Vietnam-Era Veterans

and Entrepreneurship

Veterans Small Business Project
Newtonville, MA
Jerry Boren, Project Director

March, 1985

ACKNOWLEDGEMENTS

A study of this size and type is not possible without the cooperation of a great many people. We are especially grateful to the hundreds of Vietnam-era veterans who were willing to share their time, experiences and feelings with us. Almost without exception their attitude was one of appreciation that such a study was being conducted and willingness to participate in anything that could result in improving the circumstances of their comrades.

Our special thanks also goes to the individual leaders of the 42 veterans' organizations who made it possible for us to develop our study sample in each state. They made an almost impossible task much easier than they can imagine.

Finally, we wish to thank members of the SBA headquarters and field office staffs, SCORE and SBDC representatives, members of the Congressional staff and the many bank officials who graciously consented to and tolerated our inquiring into their professional lives. All shall remain anonymous.

This study was funded by the Small Business Administration through SBA Contract 7219-VA-83.

Members of the Study Team

Jerry Boren, Project Director
Paul Camacho, Senior Investigator
Dick Batten
Peter Bos
Pamela Hock
Seymour Leventman
John Williamson

NOTE TO THE READER

Because this report is based on the results of a scientific study, some of its content is fairly technical in nature. While we have tried to prepare a document that will be useful to policy makers and program staff, at the same time we felt that there was a need to present the statistical basis for our findings. Where possible we have tried to do this in footnotes and appendices. However, in Chapter 4, Sections A - E, where we present our analysis and findings, the reader may find it unnecessarily tedious to wade through the core of our analysis.

With this in mind we have prepared several summaries which will enable the reader to conduct a fairly quick review of all the major findings together with our discussion of them and their implications for SBA policy and programs. A Table of Contents for this review is provided below.

Topic	Page
Executive Summary	iv
Major Findings	xi
Suggested Changes and Innovations	xvi
Chapter Summaries	
Entrepreneurial aspirations of veterans	56
Experiences with and perceptions of SBA and banks	125
Factors associated with success	155
Disability and entrepreneurship	180

TABLE OF CONTENTS

	Page
Contents	ii
Note to Reader	iv
Executive Summary	xi
Major Findings	xvi
Suggested Changes or Innovations	1
Chapter 1: Introduction and Background	10
Chapter 2: Analytical Framework and Methodology	21
Chapter 3: Description of Sample	36
Chapter 4: Analysis and Findings	36
Section A: Entrepreneurial aspirations	62
Section B: Business characteristics	88
Section C: Perceptions of SBA and private sector	136
Section D: Factors associated with success	161
Section E: Disability and entrepreneurship	187
Selected Data Sources	
Attachment A: Recommendations of Pechin Study	
Attachment B: Recommendations of Task Force	
Attachment C: Policy Statement of Administrator	
Attachment D: OVA Guidelines for Veterans Program	
Attachment E: Questionnaire	
Attachment F: Interviews with Decision Makers	
Attachment G: Construction of Aspiration Scales	
Attachment H: Estimation Procedure for Aspiration	

Executive Summary

This report describes and presents the findings of a survey research study of the entrepreneurial aspirations and experiences of Vietnam-era veterans with a special focus on disabled veterans.

The study was conducted over a 14 month period from October 1983 to December 1984. Consistent with the original Request for Proposal, it has five major objectives.

1. Determine extent to which Vietnam-era veterans aspire to become small business owners and operators.

2. Determine their perceptions of the legal and financial institutions which are pivotal to their success.

3. Determine the factors present among the successful Vietnam-era entrepreneurs that differ from those of the group that have been unable to launch a business, but would like to do so.

4. Isolate the relative importance of such factors, including age, experience, or education, that were included above.

5. Suggest any allowances that may be required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment.

To achieve these objectives we asked a sample of 472 Vietnam-era veterans from four states - Massachusetts, New York, Ohio and Texas - to complete a lengthy questionnaire. In addition, in-depth interviews were conducted with 60 veterans who participated in the survey to allow them to elaborate on their questionnaire responses.

A list of the major findings follows this summary. Our purpose here is to highlight the most important of these and summarize what we feel to be their implications for SBA policy and programs.

Objective 1: Entrepreneurial aspirations of Vietnam-era veterans

We estimate that between 700,000 and 1 million Vietnam-era veterans have a relatively strong interest in owning and operating a small business. This represents between 8% and 13% of the Vietnam-era veteran population of approximately 8.3 million. Based on our data it appears that aspiration is especially associated with social and economic disadvantage in our society. We found that veterans who rank lower on two or more social criteria are much more likely to have strong aspirations. Groups with high proportions of aspirants include:

- blue collar workers
- the unemployed
- members of minority groups, especially those who are unemployed, or have low incomes and no college education
- veterans in general with low incomes and low levels of education

In addition to an obvious need for capital or credit, about three-quarters of those with strong aspirations reported they would need accounting assistance if they were to attempt to start a business.

