurs to assist them with their venture. Eighty-two percent report using creativity to solve the problems and challenges faced; this is slightly more than average small business owner (76%).<sup>36</sup> The fact that they are great at creative problem solving may make it harder to delegate complex problems;<sup>37</sup> 70% report that they accomplish the most when they do things or projects alone, under no direct supervision of anyone. Seventy-six percent are open-minded and willing to change. When it comes to hiring friends and those loyal to them versus hiring qualified individuals, 71% hire on the basis of qualifications

only. These attitudes and perspectives indicate veterans are innovative, responsible, nimble, and driven. Moreover, 81% do not believe luck plays a role when things go right or wrong.

Figure 3.3 highlights some of the characteristics of veteran entrepreneurs in relationship to their entrepreneurial activities and their environment. While 44% feel that entrepreneurial activities interfere with their pursuit of other interests, the majority (73%) feel good about their entrepreneurial activities. While veteran entrepreneurs are driven, about 36% sacrifice sleep to spend more time on their entrepreneurial activities, 25% feel that their work-life balance has been negatively affected by their business, and 14% believe that their health is worse due to their entrepreneurial activity. About 22% indicate that relationships with friends and family have suffered due to time they spend on business, while 57% do not feel that.

Furthermore, the majority (75%) does not feel a need to conceal how much time they spend within their entrepreneurial activities and 75% do not lie in terms of what is going on within their business.

Figure 3.3 Please indicate to what extent you agree or disagree with the following statements:

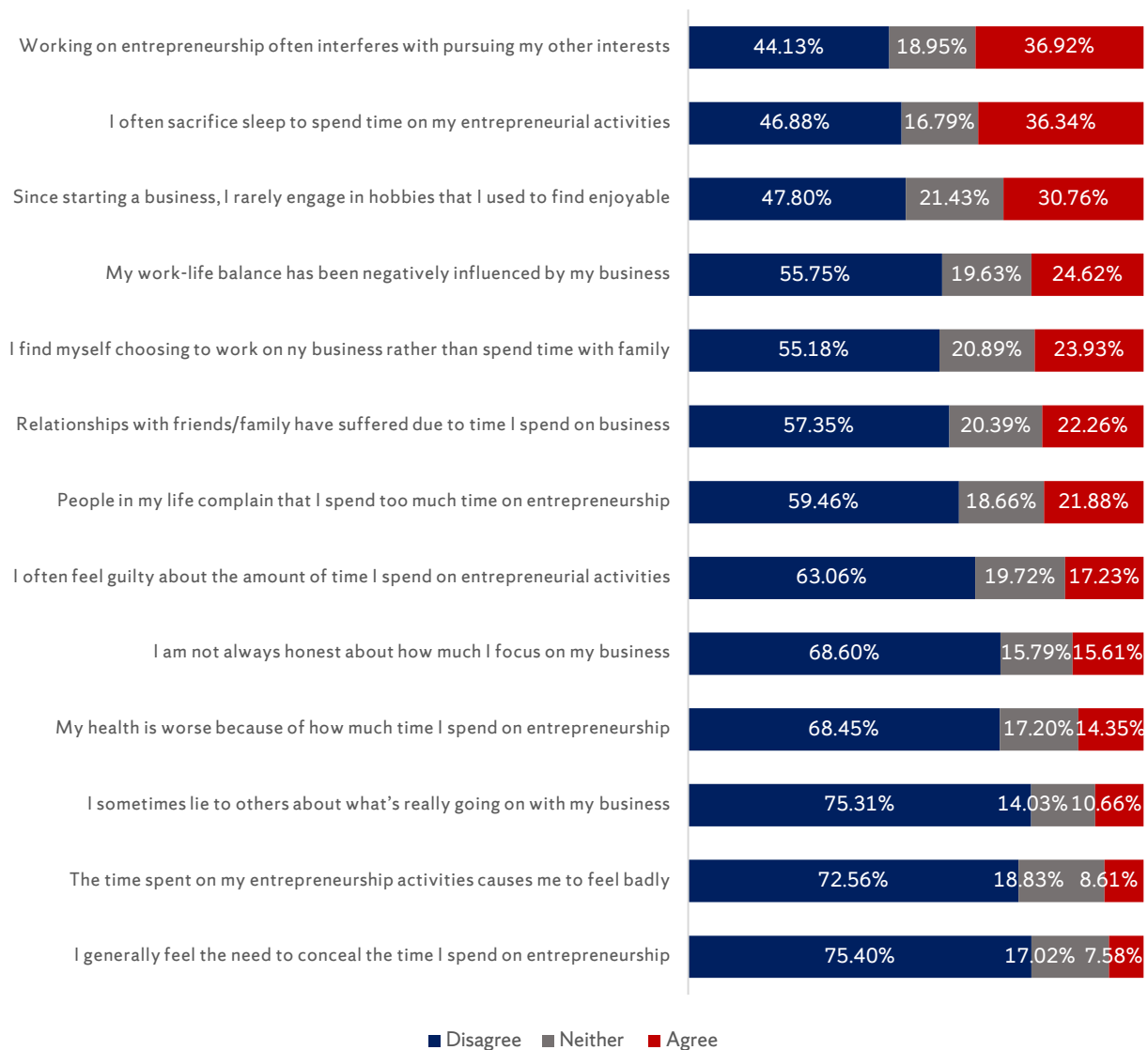
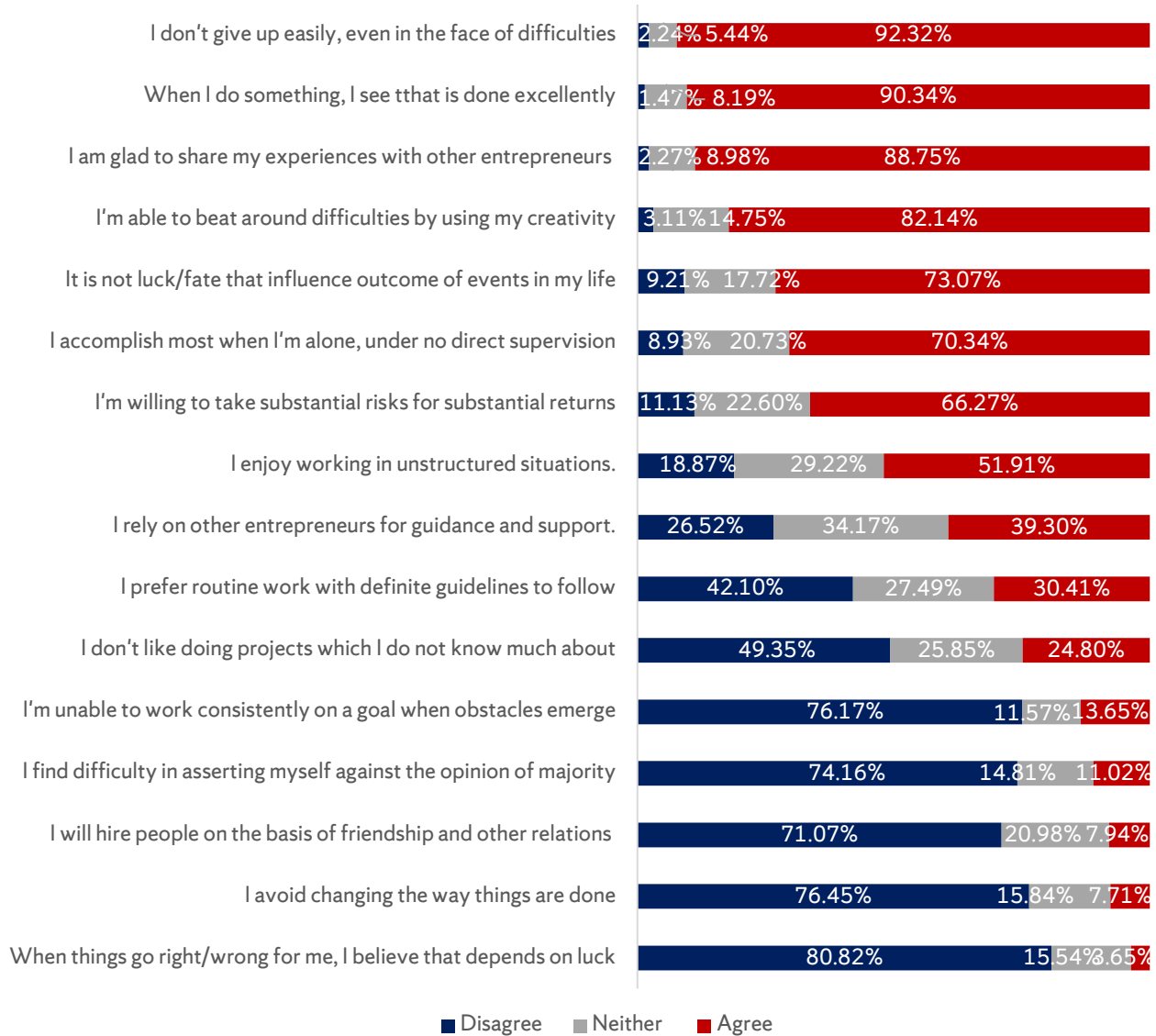


Figure 3.3 Please indicate to what extent you agree/disagree with the following statements:



## Business Characteristics, Growth, and Sales

Ninety-six percent of the businesses are for-profit, and the remaining 4% have or are in process of obtaining IRS 501(c)3 not-for-profit status. The age of a 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 owned by veteran entrepreneur respondents is 8.8 years, with 41% reporting an age of 5 years or less. Additionally, 23% of the respondents reported their business was 10 or more years old (Table 4.1).

<b>Table 4.1 Age of business (calculated)</b>	<b>Frequency</b>	<b>Percent</b>
2 years or less	194	14.36%
3-5 years	359	26.57%
6-9 years	492	36.42%
10 or more	306	22.65%
<b>Total</b>	<b>1,351</b>	

When it comes to industry in which the entrepreneurs operate, about 32% 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 and development, and photography. About 12% 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 “manufacturing” industry and about 7% of respondents operated their businesses within this industry. Some examples of businesses within this industry include sheet metal and metal stamping, machined parts and assemblies, manufacturing of cleaning chemicals and materials, food manufacturing, fence manufacturing, and metal fabrication.

<b>Table 4.2 What industry would you classify this business/venture?</b>	<b>Frequency</b>	<b>Percent</b>
Professional, scientific, and technical services	285	31.95%
Construction	106	11.88%
Manufacturing	58	6.50%
Health care and social assistance	54	6.05%
Retail trade	40	4.48%
Other services (except public administration)	41	4.60%
Wholesale trade	40	4.48%
Educational services	35	3.92%
Administrative and support and waste management and remediation services	33	3.70%
Transportation and warehousing	32	3.59%
Information	33	3.70%
Real estate and rental and leasing	29	3.25%
Accommodation and food services	24	2.69%
Arts, entertainment, and recreation	19	2.13%
Agriculture, forestry, fishing, and hunting	15	1.68%
Finance and insurance	16	1.79%
Public administration	8	0.90%
Utilities	7	0.78%
Management of companies and enterprises	7	0.78%
Other	9	1.01%
Mining, quarrying, and oil and gas extraction	1	0.11%
<b>Total</b>	<b>892</b>	

Five percent of respondent indicated that their business is a multi-level marketing (MLM) or network marketing business. Overall, the nature of the businesses among the majority of the respondents (57%) is a service-based business, a business that offers only services. About 31% of all businesses offer both products and services, while only 12% a product-based businesses. There is a difference in the nature of the businesses when comparing military rank the respondents held. The veteran entrepreneurs who held a rank of an officer tend to have high percentage of service-based businesses (65%), compared to those who held a rank of enlisted (55%). Similarly, enlisted tend to have higher percentage of both product and service-based businesses (33%), compared to officers (25%) (see Table 4.3.1).

Table 4.3 Which of the below best describes the nature of your business?	Frequency	Percent
Service-based business	729	56.91%
Both product and service-based business	402	31.38%
Product-based business	150	11.71%
<b>Total</b>	<b>1,281</b>	

Table 4.3.1 Which of the below best describes the nature of your business?	Enlisted	Officers
Service-based business	55.15%	65.23%
Both product and service-based business	33.22%	24.73%
Product-based business	11.63%	10.04%

The primary nature of the businesses among the majority of the respondents (56%) 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-and-mortar location sales/services, and 6% reported to be a wholesaler with a brick-and-mortar location.

Table 4.4 Which of the below best describes the primary nature of your business?	Frequency	Percent
Online (e-commerce) sales/services	375	36.23%
Brick-and-mortar retail/office (rent or own brick-and-mortar space)	371	35.85%
Equal blend of e-commerce and brick-and-mortar location sales/services	146	14.11%
Brick-and-mortar location that you share with other retailers/service providers	67	6.47%
Wholesale, other retailers sell my products/services in their brick-and-mortar location(s)	33	3.19%
Wholesale, other retailers sell my products/services via e-commerce	22	2.13%
Wholesale, others sell my products via e-commerce and in their brick-and-mortar	21	2.03%
<b>Total</b>	<b>1,035</b>	

Since 2011, overall businesses in general e-commerce presence and sales have tripled as new technologies allow for increased efficiencies and capabilities.<sup>38</sup> Moreover, the COVID-19 pandemic caused many businesses to switch to e-commerce platforms and further contributed to increase in online sales.<sup>39</sup> A similar trend has affected the veteran-owned businesses. Fifty-two percent reported being an online (e-commerce) business. Specifically, 36% of the respondents' businesses performed online sales and/or services, and 2% provided wholesale services via e-commerce. Compared to the NSMAE data from 2020, there is an increase in e-commerce businesses among veterans, which can be expected given the COVID-19 pandemic.<sup>40</sup>

Lack of cash has been one of the main reasons businesses are not successful.<sup>41</sup> Based on the results in the study, 52% of respondents reported a business profit in 2020, 14% broke even, and 34% reported a loss. While the number of profitable businesses among veterans (52%) appears to be lower than the general small businesses (63%), the number of profitable veteran-owned businesses has decreased by 7% from 2019 to 2020, which is better compared to a 19% decrease in business profitability among overall small business owners.<sup>42</sup> Given that together, 48% either broke even or reported a financial loss, this suggests these veteran entrepreneur respondents most likely will need access to capital to allow their business to achieve positive cash flow.

Table 4.5 In 2020, did this business/venture make:	Frequency	Percent
Profit	635	52.26%
Break even	169	13.91%
Loss	411	33.83%
<b>Total</b>	<b>1,215</b>	

There was a difference in business profitability when comparing respondents' military ranks. Former enlisted respondents report a higher rate of loss (38%), compared to former officers (30%). Similarly, former officers have higher rate of profitable business (57%), compared to former enlisted (47%) (see Table 4.5.1).

Table 4.5.1 In 2020, did this business/venture make:	Enlisted	Officers
Profit	47.27%	56.98%
Break even	14.55%	13.21%
Loss	38.18%	29.81%

The average gross sales of the respondents; businesses in 2020 was \$3,273,092. According to the longitudinal data (sample n=332), the average revenue decreased by 9% from 2019 to 2020. A majority of the respondents (70%) believe that it is realistic for their business to double in sales within the next five years, while only 15% believe that they will not double in sales within the next five years (see Table, 4.6).

Table 4.6 How likely do you think your business will double in sales in the next five years?	Frequency	Percent
Likely	937	70.40%
Neither	200	15.03%
Unlikely	194	14.58%
<b>Total</b>	<b>1,331</b>	

Similarly, when asked how risky it would be for the survival of the business if they tried to double the sales in the next five years, about 30% indicated that it would be risky for their business, while 42% felt it was safe (see Table 4.7).



<b>Table 4.7 If you tried to double your sales in the next five years, how risky would that be to the survival of this business?</b>	<b>Frequency</b>	<b>Percent</b>
Risky	393	29.57%
Neither	372	27.99%
Safe	564	42.44%
<b>Total</b>	<b>1,329</b>	

While 34% of businesses are reporting a financial loss (see Table 4.5), 45% of respondents report that the majority of their household income comes from their business (see Table 4.8). Currently, 19% of all respondents report that their household income is not supported by their venture.

<b>Table 4.8 What percentage of your household income is supported with income from your business/venture?</b>	<b>Frequency</b>	<b>Percent</b>
0%	238	18.89%
1-25%	294	23.33%
26-50%	164	13.02%
51-75%	170	13.49%
76-100%	394	31.27%
<b>Total</b>	<b>1,329</b>	

The longitudinal data indicates an increase in overall contribution of the business toward household income. In 2020 about 19% of respondents indicated that they had no contribution from their business to household income; that number decreased to 14% (see Table 4.8.1).

<b>Table 4.8.1 (Longitudinal) What percentage of your household income is supported with income from your business/venture?</b>	<b>2020</b>	<b>2021</b>	<b>Change</b>
0%	19%	14%	-5%
1-25%	23%	22%	-1%
26-50%	15%	19%	4%
51-75%	13%	14%	1%
76-100%	31%	31%	0%

Most of the businesses (56%) depend on their top five customers, and in case they lost those top five customers, they would either get out of business or would reap significant negative consequences (see Table 4.9).

<b>Table 4.9 If you lost your top five customers, what would happen to your business?</b>	<b>Frequency</b>	<b>Percent</b>
Go out of business	263	22.19%
A very significant negative impact	398	33.59%
A consequential negative impact	168	14.18%
Some impact, but not consequential	186	15.70%
Very little impact on business	170	14.35%
<b>Total</b>	<b>1,329</b>	

## Motivations

The motivations for starting a business and being an entrepreneur can vary. For the Year 2 survey, we included four additional motivations that emerged in the 2020 survey, which are personal faith, government incentives, push my personal development to the next level, and opportunities to innovate. 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	467	36.17%
Maintain personal freedom	463	35.86%
The opportunity to be financially independent/increase personal income	455	35.24%
The chance to implement my own ideas/creating something of my own	407	31.53%
Improving my quality of life	335	25.95%
Having more free time/flexible hours	322	24.94%
Helping society/supporting community	277	21.46%
Opportunities to innovate	251	19.44%
Secure future for my family	245	18.98%
Building personal wealth	240	18.59%
Personal belief/faith	239	18.51%
Acquire a comfortable living	212	16.42%
Dissatisfaction in a professional occupation	200	15.49%
To meet the challenge of starting a business	163	12.63%
To spend more time with my family	157	12.16%
Leadership, being at the head of an organization	151	11.70%
Government incentives (e.g., veteran set-asides in government contracting)	147	11.39%
Build up equity for retirement	127	9.84%
To prove I can succeed	126	9.76%
Earn supplemental income with my business	122	9.45%
Personal security	120	9.30%
Limited career opportunities	120	9.30%
To push my personal development to the next level	112	8.68%
The difficulty of finding the right job	91	7.05%
Wanting to make more money than by working for wages	89	6.89%
Discrimination at work	89	6.89%
Other	89	6.89%
There was no other option but to go into business for myself	72	5.58%
Maximize business growth	68	5.27%
Manage people	26	2.01%
Increase sales and profit	26	2.01%
Following a family tradition of business ownership	23	1.78%
Gaining high social status	6	0.46%
Public recognition	5	0.39%
<b>Total</b>	<b>1,291</b>	

When it comes to top motivations for entrepreneurship, the results here are aligned with findings from NSMAE 2020 and presented elsewhere regarding the motivations of entrepreneurs.<sup>43</sup> *Helping society/supporting community* and *opportunity to innovate* are within the top motivations. Consistent with the data from 2020, *gaining high social status* and *public recognition* are at the bottom of the motivation list.

As mentioned in Section 3, about 45% identified being a social entrepreneur (see Table 1.5). Interestingly, when it comes to top five motivations, the first four are the same: *the chance to implement my own ideas*, *opportunity to be financially independent*, *maintain personal freedom*, and *make my own decisions*. However, the fifth motivation is significantly different. Those who identify as social entrepreneurs have “helping society/supporting community”

as their fifth most common motivation, while those who don't identify as social entrepreneur have the "having more free time/flexible hours" as their fifth motivation. Another difference within the top 10 motivations between those who consider themselves social entrepreneurs and those who don't is *opportunities to innovate* and *personal belief/faith*, which are motivations for those who consider themselves social entrepreneurs, while those who don't include *secure future for my family*, *acquire a comfortable living*, and *dissatisfaction in a professional occupation* (see Tables 5.2 and 5.3).

Table 5.2 Top 10 Motivations those who consider themselves social entrepreneurs	Frequency	Percent
The chance to implement my own ideas/creating something of my own	185	38.70%
The opportunity to be financially independent/increase personal income	173	36.19%
Maintain personal freedom	162	33.89%
Make my own decisions	153	32.01%
Helping society/supporting community	152	31.80%
Opportunities to innovate	132	27.62%
Improving my quality of life	130	27.20%
Personal belief/faith	122	25.52%
Having more free time/flexible hours	106	22.18%
Building personal wealth	88	18.41%

Table 5.3 Top 10 Motivations those who don't consider themselves social entrepreneurs	Frequency	Percent
Make my own decisions	229	47.98%
The opportunity to be financially independent/increase personal income	216	45.59%
Maintain personal freedom	216	45.04%
The chance to implement my own ideas/creating something of my own	165	36.58%
Having more free time/flexible hours	152	33.09%
Improving my quality of life	135	24.82%
Secure future for my family	125	27.02%
Building personal wealth	117	25.37%
Acquire a comfortable living	105	22.24%
Dissatisfaction in a professional occupation	99	20.22%

When comparing among 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 *the chance to implement my own ideas* and *acquire a comfortable living* among the top five motivations, while aspiring entrepreneurs had *having more free time/flexible hours* and *helping society/supporting community* within their top five motivations.

### Definition of Success

Table 5.4 Do you consider yourself a successful entrepreneur?	Frequency	Percent
Yes	1,013	84.77%
No	182	15.23%
<b>Total</b>	<b>1,285</b>	

The survey asked respondents to describe what entrepreneurial success looks like for them. There was a multitude of responses to this question—most of which centered on the financial freedom, including earning enough income to repay debts, and make enough money to afford basic needs. Some veteran entrepreneurs said that success means flexibility and independence. Others said success for them would be to donate to others in need, provide for family members, and have enough money to build a legacy for their families. Many responses focused on how success, for them, would be to be able to do more for the “greater good, the community, and to other veteran entrepreneurs.” Other responses focused on the workforce, with many saying that success would mean being able to hire other veterans, and “bring others on board to support the mission and vision of the organization’s culture.” Another simply said that in success “a self-sustaining and profitable business was key along with a growing team, and a good salary.”

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"Entrepreneurial success is building a self-sufficient business with a diverse customer base and dedicated management team and employees. It is a business that offers its employees long-term stability, work/life balance and provides innovative, high-quality solutions to its customers."

*Navy Veteran*

*Maritime Software and Engineering Services Industry*

"(Entrepreneurial success) means empowering women to sustain transformational changes in their health and wellness and being financially stable so that I can leave my 9- to-5 job."

*Army Veteran*

*Health and Wellness Industry*

"(Entrepreneurial success is) being financially sound and to be able provide for my family without putting a financial strain on our current budget. Being able to assist in community services."

*Air Force Veteran*

*Arts, Entertainment, and Recreation Industry*

"Success is being fully family-owned with up to 3 locations. It's financial comfort for my immediate family and some extended family. Success is a long-term means of giving back to the homeless veteran community. Finally, it's the ability to train others to do what I do... especially youth."

*Navy Veteran*

*Retail Industry*

"(Entrepreneurial success is) developing and implementing solutions for my clients, providing job opportunities to high potential people that may be discriminated against, and building a network of successful friends and family around me."

*Marine Corps Veteran*

*Construction Industry*

"(Entrepreneurial success is) building a brand recognized for integrity, client- and employee-focused, value and helping our clients accomplish their most challenging business goals. Building internal processes and systems so that the business can sustain itself without me."

*Army Veteran*

*Professional, Scientific, and Technical Services Industry*

"Independence and the ability to keep what you earn. Control over who you work with and create a 'work family' that has the same goals, morals, and ethics."

*Navy Veteran*

*Management of Companies and Enterprises Industry*

"Providing a service that is needed and the ability to employ others in the community."

*Army Veteran*

*Transportation Industry*

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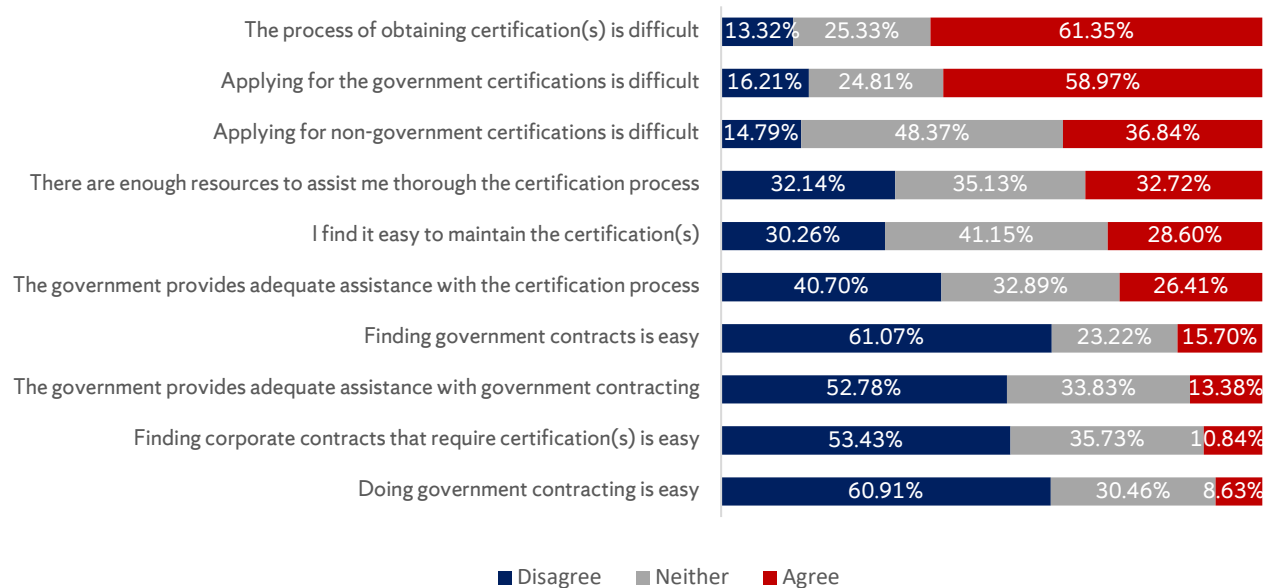
## Business Certifications

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-six percent of the respondents reported their business is formally or informally certified by a national, state, local, or database/self-certification body.

Table 6.1 Is your business formally or informally certified by a national, state, local or database/self-certification body?	Frequency	Percent
Yes	878	76.28%
No	273	23.72%
<b>Total</b>	<b>1,151</b>	


Sixty-one percent of respondents find the process of obtaining certifications difficult (see Figure 6.1). The majority (59%) finds that applying for the government certifications is difficult, compared to 37% who find applying for nongovernment certifications to be difficult. Forty percent find that the government does not provide adequate assistance with the certification process, compared to 26% who find that the government does provide adequate assistance with the certification process.

Figure 6.1 How would you describe the process to obtain certification?



Once they get the certification, 30% of the respondents find it difficult to maintain the certifications, compared to 29% who find it easy to maintain them. Sixty-one percent say it is difficult to find government contracts, 61% share that doing government contracting is not easy, and 53% say government provides adequate assistance with its contracting. Overall, the respondents find it a little bit easier to find corporate contracts that require certifications (11%) than to find government contracts (9%).

<b>Table 6.2 Do you generate revenue from clients that require certification(s)?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	410	50.87%
No	396	49.13%
<b>Total</b>	<b>806</b>	



<b>How much of your revenue comes from clients that require certification?</b>	<b>Frequency</b>	<b>Percent</b>
1-20%	125	31.57%
21-40%	43	10.86%
41-50%	30	7.58%
51-70%	36	9.09%
71-90%	53	13.38%
91-100%	109	27.53%
<b>Total</b>	<b>396</b>	

About 49% of the respondents generate revenue from clients that require certifications. Of those respondents that generate revenue from clients that require certifications, 32% indicate that less than 20% of their revenue comes from those clients that require certifications, while 28% generate most or all of their revenue (91-100% revenue) from clients that require certifications. In other words, about 14% of all survey respondents generate most or all of their revenue (91-100% revenue) from clients that require certifications. Considering this information and the data in Table 5.1, which shows that government incentives (e.g., veteran set-asides in government contracting) were identified as motivation for starting a business by 11% of the respondents, it suggests that government incentives are not influential in business startup. Rather, this supports previous findings that 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.

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. 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.<sup>44</sup>

<b>Table 6.3 Is your business officially certified by any of the following national certification bodies? Select all that apply.</b>	<b>Frequency</b>	<b>Percent</b>
CVE (Center for Verification and Evaluation, through the VA/Vets First)	432	63.81%
SBA (Small Business Administration)	411	60.71%
NaVOBA (National Veteran-Owned Business Association)	105	15.51%
NVBDC (National Veteran Business Development Council)	47	6.94%
NMSDC (National Minority Supplier Development Council)	27	3.99%
WBENC (Women's Business Enterprise National Council)	19	2.81%
Disability:IN (formerly USBLN)	11	1.62%
NWBC (National Women's Business Council)	4	0.59%
NGLCC (National LGBT Chamber of Commerce)	1	0.15%
<b>Total</b>	<b>677</b>	



The majority of respondents that have a certification are certified with the Center for Verification and Evaluation, through the VA/Vets First (CVE) (64%) and with the Small Business Administration (SBA) (61%). The third most common certification is through National Veteran-Owned Business Association (NaVOBA) with about 16% of respondents carrying this certification.

Figure 6.2 How helpful was your certificate?

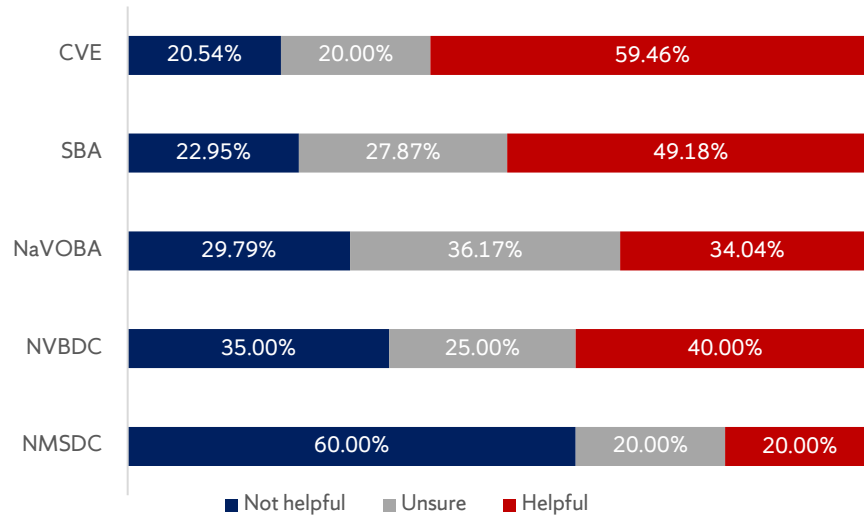


Figure 6.2 shows the perceived helpfulness of the most common five certifications held by the respondents. CVE (59%) and SBA (49%) are perceived to be helpful certifications, while 60% of respondents who had the NMSDC and 25% who had the NVBDC did not find the certifications to be helpful. More respondents find NaVOBA certifications helpful (34%) than not helpful (30%).

In addition to certifications, the survey asked the respondents to identify in what categories their businesses were designed. A majority of businesses (71%) had the Service-Disabled Veteran-Owned Businesses designation, while 65% had the Veteran-Owned Businesses designation. The third most common designation was the Small Business Certification, held by 35% of respondents' businesses (see Table 6.4).

Table 6.4 Was your business officially designated in any of the following categories? Select all that apply.	Frequency	Percent
Service-Disabled Veteran-Owned Businesses	754	70.60%
Veteran-Owned Businesses	699	65.45%
Small Business Certification	369	34.55%
Disadvantaged Businesses	192	17.98%
Women-Owned Small Businesses	169	15.82%
HUBZone Program	85	7.96%
8(a) Business Development	48	4.49%
Other, please specify:	44	4.12%
Mentor-Protégé Program	29	2.72%
Native Hawaiian Owned Corporations	1	0.09%
Alaskan Owned Corporations	0	0.00%
Natural Resources Assistance Program	0	0.00%
<b>Total</b>	<b>1,068</b>	

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" I took this time to skip ahead just to comment on the utter lack of resources for veterans, especially combat vets with combat specialties in the military. There are veteran outreach programs for business; I interacted with most of them. They are a complete joke, a way for the government to check the box so they can say the program exists. The advice you get there would come up on the first page of a Google search. Example, you need to market, perhaps do a flyer....

Are you kidding me? Bottom line is this, there are those of us that had some kind of inherent calling to serve, to fight oppression overseas. Getting out to focus on your family, you find you are a decade or more behind the financial development curve in the open market. We need to do better."

*Army Veteran  
No Industry Specified*

"The advertised help to apply for vendor verification cost too much, and the precision needed in addressing each item is daunting. Finding and using the documentation online is helpful but sometimes is not the correct document mandated."

*Navy Veteran  
Medical Prosthetics Industry*

"Business is not for everyone. If you are drawn towards challenges, the rewards of a small business can be great. It's hard, but those that continue to improve by learning and extending their knowledge will find having a business can be the best business decision they ever made."

*Army Veteran  
Construction Industry*

"Opportunities to earn an honest living and get chances because we are military veterans should be more obvious, and available to participate in....even if we are not awarded the business. It is so difficult to find opportunities that you wonder if the country and communities truly value the freedoms we protected, only to be overlooked when there are opportunities to provide services now in the real world"

*Army Veteran  
Professional, Scientific, and Technical Services Industry*

"Being laid off from the last job has created obstacles that I'm working around. I got involved with VBOC. I got involved with Business Impact NW, and that was a very positive decision. I'm still fighting for my unemployment benefits, so I now have only my VA disability to live off of. It would be great if I could have one year of my last job's salary to live off of while I continue to grow and market my business."

*Army Veteran  
Professional, Scientific, and Technical Services Industry*

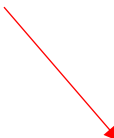
"I'm convinced, It is easier to apply for federal contracts as a foreigner than it is to gain the SDVOSB certification. I needed taxes, bank accounts, checks, business documents for multiple years and additional documents. I struggled to produce as a new business. I spent months working the process and after two years of having the certification, the business it brought me was ZERO. As a new business, I don't have a contractual performance history to offer, so business continues to go via the status quo vendors and the cycle repeats. "

*Air Force Veteran  
Arts, Entertainment, and Recreation Industry*

## Disability-Related Experiences

This year again, the majority (79%) of the respondents have indicated they have a service-connected disability (Table 6.5). To better understand the disability status, the survey asked about the disability ratings. A U.S. Department of Veterans Affairs (VA) disability rating is a percentage that the VA's Rating Authorities assign a veteran during the VA Disability Process. The percentage of the rating is meant to reflect the severity of the condition. A 0% rating is given to a condition that doesn't negatively affect the veteran, while a 100% rating is given to a condition that makes the veteran unable to work or properly care for themselves. Accordingly, the respondents who had a disability and shared their disability rating, 48% have a rating that is 70% or higher, compared to 2% who have 0% disability rating.

Table 6.5 Do you have a service-connected disability?	Frequency	Percent
Yes	840	79.17%
No	204	19.23%
Prefer not to answer	17	1.60%
<b>Total</b>	<b>1,061</b>	



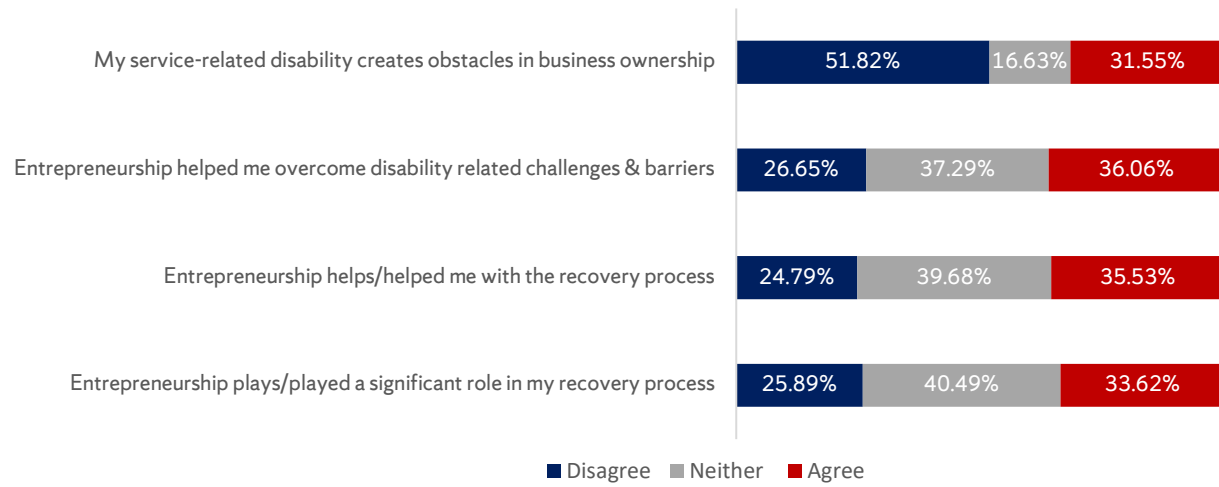
What is your current service-connected disability rating?	Frequency	Percent
0%	13	2.47%
10-20%	95	18.03%
30-40%	57	10.82%
50-60%	79	14.99%
70% or higher	254	48.20%
Have not filed a rating	10	1.90%
Still waiting on VA rating status	8	1.52%
Prefer not to answer	11	2.09%
<b>Total</b>	<b>527</b>	

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 if their disability created obstacles in their business ownership, and 34% indicated that their service-related disability create obstacles in business ownership (see Table 6.6 and Figure 6.3).

Table 6.6 Does your service-related disability create obstacles in business ownership?	Frequency	Percent
Yes	121	31.27%
No	236	60.98%
Prefer not to answer	30	7.75%
<b>Total</b>	<b>387</b>	

To better understand the relationship between entrepreneurship and service-connected disability, the survey asked a series of questions (see Figure 6.3). Overall, more respondents felt that entrepreneurship was helpful in overcoming disability related challenges and barriers: 36% felt it helped, compared to 27% who did not feel that way. On the same note, 36% felt that entrepreneurship helped them with the recovery process, compared to 25% who did not feel that way, while 34% felt that entrepreneurship plays a significant role in their recovery process, compared to 26% who did not feel that way.

Figure 6.3 Please indicate how you feel about following statements



## Barriers to Entrepreneurship

As part of the literature review of existing studies related to barriers and challenges of military-connected entrepreneurs and our data collected in the 2020 NSMAE, we identified 34 barriers and included them in the 2021 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 6.7 represents the barriers for veteran entrepreneurs in descending order:

<b>Table 6.7 Are there any problems or barriers that hindered you in pursuing or achieving your business venture or entrepreneurial goals? Please select the top five.</b>	<b>Frequency</b>	<b>Percent</b>
Lack of access to capital	503	49.03%
Problems finding good employees/contracted personnel	437	42.59%
Lack of financing	418	40.74%
Current economic situation	391	38.11%
Irregular income	317	30.90%
Federal regulations and policies	295	28.75%
Taxes and legal fees	283	27.58%
Lack of mentors for my business	266	25.93%
Lack of experience in entrepreneurship or business ownership	252	24.56%
State regulations and policies	209	20.37%
Personal health issues (disability, etc.)	192	18.71%
Startup paperwork and bureaucracy	179	17.45%
Fear of failure	160	15.59%
Lack of knowledge or education on business world and market	157	15.30%
Lack of relationships with other entrepreneurs	157	15.30%
Lack of organizations to assist entrepreneurs	152	14.81%
Lack of available assistance in assessing business viability	151	14.72%
Health care expenses for employees	146	14.23%
Lack of experience in management/accounting	132	12.87%
Excessive risk	132	12.87%
Lack of legal assistance or counseling	126	12.28%
Lack of formal network to help start a business	115	11.21%
Family or personal problems	115	11.21%
Lack of physical office space	115	11.21%
Local regulations and policies	98	9.55%
Lack of support from people around me (family, friends, etc.)	94	9.16%
Lack of health care coverage for self/family	57	5.56%
Lack of resources for patent/copyright	54	5.26%
Childcare struggles	37	3.61%
<b>Total</b>	<b>1,452</b>	

Access to capital remains the biggest challenge to starting or growing a business for all entrepreneurs, including veterans.<sup>45</sup> “Problems finding good employees/contracted personnel” was the second most selected barrier among the respondents, which became more prevalent for all entrepreneurs after the COVID-19 pandemic started.<sup>46</sup> According to our longitudinal data (see Table 6.7.1), 30% of respondents had difficulty finding good employees or contracted personnel in 2020, while this number increased to 39% in 2021. The next set of barriers within the top five included “lack of financing” and “current economic situation” followed by “irregular income.” The number of respondents who indicated that lack of financing was a challenge dropped from 38% in 2020 to 24% in 2021 (see Table 6.7.1)

<b>Table 6.7.1 (Longitudinal) Are there any problems or barriers that hindered you in pursuing or achieving your business venture or entrepreneurial goals? Please select the top five.</b>	<b>2020</b>	<b>2021</b>	<b>Change</b>
Lack of financing	37.50%	24.10%	-13.40%
Problems finding good employees/contracted personnel	29.90%	39.00%	9.10%
Current economic situation	28.10%	34.40%	6.30%
Irregular income	26.10%	23.00%	-3.10%
Lack of mentors for my business	22.50%	20.00%	-2.50%
Taxes and legal fees	20.50%	24.10%	3.60%
Lack of experience in entrepreneurship or business ownership	17.50%	11.60%	-5.90%
Federal regulations and policies	16.50%	27.80%	11.30%
Personal health issues (disability, etc.)	11.60%	16.70%	5.10%

Given the various natures of the businesses, we looked at the barriers based on the type of business, comparing the barriers among businesses that are product, service, and both product- and service-based. “Lack of access to capital,” “lack of financing,” and “current economic situation” were among the top five barriers for all types of businesses. The product-based businesses selected “taxes and legal fees” and “federal regulations and policies” among their top five barriers and challenges. The service-based businesses selected “problems finding good employees/contracted personnel” and “irregular income.” The product and service-based businesses selected “taxes and legal fees” and “problems finding good employees/contracted personnel” among their top five (see Table 6.8).

<b>Table 6.8 Are there any problems or barriers that hindered you in pursuing or achieving your business venture or entrepreneurial goals? Please select the top five. (By the nature of the business)</b>	<b>Product-based</b>	<b>Service-based</b>	<b>Product &amp; service-based</b>
Lack of access to capital	36.23%	30.91%	38.34%
Problems finding good employees/contracted personnel	17.39%	33.73%	32.64%
Lack of financing	36.23%	24.96%	30.31%
Current economic situation	28.99%	24.67%	31.35%
Irregular income	15.94%	22.88%	22.54%
Federal regulations and policies	21.01%	21.25%	21.50%
Taxes and legal fees	23.19%	18.28%	22.80%
Lack of mentors for my business	10.87%	19.17%	17.36%
Lack of experience in entrepreneurship or business ownership	20.29%	19.32%	14.51%
Lack of knowledge/education on the business world and market	13.77%	9.51%	12.44%
State regulations and policies	13.77%	14.12%	16.06%
Personal health issues (disability, etc.)	12.32%	14.56%	12.18%
Lack of organizations to assist entrepreneurs	11.59%	10.55%	10.10%
Health care expenses for employees	6.52%	11.29%	10.10%
Startup paperwork and bureaucracy	7.25%	14.56%	9.84%
Fear of failure	9.42%	12.04%	8.29%
Lack of experience in management/accounting	10.14%	8.92%	9.07%
Local regulations and policies	8.70%	5.35%	9.33%
Lack of available assistance in assessing business viability	6.52%	11.00%	8.55%
Lack of relationships with other entrepreneurs	10.87%	12.04%	8.29%
Lack of physical office space	5.80%	7.58%	9.07%
Lack of legal assistance or counseling	6.52%	8.17%	8.03%
Lack of support from people around me (family, friends, etc.)	5.07%	4.90%	7.77%
Family or personal problems	7.97%	6.84%	7.25%
Lack of formal network to help start a business	6.52%	8.47%	5.70%
Excessive risk	11.59%	9.66%	5.18%
Lack of resources for patent/copyright	7.97%	2.67%	4.66%
Lack of health care coverage for self/family	2.17%	4.31%	3.63%
Childcare struggles	3.62%	2.38%	1.30%

We looked at barriers for businesses that were owned by single persons versus two or more owners, and the major difference within the top five barriers and challenges was that single owners had “irregular income” within their top five challenges and barriers, indicating that having more than one owner decreases the risk of irregular income. Those business with more than one owner had “federal regulations and policies” within their top five challenges and barriers.

<b>Table 6.9 Are there any problems or barriers that hindered you in pursuing or achieving your business venture or entrepreneurial goals? Please select the top five. (By the age of the business)</b>	<b>&lt;1 year</b>	<b>1-4 years</b>	<b>5-9 years</b>	<b>&gt;10 years</b>
Lack of access to capital	42.74%	44.26%	41.36%	33.55%
Problems finding good employees/contracted personnel	14.53%	19.13%	26.70%	35.55%
Lack of financing	35.04%	37.70%	31.94%	24.25%
Current economic situation	24.79%	23.50%	19.37%	21.59%
Irregular income	18.80%	20.22%	20.42%	22.59%
Federal regulations and policies	10.26%	13.11%	15.71%	24.25%
Taxes and legal fees	18.80%	18.03%	15.18%	21.26%
Lack of mentors for my business	19.66%	19.67%	16.23%	17.28%
Lack of experience in entrepreneurship or business ownership	34.19%	24.59%	24.08%	14.62%
Lack of knowledge/education on the business world and market	6.84%	13.11%	9.95%	18.27%
State regulations and policies	10.26%	13.11%	12.04%	10.30%
Personal health issues (disability, etc.)	17.09%	15.85%	10.47%	12.62%
Lack of organizations to assist entrepreneurs	17.95%	12.02%	10.99%	8.31%
Health care expenses for employees	17.09%	10.93%	14.14%	10.30%
Startup paperwork and bureaucracy	9.40%	10.93%	9.95%	11.30%
Fear of failure	11.11%	12.57%	10.47%	11.30%
Lack of experience in management/accounting	7.69%	12.57%	6.28%	10.30%
Local regulations and policies	6.84%	5.46%	10.99%	14.62%
Lack of available assistance in assessing business viability	10.26%	8.20%	7.85%	10.63%
Lack of relationships with other entrepreneurs	8.55%	8.20%	9.42%	7.64%
Lack of physical office space	11.11%	11.48%	8.90%	2.99%
Lack of legal assistance or counseling	20.51%	9.29%	7.33%	5.65%
Lack of support from people around me (family, friends, etc.)	9.40%	6.56%	9.42%	3.32%
Family or personal problems	15.38%	9.29%	8.38%	4.65%
Lack of formal network to help start a business	1.71%	5.46%	4.19%	8.31%
Excessive risk	6.84%	4.37%	7.85%	5.65%
Lack of resources for patent/copyright	5.13%	2.73%	4.19%	4.32%
Lack of health care coverage for self/family	6.84%	4.37%	3.66%	2.33%
Childcare struggles	2.56%	0.55%	2.09%	1.33%

For entrepreneurs of all business ages, “lack of access to capital” and “lack of financing” were the only two challenges that all reported within their top five challenges. While these two challenges were the top two challenges for all businesses younger than 10 years, for businesses 10 years and older the top challenge was “problems finding good employees/contracted personnel” (36%).

The older the businesses get, the more challenges the businesses experience with “federal regulations and policies,” “state regulations and policies,” and “local regulations and policies,” which tend to be challenges overall cited by all small businesses. Similar to existing research on challenges of entrepreneurs during the COVID-19 pandemic,<sup>47</sup> younger businesses struggle with accessing mentors, supports, and networks to start and grow a business. An interesting observation is that businesses older than 10 years report a higher rate of lack of relationships with other entrepreneurs (11%), compared to younger businesses (9%).

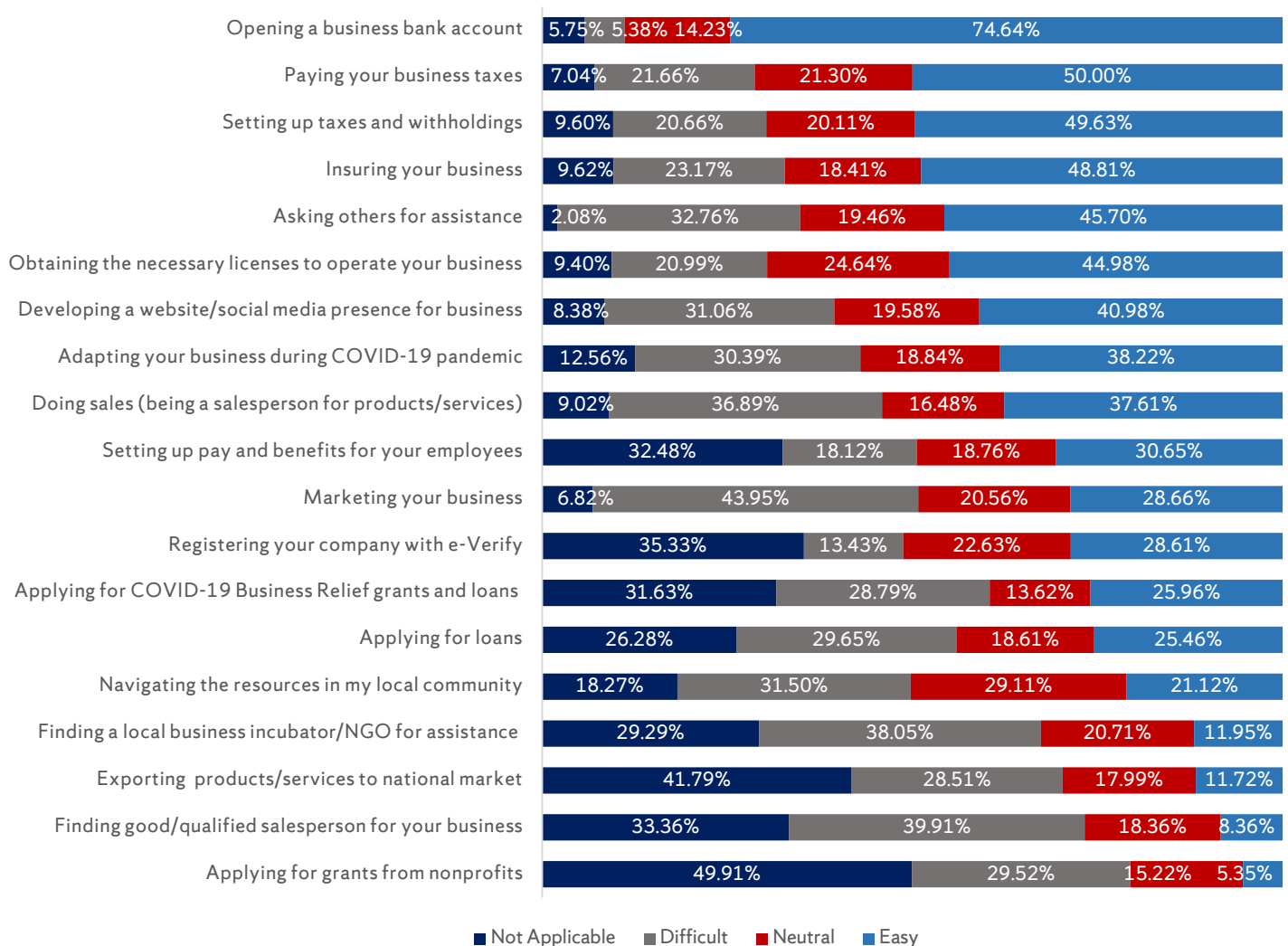
The challenges identified in Tables 6.8-6.10 are consistent with challenges other entrepreneurs face; however, the frequency and number of entrepreneurs who experience the challenge varies between veteran entrepreneurs who responded in this study and general veteran entrepreneurs. “Lack of access to capital” continues to be the main barrier among veteran entrepreneurs, while other studies (i.e., Ewing Marion Kauffman Foundation) report that finding customers and skilled employees were the two major barriers for general small businesses.<sup>48</sup> Figure 6.1 provides more insights into entrepreneurial barriers. The five challenges that the respondents experience are “marketing the business” (44%), “finding good or qualified salesperson for the business” (40%), “finding a local



business incubator or a not-for-profit organization to assist with their business” (38%), “doing sales (being a salesperson for products and/or services)” (37%), and “asking others for assistance” (33%). Three out of five top challenges here are related to finding customers, which is consistent with the challenges cited above that other general small-businesses experience.

Respondents struggle with sales or finding new customers and the ability to ask for assistance or find the source for assistance with their small businesses. Thirty-eight percent found it easy to adapt their business during the COVID-19 pandemic, while 30% had difficulty with that. Another challenge that about 31% experienced was navigating the resources within the community.

Figure 6.4 Please rate how difficult it was for you, personally, to do each of the following:



## Challenges

The survey asked respondents to describe challenges they have faced within the last 12 months. The biggest challenges described by many veteran entrepreneurs centered around the pandemic, including getting the funding they needed through the pandemic (especially during the COVID-19 lockdown), the restrictions leading to limitations on how to interact with customers, and finding employees due to restrictions and stimulus checks. One veteran entrepreneur said that “because people are being paid to stay home, it is becoming more difficult to find

employees that want to make a career working at our company.” Some veteran entrepreneurs said that the financial stress of the pandemic (e.g., losing their business and overall delays in funding), along with the already existing stress of owning their own business was a strain and challenge on the mental health. Others said that transitioning from in-person to an online presence was challenging and a strain on their company. Many said that the money it took to move their business to an online platform along with not being able to “attend networking events face-to-face and to attend valuable training sessions” was challenging. Others said that the amount of time it took to train on how to support, market, and sustain an in-person business was also a challenge and still is for their business.

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“Covid-19 executive actions and safety policies have halted a lot of the work that we had counted on to stay busy. Overall, the new administration has made it extremely difficult for small business owners in my community to succeed.”

*Army Veteran*

*Professional, Scientific, and Technical Services Industry*

[The largest challenge was the] “stress of worrying if your employees would be able to buy presents for their kids.”

*National Guard Veteran*

*Oil and Gas Industry*

“Contract awards were delayed, so growth was stagnant. Invoicing was cut at our commercial account where we had contractors which was all our G&A. If it was not for PPP, we would have been out of business. We are still waiting to receive the second PPP funding so we can pay our employees without risking our last small amount of retirement savings. I am closing my office to cut costs, and everyone is working from home”

*Army Veteran*

*Administrative and Support and Waste Management and Remediation Services Industry*

“Our opening day was delayed by 8 weeks due to public health orders. Even when we could open, no one would venture out for what is arguably an elective purchase. After 9 months and several waves of infection, we stopped the hemorrhaging and closed the door.”

*Air Force Veteran*

*Arts, Entertainment, and Recreation Industry*

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## Business Capital

Lack of capital continues to be a significant barrier that hinders veteran respondents in pursuing or achieving their business venture or goals. This section provides further insight into the capital needs, sources of capital, and other capital-related information that impact veteran entrepreneurs.

### Capital Needs

Ninety-six percent of respondents required initial startup capital for their business venture. Thirty-five percent of those who needed funding needed less than \$5,000 to start their venture (see Table 7.1). Twenty-four percent needed between \$5,000 and \$24,999, which means the majority (59%) of those required funding needed less than \$25,000. Twenty-one percent needed between \$25,000 and \$99,999, while the remaining respondents (20%) needed more than \$100,000 to start or acquire a business.

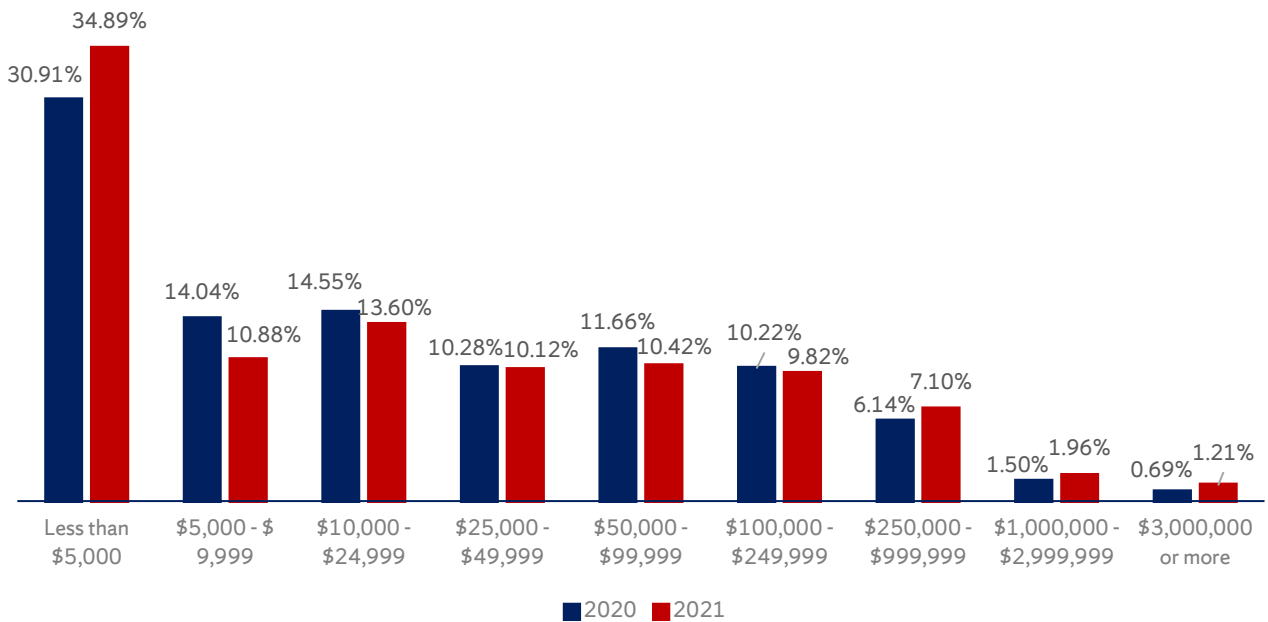
Table 7.1 Total amount of capital needed to start or initially acquire a business	Frequency	Percent
Less than \$5,000	231	34.89%
\$5,000 - \$9,999	72	10.88%
\$10,000 - \$24,999	90	13.60%
\$25,000 - \$49,999	67	10.12%
\$50,000 - \$99,999	69	10.42%
\$100,000 - \$249,999	65	9.82%
\$250,000 - \$999,999	47	7.10%
\$1,000,000 - \$2,999,999	13	1.96%
\$3,000,000 or more	8	1.21%
<b>Total</b>	<b>692</b>	

When it comes to capital needed to expand or grow a business in 2021, only 8% did not need capital (compared to 7% in 2020). For those who needed capital, 14% needed less than \$5,000, while 35% needed between \$5,000 and \$49,999. Overall, a slight majority, 51%, needed more than \$50,000 in 2020. About 37% needed more than \$100,000, 21% needed more than \$250,000, and about 7% needed more than \$1 million (see Table 7.2).

Table 7.2 The total amount of capital needed to expand or grow your business in 2020	Frequency	Percent
Less than \$5,000	112	14.27%
\$5,000 - \$9,999	64	8.15%
\$10,000 - \$24,999	99	12.61%
\$25,000 - \$49,999	113	14.39%
\$50,000 - \$99,999	110	14.01%
\$100,000 - \$249,999	124	15.80%
\$250,000 - \$999,999	111	14.14%
\$1,000,000 - \$2,999,999	42	5.35%
\$3,000,000 or more	10	1.27%
<b>Total</b>	<b>785</b>	

When it comes to funds needed to start a business, there were no major differences between 2020 and 2021. The one difference was in the funds needed below \$5,000, which was lower in 2020 (31%), compared to 2021 (35%), and businesses needing funds needed between \$5,000 and \$9,999, which was higher (14%) in 2020, compared to 2021 (11%) (see Figure 7.1).

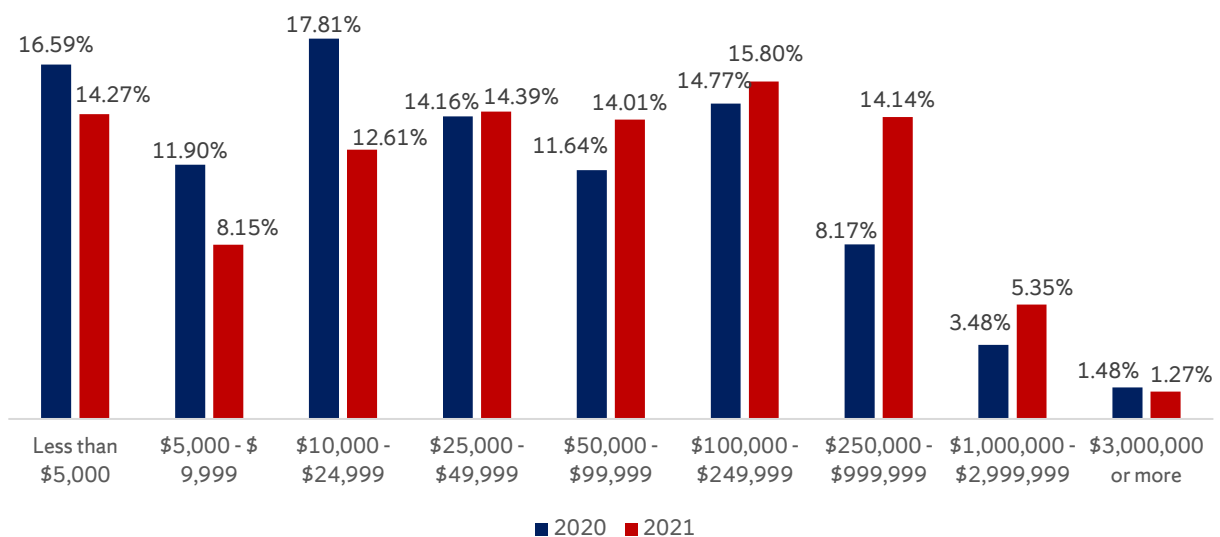
Figure 7.1 What was the total capital needed to start the business?



Note: the sample of those that need funding to start in 2020 was n=1,595, and for those in 2021 was n=662

With regards to capital needed to grow a business, there were obvious differences. Compared to the 2020 NSMAE results, the respondents who needed funding to grow their business in 2021 reported higher needs of funding. While in 2020 the needs for small amounts, below \$25,000, were higher than in 2021, the needs for larger funds were higher in 2021. For example, the need for funding of \$250,000 and more increased from 13% in 2020 to 21% in 2021 (see Figure 7.2).

Figure 7.2 What was the total capital needed to grow the business?



Note: the sample of those that need funding to expand in 2020 was n=1,151, and for those in 2021 was n=785

The majority (55%) of the veteran entrepreneurs were able to secure most or all initial funding for starting or acquiring the business, while 29% were not able to secure any funding.

<b>Table 7.3 Ability to secure the funding needed to start or initially acquire the business</b>	<b>Frequency</b>	<b>Percent</b>
Not at all	203	28.96%
Slightly	52	7.42%
Somewhat	62	8.84%
Mostly	69	9.84%
Completely	315	44.94%
<b>Total</b>	<b>701</b>	

Forty-two percent of the veteran entrepreneurs in the 2021 survey were able to secure the funding needed to expand or grow the business, while 27% were not able to secure any funding.

<b>Table 7.4 Ability to secure the funding needed to expand or grow this business</b>	<b>Frequency</b>	<b>Percent</b>
Not at all	233	27.19%
Slightly	122	14.24%
Somewhat	142	16.57%
Mostly	120	14.00%
Completely	240	28.00%
<b>Total</b>	<b>857</b>	

Based on 2020 and 2021 data collection, the indication is that it is getting more challenging to secure funding for starting a business. According to the 2020 survey, about 25% of veteran entrepreneurs could not secure funding, compared to 29% in the 2021 survey. On the contrary, those businesses that needed funding to grow were doing better compared to the 2020 survey, as in 2020, about 31% and in 2021, about 27% were not able to get any funding, a slight improvement. These findings support the findings from last year that veteran entrepreneur respondents have a demand for external financing.

## Source of Capital

The 2021 survey asked the respondents to identify if they needed capital and which sources of capital they used for their business in 2020. The vast majority (80%) of our respondents required financing in 2020, a slight increase from 2019 (72%). Respondents were asked to select all sources of capital utilized in 2020, and the top five sources of capital used include personal/family savings of the owner (45%), a CARES Act's Paycheck Protection Program (PPP) (43%), business credit card (33%), CARES Act's Economic Injury Disaster Loans (EIDL) (24%), and personal credit cards (23%) (see Table 8.1). This data is different than in 2019, given the opportunity to apply for PPP and EIDL funding, which a good number of respondents pursued. In 2019, the majority of the participants (63%) used personal/family savings of the owner, compared to 45% in 2020, and 35% used personal credit card(s) in 2019, compared to 23% in 2020, suggesting that the PPP and EIDL contributed to the decrease of using personal sources, including credit cards, of capital for their businesses. The increase in business loans is consistent with overall trends in the economy, which has been linked to the forgivable PPP loans.<sup>49</sup>

Twenty percent indicated that they did not need any capital in 2020. Venture capital, crowdfunding, and Community Development Fund Initiative (CDFI) continued to be the least used sources of funding for veteran entrepreneurs.

Table 8.1 In 2020, were any of the following sources of capital used for your business?	Frequency	Percent
Personal/family savings of owner(s)	346	45.41%
CARES Act's Paycheck Protection Program (PPP)	326	42.78%
Business credit card(s)	248	32.55%
CARES Act's Economic Injury Disaster Loans (EIDL)	182	23.88%
Personal credit card(s)	176	23.10%
Business loan from a bank or financial institution	168	22.05%
Government-guaranteed business loan from a bank or financial institution	80	10.50%
Personal/family assets other than savings of owner(s)	79	10.37%
Business loan from federal, state, or local government	71	9.32%
Grants (e.g., STTR or SBIR)	56	7.35%
Other source(s) of capital, please specify:	44	5.77%
Business loan/investment from family/friend(s)	35	4.59%
Personal/family home equity loan	29	3.81%
Investment by venture capitalist(s) or angel investors	10	1.31%
Crowdfunding platform (e.g., Prosper, Kickstarter)	9	1.18%
Community Development Fund Initiative	9	1.18%
<b>Total</b>	<b>883</b>	

Similar to 2019, about 1% of respondents use crowdfunding platforms and CDFIs. In contrast to 2019, more respondents utilized the government-guaranteed business loan from a bank or financial institution (11% vs. 6%). While PPP, EIDL, and other COVID-19 lending-related programs have been helpful, they are not sufficient, and subject matter experts suggest that small businesses will need alternative sources of capital to keep the businesses solvent.<sup>50</sup>

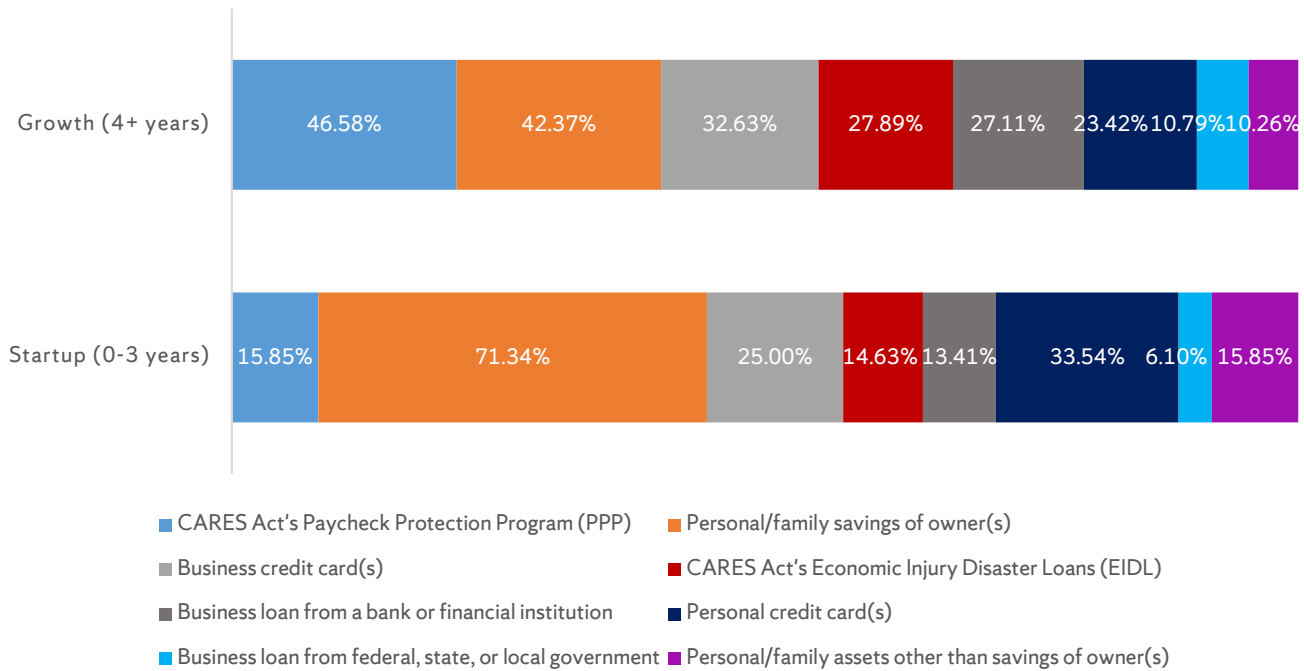
Given that about half of veteran entrepreneurs require \$50,000 or less for startup and growth, crowdfunding and Community Development Fund Initiative (CDFI) remain underutilized sources of capital, which work well for companies that need less than \$75,000 in funds.<sup>51</sup>

Access to financial resources changes, based on the age of the business (see Figure 8.1). We looked at the difference between businesses 0-3 years old (startup) and businesses older than 3 years (growth). Interestingly, only 16% of startup businesses used the PPP funding in 2020, compared to 47% of growth businesses. Businesses that had a negative net profit for 2019 and 2020 were only eligible for a PPP loan if at the time of application for PPP they were running payroll. For many startups, it can take two to three years to break even,<sup>52</sup> which could explain the difference in PPP funds access for startups and growth business.

Fifteen percent of startup businesses used EIDL funding, compared to 28% of growth businesses. Major source of funding in 2020 for startup businesses were funds used from personal and family savings of the owner (71%) and personal credit cards (34%).

Major sources of funding in 2020 for growth businesses were PPP (47%) followed by personal and family savings of the owner (42%), business credit cards (33%), and EIDL (28%). The growth businesses used the business loans at a higher rate (27%) than startup businesses (13%).

Figure 8.8 In 2020, were any of the following sources of capital used for your business/venture?  
Please select all that apply:

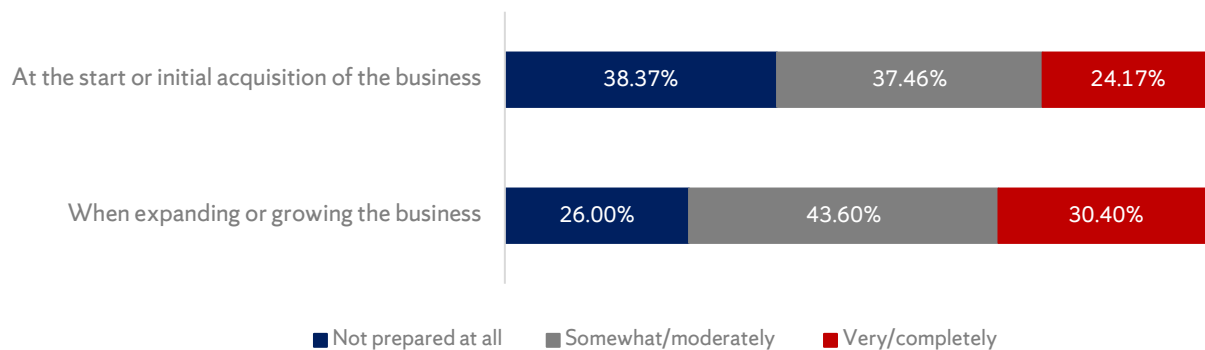


Note: the sample of those that selected the source of capital was n=544

### 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. Consistent with the 2020 findings, the respondents were less prepared for traditional lending at the point of start or initial acquisition of their business. Thirty-eight percent indicated they did not feel prepared for traditional lending processes when they started or acquired their business, compared to 26% when they were expanding or growing a business.

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

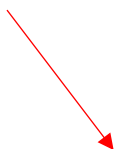


Note: the sample of those answering for growing business was n=727, and those answering for starting a business was n=662

## Access to Capital

In the past year, 54% of respondents applied for credit/financing with a lender or creditor. Accordingly, of those who applied, about 57% reported they were approved by the lender or creditor. Eight percent reported obtaining partial funding, and 35% reported being declined. Moreover, of those who were declined, 61% did not reapply anywhere, while 28% were turned down by the same or different institution. While the overall data on small businesses suggests that about 47% of businesses receive the full amount of funding sought from a lender or creditor,<sup>53</sup> the number of veteran entrepreneurs who reapplied and were able to obtain the funding decreased from 14% in 2019 to 11% in 2020. The high rate of veteran respondents who were turned down and gave up on trying to reapply for funding may explain the reliance on personal funds and credit card financing.

<b>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?</b>	<b>Frequency</b>	<b>Percent</b>
Yes, turned down	204	34.81%
Yes, not as much credit	48	8.19%
No, not turned down	334	57.00%
<b>Total</b>	<b>586</b>	



<b>Were you later able to obtain the full amount you requested by reapplying to the same institution or applying elsewhere?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	28	11.29%
No, turned down again	69	27.82%
No, did not reapply	151	60.89%
<b>Total</b>	<b>248</b>	

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 provides the summary and overview of the 2019 and 2020 outcomes that explain the reasons the respondents were turned down.

<b>Table 10.2 Reasons for being turned down for credit</b>	<b>2019</b>	<b>2020</b>
Credit rating service/credit bureau reports	28.85%	27.78%
Lack of/not enough assets/collateral/property/equity to secure the loan; size of down payment; financial status	24.69%	22.22%
Amount of income; or simply "income"	20.29%	22.65%
Amount of debt; size of other payments; ability to repay loan	19.07%	15.38%
Institution is "strict" in lending requirements	13.69%	17.09%
Haven't established a credit history	12.47%	15.81%
Credit records/history from other institution; other loans or charge account; previous payment records; bankruptcy	12.47%	13.68%
Bank policy	9.05%	9.83%
Other miscellaneous	7.82%	9.83%
Other financial characteristics of borrower	5.38%	9.83%
	<b>n=409</b>	<b>n=234</b>



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*“I had to use my personal credit and I now have a high debt-to-credit ratio. Also, my credit scores have dropped significantly due to high personal credit card usage in 2020.”*

*Navy Veteran  
Transportation and Warehousing Industry*

*“As a newer company I didn't have five years financials supporting I can manage the money I requested responsibly for five years.”*

*Army Veteran  
Construction Industry*

*“Traditional lenders don't lend to insurance agents/brokers for lack of knowledge about our business model. I have tried to work with U.S. Bank, Bank of America, Wells Fargo, and several others that are SBA lenders, and I get the same answer every time. ‘We would love to assist, but we just don't work with insurance brokers because we don't fully understand your business model.’ The percentage rate I pay on my current business loan is much higher than the market.”*

*Marine Corps Veteran  
Finance and Insurance Industry*

*“I ended up draining my family retirement funds to stay afloat.... not bank loans.”*

*Air Force Veteran  
Professional, Scientific, and Technical Services Industry*

*“The credit score in the after math of the pandemic is not a true show of what my history is. I once had an 835 score, now 672 after the pandemic. There needs to be a credit restart. I had to voluntarily turn in two vehicles that were used in the business due to the shutdown and slowdown. The rich get richer with the system as it is. I had worked hard to gain over 800 score when the virus hit.”*

*Navy Veteran  
Health Care and Social Assistance Industry*

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## Debt Overview

The average business debt of the respondents in 2020 was \$191,686. This is a little below the average of the U.S. small business debt in 2016, which was \$195,000, according to Experian.<sup>54</sup> Moreover, about 66% of respondents report business debt on credit cards, which is higher than the average U.S. small business in 2020 (53%).<sup>55</sup> Out of those who have debt on the credit cards, 12% report all their business debt to be on the credit cards (see Table 11.1), while 38% have less than 10% of their business debt on credit card(s).

Table 11.1 What percent (%) of your business debt is on credit card(s)?	Frequency	Percent
Less than 10%	183	38.13%
10-29%	115	23.96%
30-49%	47	9.79%
50-69%	37	7.71%
70-99%	41	8.54%
100%	57	11.88%
<b>Total</b>	<b>480</b>	

According to our findings, 46% of the respondents who applied and reapplied 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. The survey asked participants to identify the interest rate paid on the largest debt balance they had.

Table 11.2 What interest rate (%) do you pay on the loan/card with the largest balance?	Frequency	Percent
Less than 4.99%	216	34.56%
5-9.99%	140	28.96%
10-14.99%	72	11.52%
15-19.99%	75	12.00%
20% or more	122	19.52%
<b>Total</b>	<b>625</b>	



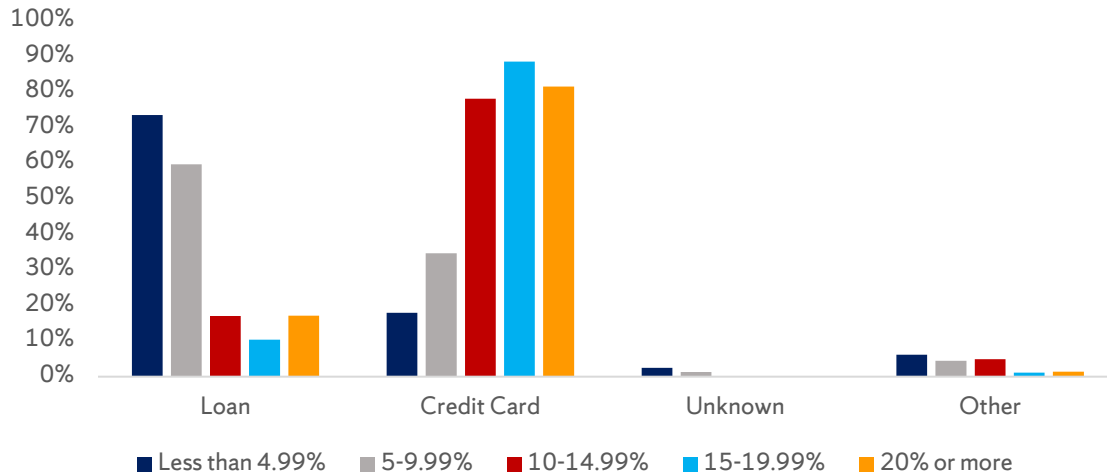
Does this interest rate reflect a loan or a credit card?	Frequency	Percent
Loan	319	38.62%
Credit Card	327	39.59%
Unknown	55	6.66%
Other	125	15.13%
<b>Total</b>	<b>826</b>	

About 43% of those with a loan/card debt pay an interest rate that is 10% or higher, while 20% pay more than 20% in interest rate.

Forty percent of the respondents indicated that their largest balance is a credit-card debt. The majority (67%) of respondents with credit card financing pay an interest rate of 10% or more. Twenty-six percent of those who do credit card financing pay an interest rate between 15-19.99%, while 19% pay an interest rate 20% or more.

Thirty-nine percent of the largest debt balance is a loan. When it comes to loan financing, the majority (89%) of those who obtained a loan pay an interest rate less than 10%. About 59% of those with loan financing pay an interest rate below 5%, while 6% have an interest-free loan.

Figure 11.1 Interest Rate by Type of Funding



Note: the sample of those answering type of funding was n=640

The cost of capital can negatively affect the profit of the business and access to traditional funding.<sup>56</sup> Credit cards seem to be used at a higher rate for business financing by veteran entrepreneurs than by the average small business in the U.S., suggesting that veteran entrepreneurs continue to pay the high cost of capital. These findings support the findings from 2020 NSAME and 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 use of credit cards also decreases the credit score. A low credit score has been cited as a major barrier when applying for loans/financing with banking and similar institutions.

Furthermore, research shows that increased debt increased stress and affected the overall well-being of an individual.<sup>57</sup> Only 18% of respondents don't experience any stress at all, given their business' financial condition, while 22% report that their business' financial condition causes them a great deal of stress.

Table 11.3 How much stress does your business' financial condition cause you?	Frequency	Percent
No stress at all	199	18.36%
Not very much stress	216	19.93%
Some stress	429	39.58%
A great deal of stress	240	22.14%
<b>Total</b>	<b>1,084</b>	

Comparing by former military rank, 68% of respondents who identify as enlisted during their military services report stress due to their financial situation, compared to 53% who identify as officers during their military services (see Table 11.3.1).

<b>Table 11.3.1 How much stress does your business' financial condition cause you?</b>	<b>Enlisted</b>	<b>Officers</b>
No stress at all	16.39%	20.26%
Not very much stress	15.98%	26.43%
Some stress	41.49%	33.48%
A great deal of stress	26.14%	19.82%

While most of the respondents experienced stress due to their financials, about 15% have acted as investors in someone else's business, and about 52% of those individuals they invested with were military-affiliated.

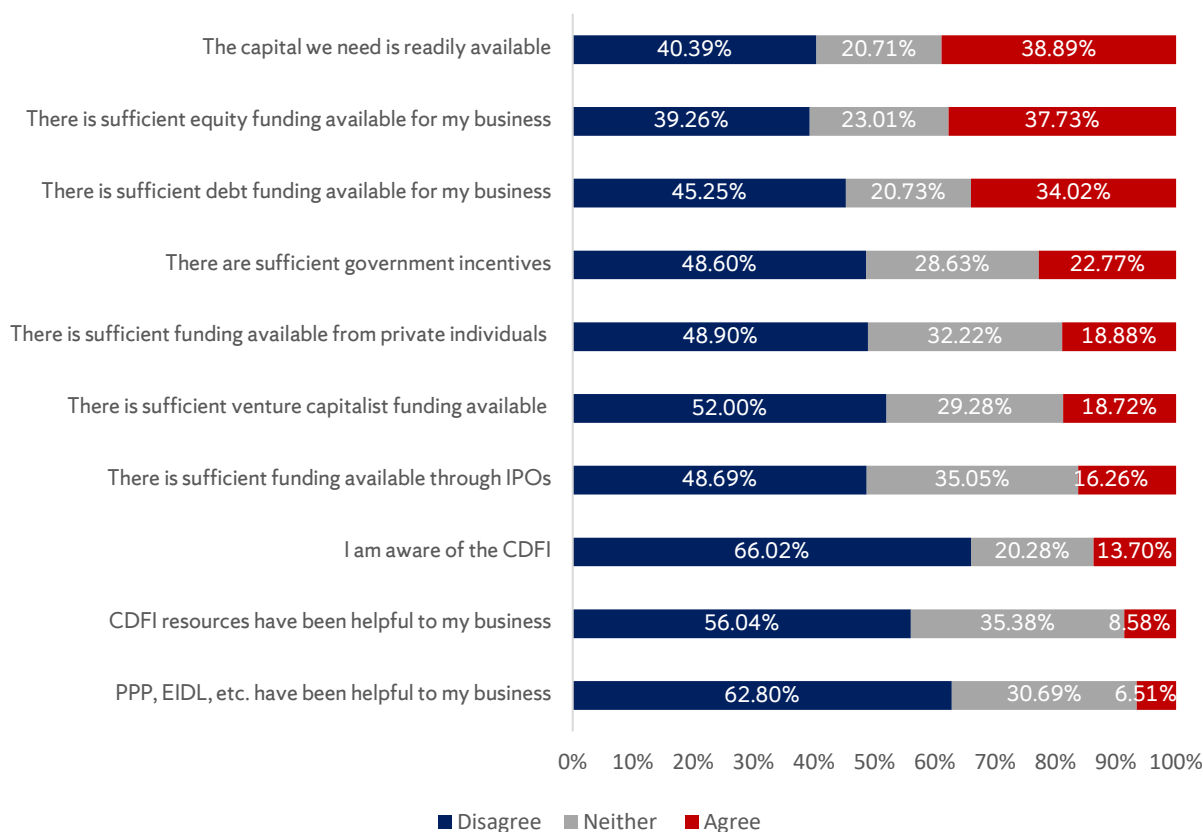
<b>Table 11.4 Have you, in the past three years, personally provided funds for a new business started by someone</b>	<b>Frequency</b>	<b>Percent</b>
Yes	158	14.58%
No	926	85.42%
<b>Total</b>	<b>1,084</b>	

## Access to Resources

### Entrepreneurial Ecosystem

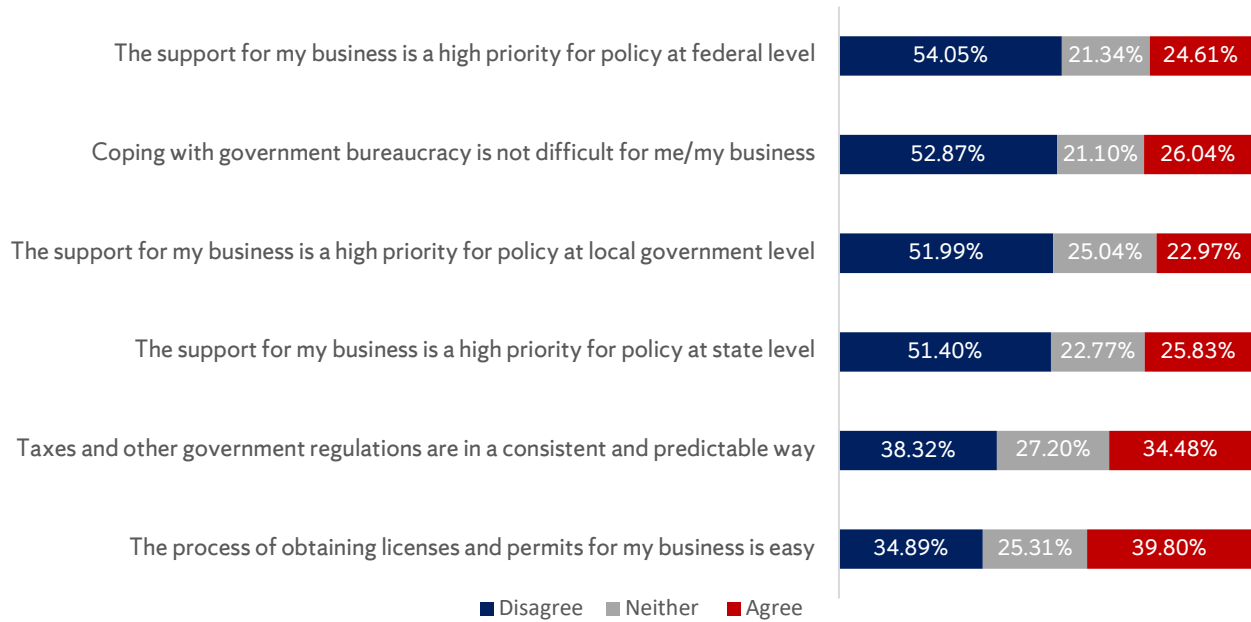
According to the Ewing Marion Kauffman Foundation, an entrepreneurial ecosystem is a “network of people supporting entrepreneurs, and the culture of trust and collaboration that allows them to interact successfully. The speed at which talent, information, and resources move through the ecosystem can affect entrepreneurs at each stage in their lifecycle.”<sup>58</sup> The entrepreneurial ecosystem consists of several spheres, which the 2021 NSAME survey included, such as finance (Figure 12.1), government policy and support (Figure 12.2), government programs (Figure 12.3), R&D transfer and business environment (Figure 12.4), commercial infrastructure access (Figure 12.5), internal market dynamics (Figure 12.6), and community and networks (Figure 12.7).

Figure 12.1 Ecosystem: Finance  
According to your experiences, how do you feel about the following?



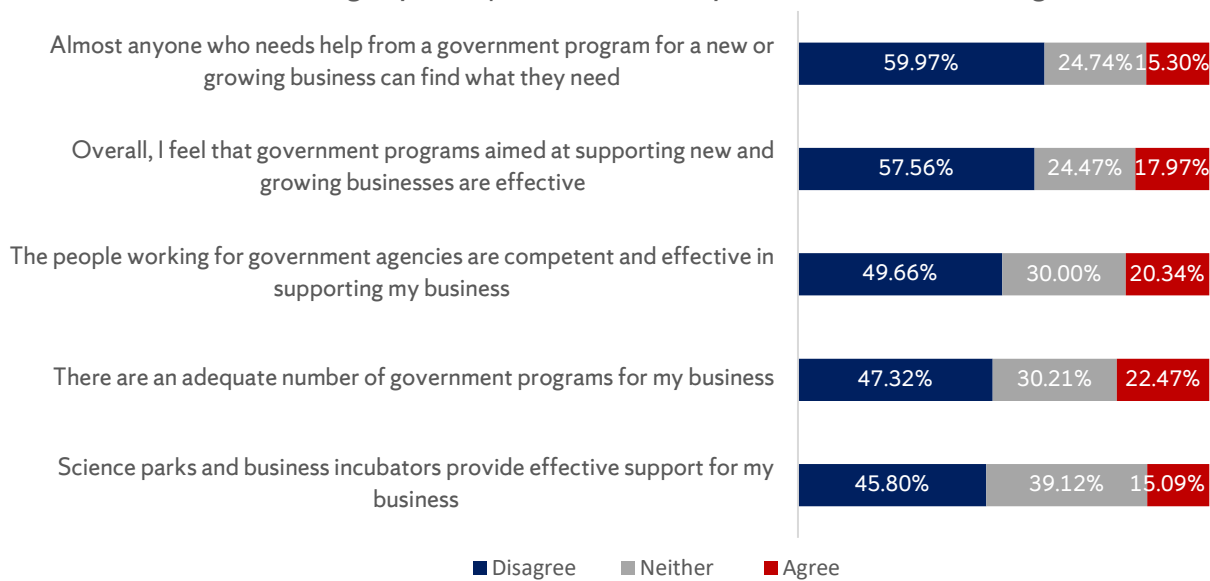
Access to capital and financing has been a major barrier for the respondents, which is reflected in Figure 12.1, as only 39% feel that the capital they need is readily available. More respondents feel that equity funding (e.g., friends, family, angel investors) (38%) is more available than debt funding (e.g., loans) (34%). Furthermore, while PPP and EIDL have been major sources of capital in 2020 (see Table 8.1), the majority (63%) do not feel that the federal funding resources and support have been helpful to their business, only 7 percent indicated it was helpful for their business. Only a few use CDFI as a source of funding (see Table 8.1.), and a good explanation for that would be the lack of awareness of CDFI resources and funds: 66% of respondents indicate that that they are not aware of CDFI.

Figure 12.2 Ecosystem: Government Policy and Support  
According to your experiences, how do you feel about the following?



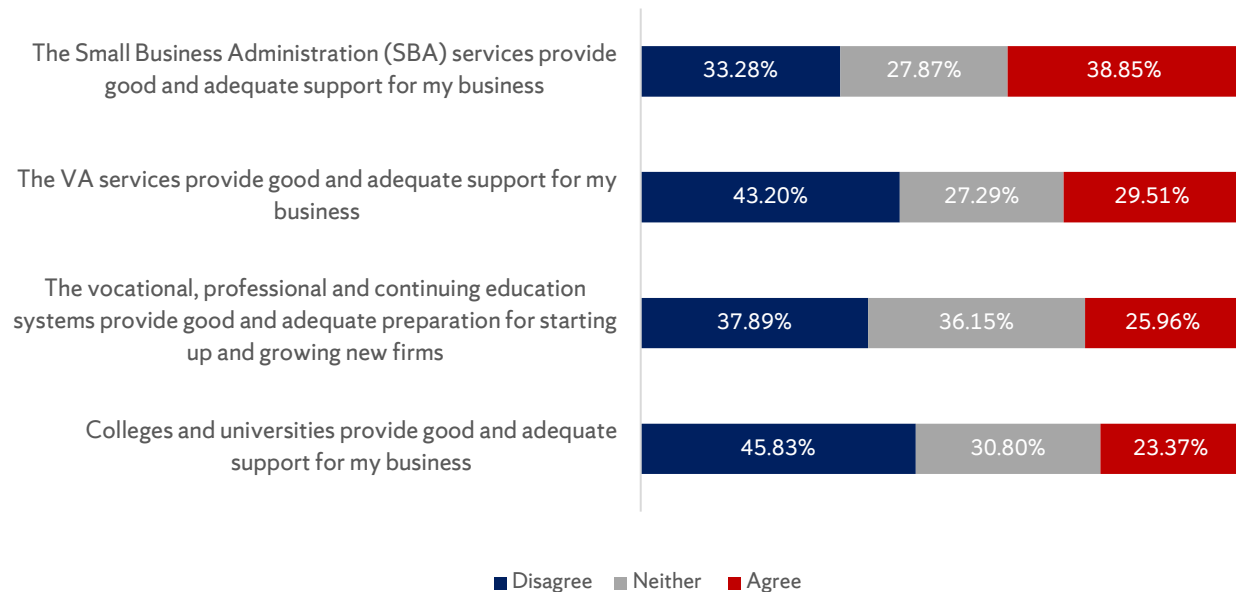
Overall, the slight majority of respondents do not feel that support is a high-level priority for policy at federal (54%), state (51%), and local (52%) levels. Fifty-three percent find it difficult to cope with governmental bureaucracy, and 40% find the process of obtaining licenses and permits for their businesses easy, compared to 35% who don't find it easy.

Figure 12.3 Ecosystem: Government Programs  
According to your experiences, how do you feel about the following?



Only 22% believe there is an adequate number of government programs.

Figure 12.4 Ecosystem: Entrepreneurial Education  
According to your experiences, how do you feel about the following?



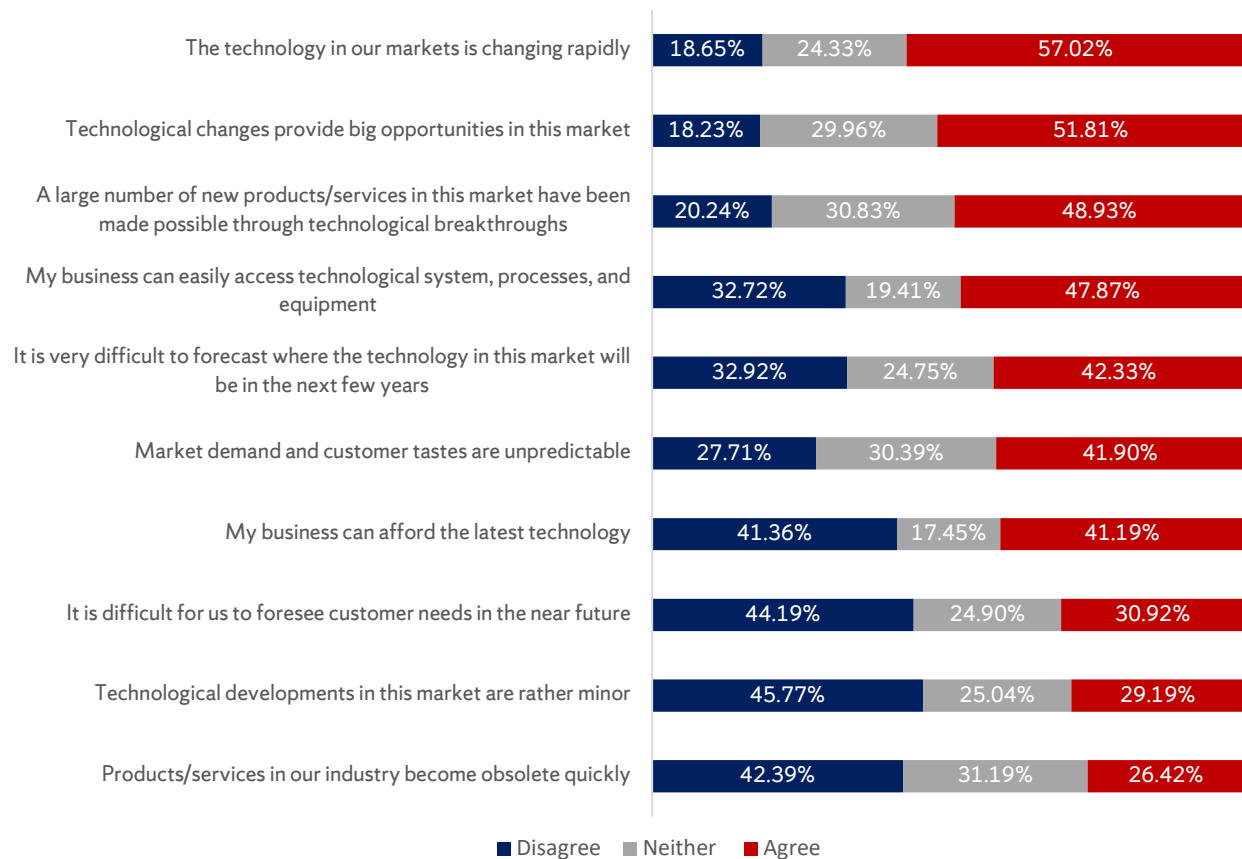
Overall, the Small Business Administration (SBA) is perceived as the best service and resource provider within the entrepreneurial education sphere of the ecosystem. Thirty-nine percent of respondents felt SBA provided good and adequate support for their businesses, compared to 33% who did not feel that way.

The least number of respondents felt that the colleges and universities provide good and adequate support for their business; 23% felt colleges and universities provide good and adequate support, while 46% said the services and support were inadequate.

More respondents (43%) felt that the VA services did not provide good and adequate support for their businesses, compared to 30% who felt the VA services provided good and adequate support.

The entrepreneurial education ecosystem sphere is critical, given that it teaches entrepreneurs and aspiring entrepreneurs how and where to access resources, and how to develop and improve their ability to innovate, build a shared social resource network, and enhance professional skills.<sup>59</sup> The beneficiaries of these services and supports develop competencies and resources that enable them to effectively access resources, supports, and infrastructure of the entrepreneurial ecosystem. Overall, all service providers have room for improvement, given that 33% of respondents do not feel the SBA provides adequate support, and 46% do not feel colleges and university provide adequate support (see Figure 12.4).

Figure 12.5 Ecosystem: R&D Transfer and Business Environment  
According to your experiences, how do you feel about the following?



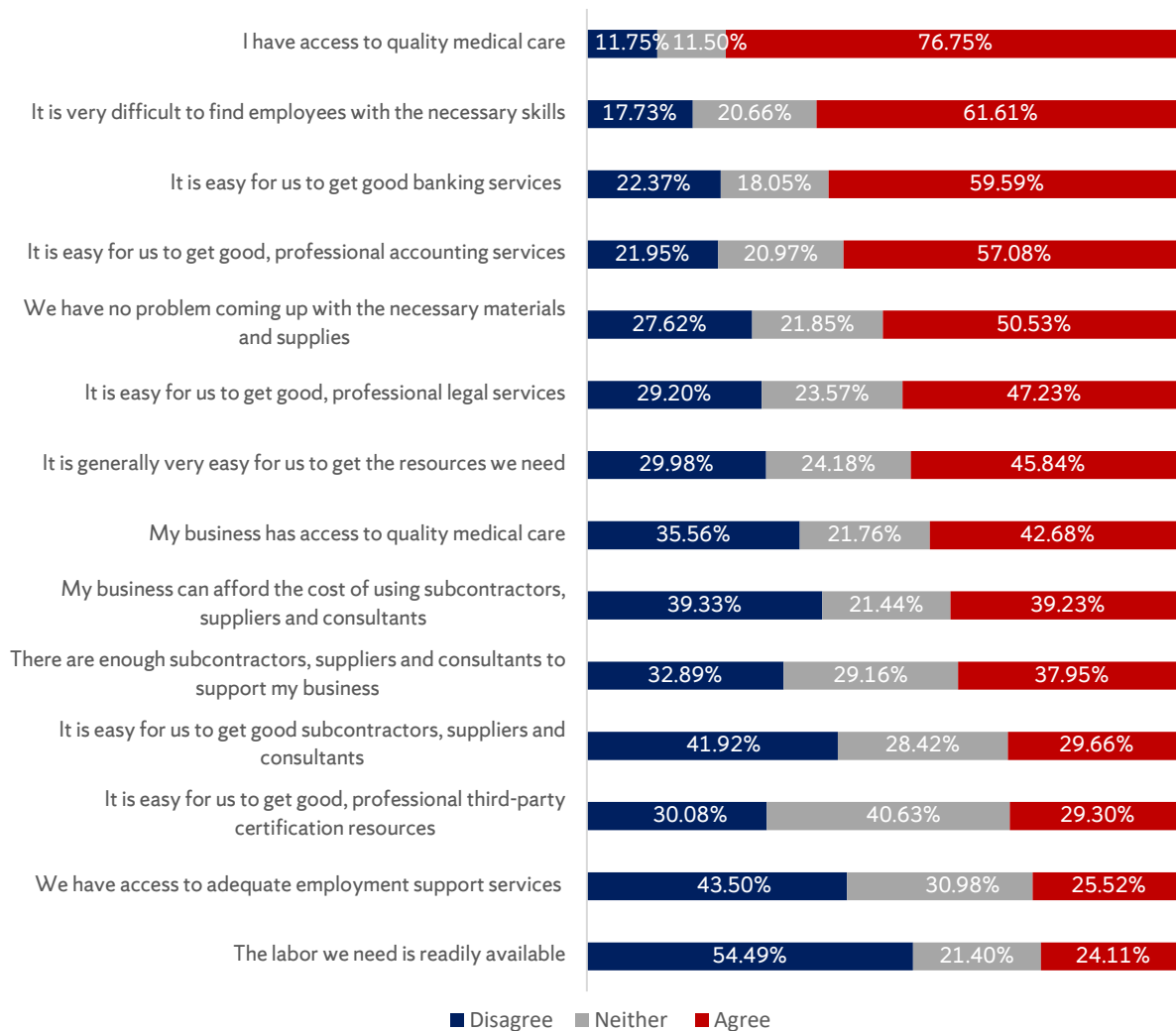
R&D (research and development) is the generation of new knowledge, which leads to new products, services, and processes. The R&D transfer and business environment sector looks at entrepreneurs' access to new products, services, processes, and markets. The R&D transfer increases the flow of information and market competitiveness.<sup>60</sup> Overall, according to 57% of the respondents, the technology is changing rapidly, and 52% feel that these technological changes provide big opportunities in the market. While 41% indicate that they can afford the latest technology, another 41% indicate that they can't.

In the business environment, 42% feel that the market demand and customer tastes are unpredictable, compared to 28% who feel the opposite. More respondents (44%) feel that they can foresee customer needs in the near future, compared to 31% who don't feel that way.

Compared to other spheres within the entrepreneurial ecosystem, the respondents appear to be doing better and take advantage of new technologies: 49% feel that many new products and services in the market have been made possible through technological breakthroughs or R&D transfers.

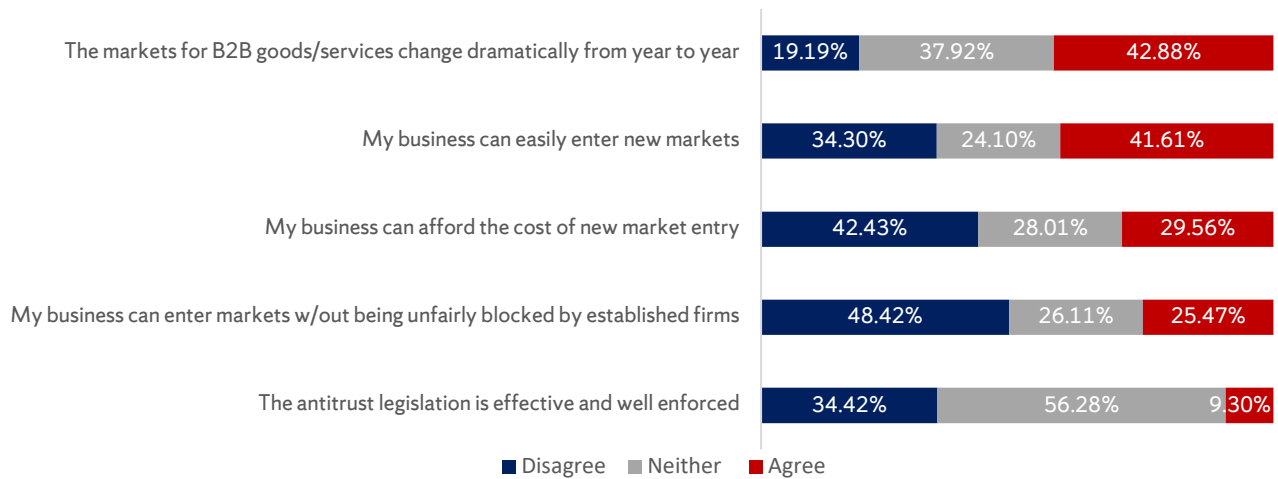


**Figure 12.6 Ecosystem: Commerical Infrastructure Access**  
According to your experiences, how do you feel about the following?



The commercial infrastructure access reflects access to physical and institutional resources. The major challenges and barriers for the respondents per previous section (see Table 6.7) were lack of access to capital and problems finding good employees and contracted personnel. Sixty-two percent of respondents indicate that it is very difficult to find employees with necessary skills, and 54% feel that the labor they need is not readily available. While 38% feel that there are enough subcontractors, suppliers, and consultants, 33% do not feel that way, and 42% indicated that it is not easy for them to get subcontractors, suppliers, and consultants. Forty-four percent do not have access to adequate employment support services that assist them with recruiting and hiring qualified staff and employees.

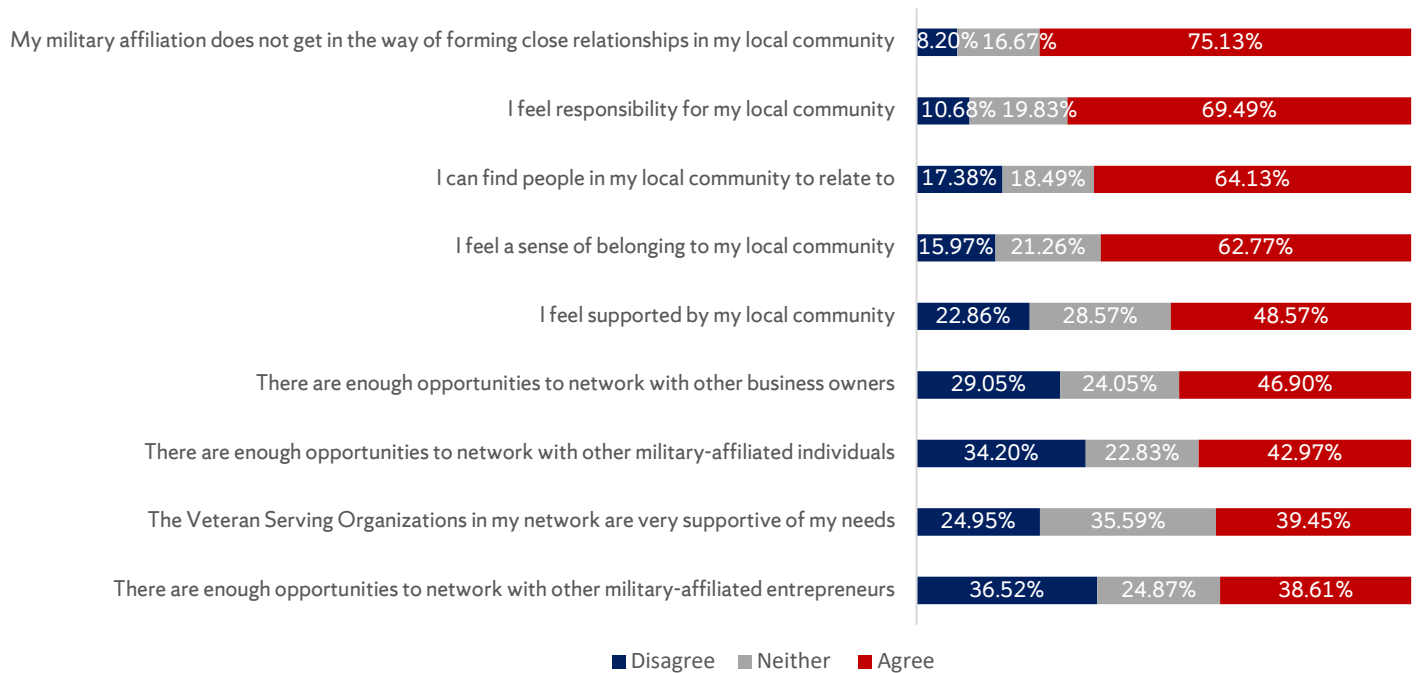
**Figure 12.7 Ecosystem: Internal Market Dynamics**  
According to your experiences, how do you feel about the following?



Forty-three percent of respondents feel that the markets for B2B goods and services change dramatically from year to year, and 42% feel that their business can easily enter new markets, compared to 34% who don't feel their business can easily enter new markets. Only 30% of respondents feel that they can afford the cost of new market entry, compared to 42% who feel they can't afford this. Only 25% feel that their business can enter markets without being unfairly blocked by established firms.

Thirty-four percent of respondents do not feel that the antitrust legislation is effective and well enforced. According to Investopedia, "Antitrust laws are statutes developed by governments to protect consumers from predatory business practices and ensure fair competition. Antitrust laws are applied to a wide range of questionable business activities, including market allocation, bid rigging, price fixing, and monopolies."<sup>61</sup> A majority, 56% of respondents, had no feeling about antitrust legislation. This could mean that many did not have any experiences that required antitrust legislation or are not aware of the legislations.

**Figure 12.8 Ecosystem: Community and Networks**  
According to your experiences, how do you feel about the following?



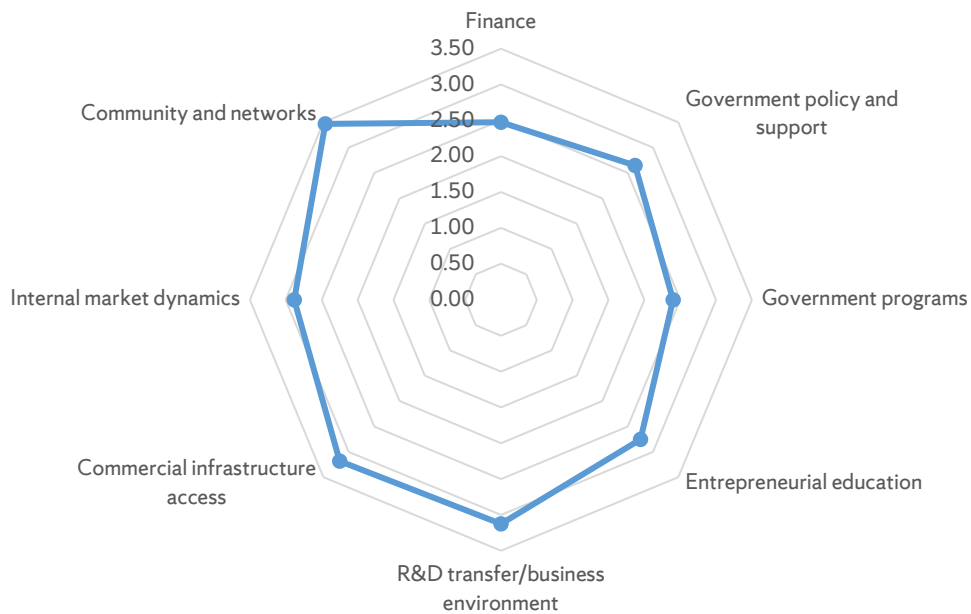
Community and networks are often defined as social capital. Academic research says social capital is defined as “features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit.”<sup>62</sup> Social capital enables entrepreneurs and aspiring entrepreneurs to build relationships that enable them to access to various resources to include financial resources, employees, and distribution channels.

Sixty-three percent of the respondents feel a sense of belonging in their local community and 64% can find people in their local community to relate to. Forty-nine percent of respondents feel supported by their local community, and 69% feel responsible for that community. More respondents (50%) feel that there are enough opportunities to network and engage with other business owners, compared to opportunities to network and engage with military-affiliated individuals (43%) and military-affiliated business owners (39%).

There is a difference with regard to the social network of respondents based on the rank held in the military. About 34% of former enlisted respondents indicate they don’t know anyone on whom they can rely on to assist them with their business or venture, compared to 25% of former officers.

Table 12.1 How many people do you know that you could rely on for help for your business?	Enlisted	Officers
None	33.99%	25.13%
1-4	39.43%	41.03%
More than 5	26.58%	33.85%

Figure 12.9 Entrepreneurial Ecosystem



The quality of service and support where 1=strongly disagree and 5=strongly agree

The results related to the quality of services and resources within the entrepreneurial ecosystem vary across the sector (see Figure 12.9). The range of responses is from 1, meaning they strongly disagree, and 5, meaning they strongly agree. A rating of 3 means they neither agree nor disagree. Therefore, a score in the Radar chart in Figure 12.9 represents the overall averages of each sector. If the score is bigger than 3, the overall quality of service is leaning toward perceived better or higher quality. When the score is less than 3, the overall quality of service is leaning toward perceived lesser or lower quality.

Notably, the least quality perceived is within government programs (2.40) and finance sectors (2.48), followed by government policy and support (2.65), entrepreneurial education (2.75), and internal market dynamics (2.88). Sectors that are perceived as better quality are R&D transfer and business environment (3.13), commercial infrastructure access (3.18), and community and networks (3.46). The community and networks sector is the strongest and most developed within the entrepreneurial ecosystem of veteran entrepreneurs.

The entrepreneurial ecosystem is interlinked. Addressing critical components within the ecosystem can improve outcomes in other spheres of the ecosystem. The entrepreneurial education ecosystem provides education and training on entrepreneurial skills and competencies, which include access to resources, innovation, social network, and professional skills. Given that entrepreneurial education has a 2.75 rating, it suggests that it needs improvement. This improvement should address the entrepreneurs and aspiring entrepreneurs' abilities and skills within all other sectors, especially those that have a rating below 3.00 (e.g., finance sectors, internal market dynamics). Similarly, there is significant room for improvement within the government spheres, given that both government programs and government policy and support are below 3.0.

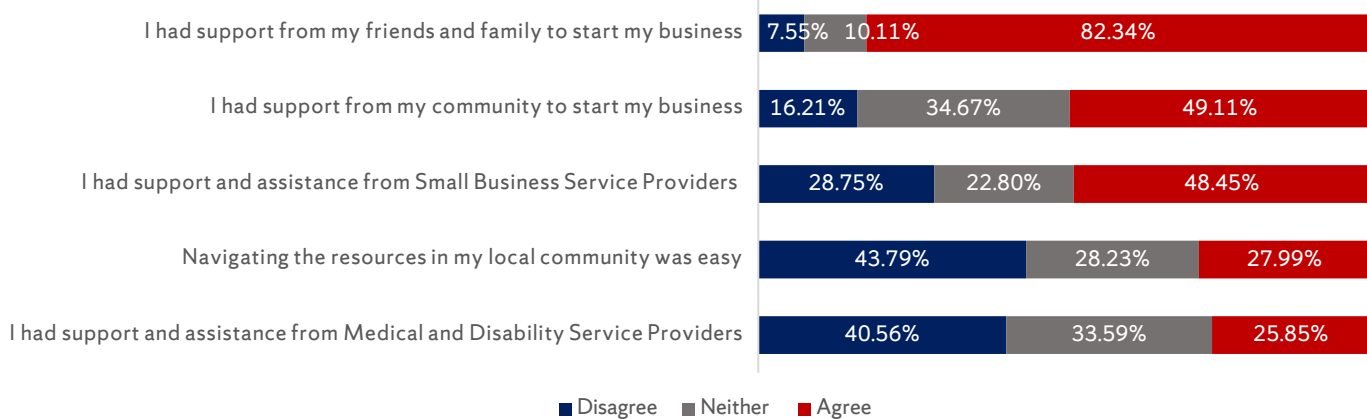
Various resources and services are available within the ecosystem. The top six resources and services that have been used by the respondents are all provided by or through the Small Business Administration, SBDC being the most used resources overall (27%) (see Table 12.2). This is consistent with the Figure 12.4 and further emphasizes the importance of entrepreneurial education.

<b>Table 12.2 Which of the following, if any, resources related to your business or idea did you primarily use?</b>	<b>Frequency</b>	<b>Percent</b>
Small Business Development Centers (SBDC)	307	27.19%
Procurement Technical Assistance Centers (PTAC)	265	23.47%
SBA District Offices	229	20.28%
Veterans Business Outreach Centers (VBOC)	227	20.11%
SBA Regional Offices	226	20.02%
SCORE Business Mentors	219	19.40%
None	188	16.65%
Local chamber(s) of commerce	186	16.47%
Mentors	170	15.06%
Entrepreneurship Bootcamp for Veterans (EBV)	164	14.53%
Other entrepreneurs	159	14.08%
Boots to Business (B2B)	140	12.40%
Veterans Institute for Procurement (VIP)	127	11.25%
Institute for Veterans and Military Families	125	11.07%
<b>Total</b>	<b>1,129</b>	

## Social Capital and Support

The community and networks sector is the strongest and most advanced within the entrepreneurial ecosystem of veteran entrepreneurs (see Figure 12.9). Eighty-two percent of respondents experienced support from friends and family members, compared to 8% who did not have that support. Forty-nine percent experienced support to start their business from their community, while 16% did not. Forty-eight percent experienced support from small business services providers (e.g., SBA, SBDC, SCORE, VBOC), while 2% did not experience that. Twenty-six percent felt that medical and disability service providers (e.g., VA, Vocational Rehabilitation, DAV) have been supportive and provided assistance to their business, while 41% did not. Navigating community resources is still a challenge for 44% of the respondents, while 28% felt that navigating the resources in the local community was easy (Figure 13.1).

Figure 13.1 Please indicate your level of agreement with the following statements:  
Within the past 12 months...



Twenty-nine percent of respondents reported they do not know anyone they can rely on to help their business. This is slight increase from the 2020 NSMAE data. Further, of those who have someone they can rely on, 38% indicate those individuals are not in their local community, which is also slight increase from the 2020 data. Given that lack of mentors is not within top five challenges and barriers compared to 2020, this could be linked to the COVID-19 pandemic and access to remote mentoring and assistance that entrepreneurs have been receiving.

Table 13.1 How many people do you know that you could rely on for help for your business/venture?	Frequency	Percent
None	309	28.91%
1 to 4	442	41.35%
5 to 9	139	13.00%
10 or more	179	16.74%
<b>Total</b>	<b>1,069</b>	

↓

Are most of these people located in your local community?	Frequency	Percent
Yes	519	63.45%
No	299	38.38%
<b>Total</b>	<b>818</b>	

### *Advice to Entrepreneurs*

There was an array of responses when veteran entrepreneurs were asked to give advice to budding veteran entrepreneurs. Responses ranged from internal strength, patience, and focus to education and training. Some of the more popular responses included: “never give up,” “follow your dream,” “always ask for help,” and “let others know when you are facing physical and mental challenges.” Others noted the importance of financial literacy, and some said to make sure to do your research on the market before you decide to start your business, and once you do, make sure you have a detailed, organized plan to follow. Veteran entrepreneurs also wanted to tell others to make sure to “invest in yourself” and that “you are always learning,” do your homework and “get as much advice from wise mentors as possible.” Other responses focused on making sure veteran entrepreneurs understood the value of surrounding themselves with support. One said, “Find a network that is supportive and be persistent.” Another said, “Keep expectations reasonable and attainable.”

"Make sure goals are realistic and that you have all resources required to attain them; also, be flexible, and be prepared for both obstacles and opportunities. Know how to recognize both and how they can be beneficial to you."

*Army Veteran*

*Professional, Scientific, and Technical Services Industry*

"Just do it. You can always find a job if you fail. And remember failure can be a good thing as long as you learn from it and grow."

*Air Force Veteran*

*Retail Trade Industry*

"It may be frustrating from the outset, but it is important you take your time with the process. Cutting corners invites unwanted audits/inquiries into your business."

*Navy Veteran*

*Professional, Scientific, and Technical Services Industry*

"Ensure you've talked to those who have succeeded and failed so you can make an informed decision."

*Army Veteran*

*Administrative, Support and Waste Management and Remediation Services Industry*

"If you see a problem to be solved, identify your market, define, develop and implement the solution. Develop and implement a marketing and sales plan to find customers and grow sales. This is what will help you secure the funding you need to grow. Find the best people available to help you."

*Army Veteran*

*Software Development Industry*

"Make sure to have the ability to survive and pay all bills for several months, especially if/when dealing with government entities and other small businesses. Hire or have the ability to perform basic accounting functions so that you can understand where the money is going and coming from. Understand cash flow and the time elements. Investigate all insurances, licenses, taxes, and other costs that you may incur that could be hidden. Understand insurances required. In short, be ready for financial surprises."

*Marine Corps Veteran*

*Professional, Scientific, and Technical Services Industry*

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## Wellness

Overall, 79% of respondents report good to excellent general health and 21% reported poor or fair health.

Table 14.1 In general, how would you rate your current health?	Frequency	Percent
Poor	34	3.17%
Fair	192	17.91%
Good	392	36.57%
Very Good	322	30.04%
Excellent	132	12.31%
<b>Total</b>	<b>1,072</b>	

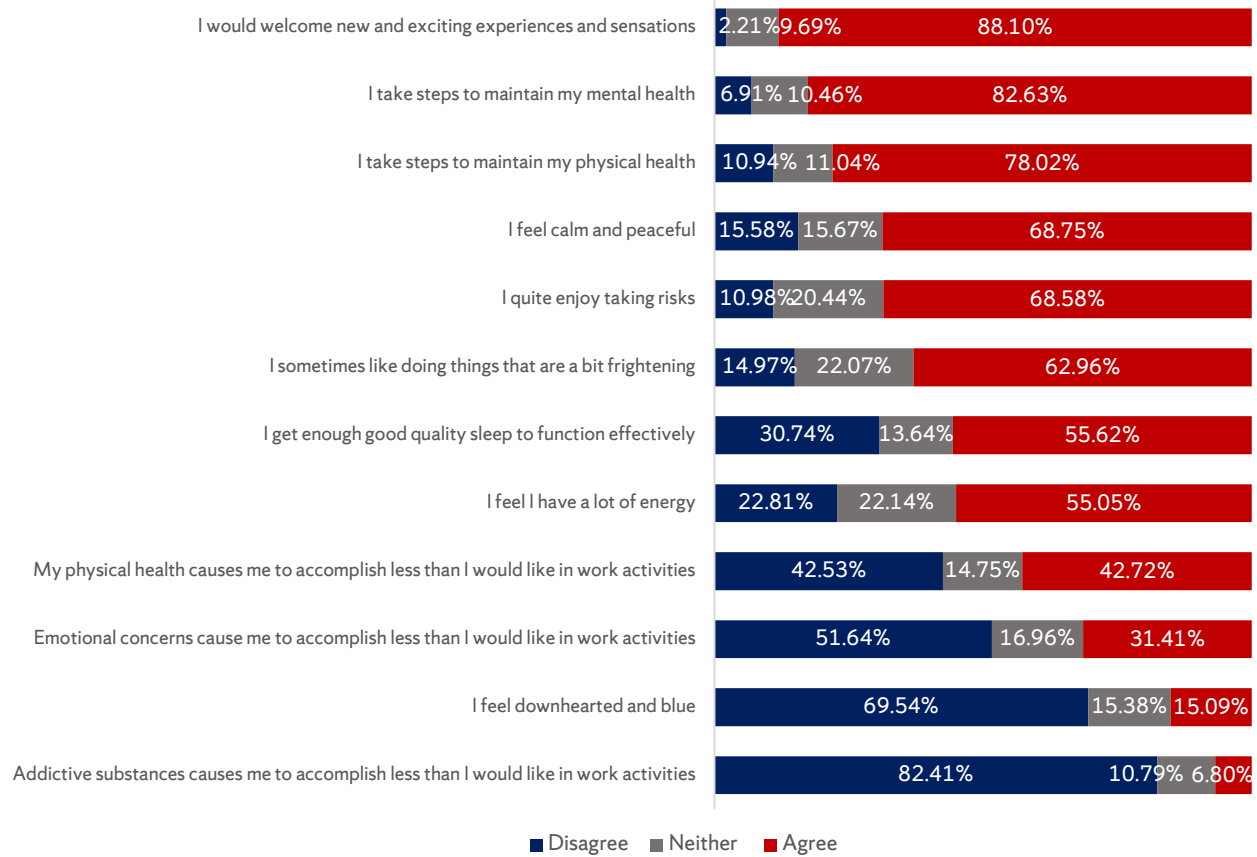
The longitudinal data indicates that there are no major changes in general health. There is no significant change when it comes to those who report poor health or fair health. Six percent of those who reported excellent or very good health in 2020 reported only feeling good in 2021.

Table 14.1.1 (Longitudinal) In general, how would you rate your current health?	2020	2021	Change
Poor	3.24%	3.24%	0.00%
Fair	13.24%	13.51%	0.27%
Good	34.05%	40.00%	5.95%
Very Good	31.62%	29.73%	-1.89%
Excellent	17.84%	13.51%	-4.32%

Similar to the general health data in Table 14.1, Figure 14.1 indicates that majority of respondents are in good health and also invest in maintaining their mental and physical health. Eighty-three percent take steps to maintain their mental health, 78% steps to maintain their physical health. Physical health is a barrier experienced by more respondents (43%) than emotional/mental health (31%). Nevertheless, about 15% feel blue and downhearted, 16% do not feel calm and peaceful, and 31% do not get enough quality sleep to function effectively.

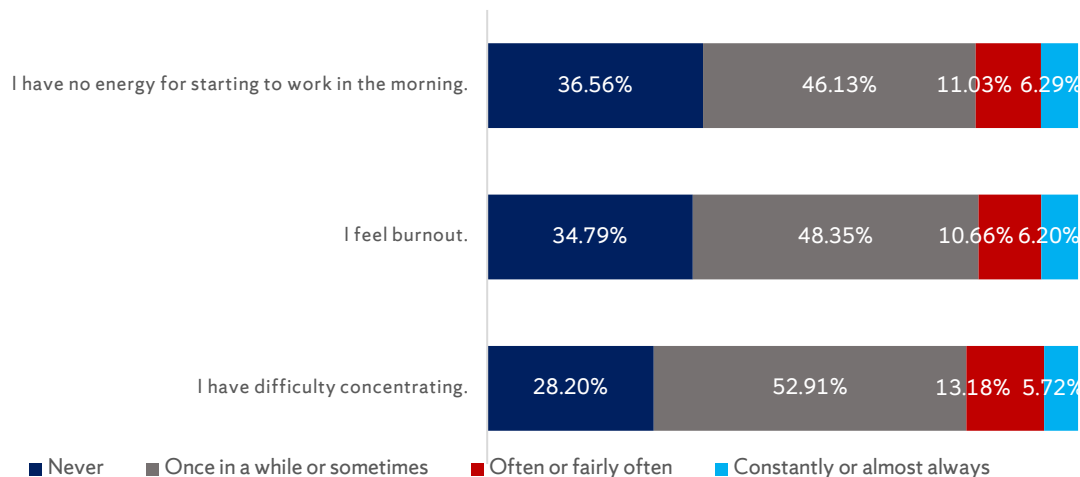


**Figure 14.1 Please indicate your level of agreement with the following statements related to your business:**




Veteran entrepreneur respondents were asked how often they experienced loss of energy, burnout, and difficulty concentrating during the past week when taking the survey. Overall, the majority (83%) did not experience loss of energy at all or once in a while, while 6% experienced it constantly or almost always.

**Figure 14.2 Please indicate how often you have experienced the following DURING THE PAST WEEK**



Loss of energy, burnout, and difficulty concentrating have been linked to risks that affect mental wellness<sup>63</sup> and have been linked to suicide risks among the veteran population.<sup>64</sup> Several factors contribute to veteran suicide behavior, including lifetime post-traumatic stress and/or depression, low social support (loss of sense of purpose, loss of sense of belonging), substance abuse, and worsening of social relationships during the pandemic.<sup>65</sup> A study conducted from November 18, 2019, to December 19, 2020, indicates that 8.8% of veterans had suicidal thoughts over the study period, and 4% had persistent suicidal thoughts.<sup>66</sup> Four percent of veteran entrepreneurs had suicide thoughts, which is lower than veterans in the suicide study, yet still alarming (See Table 14.2). Sixty percent of those with suicide thoughts indicated that they sought help.

<b>Table 14.2 During the PAST YEAR, did you ever seriously consider attempting suicide?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	37	3.68%
No	969	96.32%
<b>Total</b>	<b>1,006</b>	



<b>Did you seek help?</b>	<b>Frequency</b>	<b>Percent</b>
Yes	21	58.33%
No	15	41.67%
<b>Total</b>	<b>36</b>	

Nichter et al. (2021) found that bolstering social support for veterans is critical in suicide prevention efforts. According to our findings (see Figure 2.2), 56% of veteran respondents feel that entrepreneurship helped them find purpose, and 38% felt that entrepreneurship was critical in making the transition from military into civilian life easy. Sixty-three percent of the respondents feel a sense of belonging in their local community and 64% can find people in their local community to relate to (see Figure 12.8). While these numbers are encouraging, there is a greater need to understand how and if and how entrepreneurship directly (i.e., finding a purpose) and indirectly (i.e., accessing a community, having a sense of belonging) contributes to suicide prevention among veterans.

## COVID-19

A little over a year into the COVID-19 pandemic at the time of the survey, veteran entrepreneur respondents were asked to take stock of their experiences thus far in navigating the pandemic. Table 15.1 shows that most veteran entrepreneurs (83%) indicated that their military experiences at least slightly prepared them to deal with the business challenges of the pandemic, with 62% indicating they felt moderately or extremely prepared.

Table 15.1 To what degree has your military experience/lifestyle prepared you and your business for the challenges associated with the COVID-19 crisis?	Frequency	Percent
Not at all	166	17.38%
Slightly prepared	65	6.81%
Somewhat prepared	132	13.82%
Moderately prepared	259	27.12%
Extremely prepared	333	34.87%
<b>Total</b>	<b>955</b>	

Around half of veteran entrepreneur respondents reported that the COVID-19 crisis had “no impact at all” upon their interest in pursuing entrepreneurship/business ownership (53%) or their attitude toward entrepreneurship/business ownership (53%). Although most indicated no impact and a sizable proportion reported a negative impact on their attitudes, more veteran entrepreneur respondents felt that the COVID-19 crisis had a positive impact on their entrepreneurship attitudes rather than a negative one.

Figure 15.1 How would you characterize the impact the COVID-19 crisis had on the following?

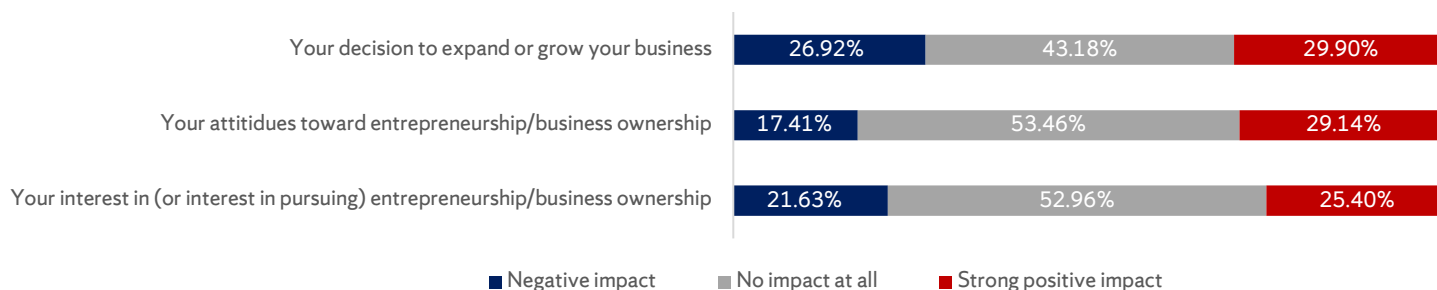
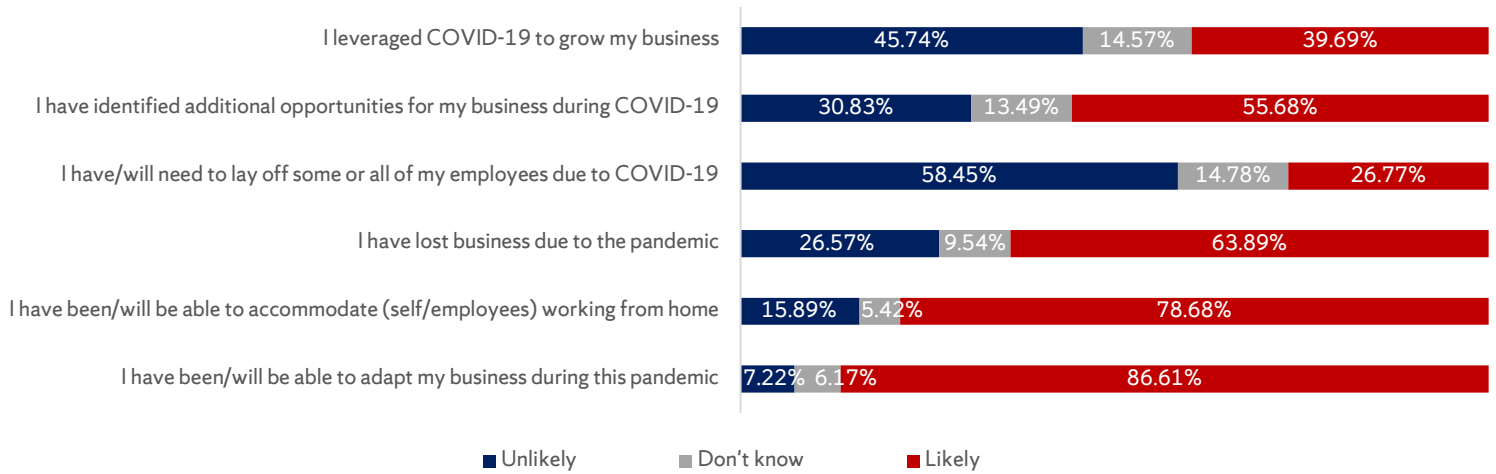


Figure 15.2 shows veterans’ assessment of how the COVID-19 crisis impacted their businesses. Most veteran entrepreneur respondents (87%) reported that they had likely been able to successfully adapt to the pandemic and 79% could accommodate remote work. Almost 56% reported that they had likely identified additional opportunities for their business during the pandemic. On a less positive note, 64% indicated that had likely lost business, 46% reported that they were unlikely to be able to leverage COVID-19 to grow their business, and 27% were likely to need to lay off employees.

In an open-ended question, when asked why their business closed, many of the responses that centered around the COVID-19 pandemic included people not buying their products, the inability (due to COVID) to maintain relationships with customers, unable to obtain COVID-19 relief funds from SBA, and not being able to find people to hire to do the work necessary to be successful.

Figure 15.2 Given the impact of COVID-19, please indicate the likelihood of the following scenarios to the best of your ability:



Finally, Table 15.2 lists the top resource needs faced by veteran entrepreneur respondents during the pandemic. Funding, sales, contracting needs, staffing, and vaccine access are at the top of the list.

<b>Table 15.2 During the COVID-19 crisis, what are your top three resource needs (select to the best of your ability)?</b>	<b>Frequency</b>	<b>Percent</b>
General funding (financing, loans, grants)	228	25.30%
Assistance with sales	180	20.00%
Assistance to get the pending contracting awards	154	17.10%
Staffing and hiring qualified employees	151	16.80%
Government contracting assistance	146	16.20%
Access to vaccines	138	15.30%
Day-to-day operations	122	13.60%
Inventory/supplies	116	12.90%
Assistance with adjusting marketing efforts	115	12.80%
Emergency funding	103	11.40%
None (no resources needed)	98	10.90%
Social media/website assistance	91	10.10%
Mentorship	82	9.10%
Professional advice (legal, health care, etc.)	71	7.90%
Federal funding (non-emergency)	58	6.40%
Business plan resources	54	6.00%
Brick and mortar (e.g., office space)	47	5.20%
Community resources for business continuity	40	4.40%
Other	39	4.30%
Childcare	33	3.70%
Human resources (e.g., managing employees through crisis)	31	3.40%
Mental health assistance	27	3.00%
Internal communications with employees, customers, and stakeholders	25	2.80%
External communications	22	2.40%
Third-party certification resources	22	2.40%
<b>Total</b>	<b>900</b>	

## Implications

### Conclusion

Overall, the findings from this report continue to contribute to our knowledge of veteran entrepreneurs. The results revealed a further understanding of challenges and opportunities related to entrepreneurship, the transition from military, disability, and the COVID-19 pandemic.

This study expands current findings on the relationship between military service and entrepreneurship. The results support previous findings that veterans' skills from the military are applicable and valuable within entrepreneurship. However, while military training in leadership, risk-taking, and management are transferable to entrepreneurship, intelligence gathering, resource assessment, and strategic decision-making seem not to be transferable or applied within entrepreneurship and business ownership. Therefore, small business service providers need to provide more coordinated and consistent technical assistance and training on transferring these skills into market research, customer discovery, marketing, sales, and strategic growth.

The 2021 NSMAE results confirm that a significant number of veterans experienced challenges during the transition from military to civilian life, which included difficulty to fit in and lack of purpose after the military. One notable finding is many of these veteran entrepreneurs reported that entrepreneurship played an essential role in overcoming transition-related challenges and assisted them in finding a purpose. Similarly, the respondents who cited a service-connected disability reported that entrepreneurship helped them overcome disability-related challenges and barriers. These results imply that entrepreneurship is a suitable medium for overcoming transition-related (e.g., transition from military to civilian life, transition to living life with a disability) challenges and barriers.

Access to capital remains a challenge for many veteran entrepreneurs, and to the majority of them, their business finances and debt are a cause of stress. While many were able to obtain COVID-19 pandemic resources and support, the majority did not feel that these federal funding resources and support (e.g., PPP, EIDL) have helped their business. In addition to capital, the prevalence of specific problems and barriers faced by these veteran entrepreneurs changed dramatically between 2020 and 2021. Problems finding good employees and challenges in dealing with federal regulations and policies have increased. Given the many difficulties and related resources, the results of this study indicate a greater need for coordination and consistency among resource and service providers, including a better understanding of governmental resources and policies among small business service providers.

In the 2021 NSMAE, participants were asked to assess the entrepreneurial ecosystem of their ventures. Overall, community networks and commercial infrastructure were recognized as sectors that provide the most value and quality to veteran entrepreneurs. In contrast, government programs and financial sectors were sectors with the least quality. Lower quality rating emerged within the entrepreneurial education ecosystem sector, which is critical, as it provides education and training on entrepreneurial skills and competencies, and access to resources, innovation, social network, and professional skills. The entrepreneurial ecosystem is interconnected, and to improve this interconnectedness, it is necessary to continue investing in the entrepreneurial education sector as this provides access to all other sectors within the entrepreneurial ecosystem.

Overall, while there are numerous resources for veteran entrepreneurs, many veterans still struggle to access and adequately leverage these resources. These struggles are largely based on the lack of understanding of the veteran entrepreneurs' needs and challenges and the lack of coordination and consistency among various resources and service providers. Through this report and subsequent briefs, we aim to address the 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. These 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 access reliable workforce, i.e., how to recruit through institutions of higher education.
- ✓ 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.
- ✓ Connect with local corporations to learn more about their supply diversity programs and how you and your organization can assist them better in connecting with local veteran-owned businesses.
- ✓ Learn about and connect with various local and regional small business incubators and accelerators, connect with them, and assist veteran entrepreneurs in networking and accessing these resources.
- ✓ Learn about the veteran population, how they learn, how they network, and adjust your training and educational materials, programs, and resources to them.

#### 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 Community Development Fund Initiatives (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 (e.g., Small Business Innovation Research and Small Business Technology Transfer), 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 traditional 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.
- ✓ **Veteran service providers:** Entrepreneurship is a great transition medium from military to civilian life. Connect with local small business service providers, encourage veterans to explore small business ownership by connecting them with local small business service resources and providing them access to national veteran entrepreneurship related resources.
- ✓ 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 (e.g., Ewing Marion Kauffman Foundation, Institute for Veterans and Military Families).
- ✓ 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 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 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.
- ✓ Entrepreneurship is a great medium to overcome challenges related to transition (e.g., transition from military to civilian life, transition to living with a service-connected disability). Educate and empower transition- and disability-related resource providers to educate and encourage individuals in transition to explore entrepreneurship as an employment option.

### **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 (IDAs) to incentivize financial literacy training and financial readiness during the business planning process. For example, partner with CDFI to offer IDA programs within Veterans Business Outreach Centers (VBOC) 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 fund (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 (e.g., VBOC, Small Business Development Center, Women's Business Development Center, SCORE, and Procurement Technical Assistance Center). 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. For example, 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 (e.g., IVMF's Arsenal of programs. Center of Excellence [COE] for Veteran Entrepreneurship, Kauffman's Fastrack and 1 Million Cups). 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; Banker, Accountant, Insurance, and Lawyer (BAIL) team members; and veteran and military community members.

### Network

- ✓ Start vetrepreneurship. Join veteran entrepreneurship networking groups and programs, attend their events and conferences (e.g., IVMF Arsenal, Center of Excellence for Veteran Entrepreneurship).
- ✓ 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 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 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; for instance, a banker and accountant can help with financial planning for personal and business needs.
- ✓ Connect with local universities and colleges. Understand what programs and resources they offer to assist you with your business. 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. Similarly, local universities and colleges are a great source of young professionals who can be accessed and hired through career services within these institutions.

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