Based on these findings it seems likely that the response to any special effort by the SBA to appeal to veterans would come primarily from this pool of potential entrepreneurs. Since a disproportionate number of these veterans come from groups with few financial assets and low levels of education, this could place an unusual strain on the resources of the Agency.

Objective 2: Perceptions of SBA and private sector institutions

We found a distinct tendency for veterans who use SBA's programs and services to come from the less advantaged groups in our society. This

finding is understandable in the context of the traditional role of government in assisting and protecting those suffering from discrimination and blocked opportunity. Groups more likely to use the SBA relative to their numbers in the population are disabled veterans and minority veterans, especially those from lower income groups.

We also found that veterans from the more advantaged groups in our society are the most likely users of the legal, financial and accounting services in the private sector. They include Whites and those with higher levels of education and income. The factor most likely to discourage use of these services is the condition of being unemployed.

Vietnam-era veterans who use the private sector report a relatively high degree of success and satisfaction with their services. By comparison, those who use the programs and services of the SBA are much less likely to report success or satisfaction. Interestingly enough, we found that minority veterans, those who served in the lower enlisted ranks (E1 - E3), and those with lower family incomes are more satisfied with the services of SBA than are members of more advantaged groups. The least likely to be satisfied are veterans who served in the Vietnam theatre and those with a business-related degree.

Veterans who were critical of the SBA tended to focus their criticism on the quality of personnel and services whereas those who were critical of the private sector were more concerned about program criteria or requirements, such as loan ceilings and collateral, that restricted their opportunity to participate. Overall we found a great deal of anger and frustration among Vietnam-era veteran entrepreneurs directed at the SBA that appears to be related to their feelings about the way our government and our society has treated them since the war. Many feel they are entitled to special benefits from the Agency and many feel that SBA is

guilty of "false advertising" with their veterans business program. Their appeal is for a form of special consideration that goes beyond what the Agency currently offers.

Based on the above and the findings summarized earlier for Objective #1, it would seem that the SBA has a basic policy decision to make. It is the decision whether or not to target Vietnam-era veterans with special needs as a priority group for service. If a decision is made to do this then it is problematic as to whether or not the SBA has the resources to meet the likely demand. If the decision is not to target this group then we strongly suggest the Agency re-evaluate its current policy and program of special consideration to veterans. We suggest this action because we believe that the message veterans are receiving (whether intended or not) is that there is much more available to them through the SBA than in fact there is. The result seems to be that Vietnam-era veterans are developing a somewhat negative image of the Agency.

Objective 3: Factors associated with success

Objective 4: Relative importance of such factors

Our data suggest that disability can have a strong influence on entrepreneurial success. Those who we classify as unsuccessful entrepreneurs in our sample are much more likely to be disabled than are the successful entrepreneurs. In addition to disability status, access to credit and possession of a college degree seem to be the best predictors of whether or not a veteran will succeed in business. Entrepreneurs who were able to secure their initial financing from an institutional source, e.g. a bank or the SBA, were more likely to succeed than were those who

depended on personal savings, friends or family resources. We also found that successful entrepreneurs are more likely to be incorporated and less likely to form sole-proprietorships than unsuccessful entrepreneurs.

Based on these findings, the practice of evaluating loan applicants using experience criteria could be seriously questioned. Our data show no significant relationship between success and either general business experience or technical experience in the business being entered. In fact, for the 93% of the veteran population who are not disabled, the best predictors of success are general education and ability to secure a loan.

Finally, our data show that unsuccessful entrepreneurs are more likely than the successful to belong to Vietnam-era and other veterans' groups. While our data do not provide an explanation for this phenomenon, our belief is that it can be explained on theoretical grounds as a result of one type of motive for group membership. Since one of the reasons people in general join groups is to seek support and understanding from others with similar experiences, we believe that some Vietnam-era veterans may seek out their buddies in these groups at a time when they are struggling or have just failed in their effort to start or sustain their own small business. They may be unemployed, have some extra time on their hands and may be feeling vulnerable and in need of support. This is, in fact, one of the very positive functions these groups perform. We hasten to add that we do not believe this is the only reason a veteran joins one of these groups. In fact there are many others including a service ideal and political action motives.

One implication of this finding that unsuccessful entrepreneurs tend to join veterans groups is that if the SBA decides to target as a priority group Vietnam-era veterans with special needs, then these organizations would provide an excellent opportunity for cooperative ventures.

Objective 5: Allowances for the disabled

Probably the strongest finding of this study is the degree to which disability limits the entrepreneurial opportunities of disabled veterans. Disability, especially psychological and neurological, increases the likelihood that a business will not get off the ground and probably decreases its chances of survival beyond three years. We also found that disabled veterans are much more likely than the non-disabled to have left their business involuntarily. This is especially true of veterans suffering from Post-Traumatic Stress Syndrome (PTSD).

In addition to these findings, we learned that many veterans with a disability of 50% or more are discouraged from making a concerted effort to start their own business because they are uncertain as to what the Veterans Administration would do in relation to their disability rating and benefits. Since they cannot be certain that they will succeed in a fairly risky venture they don't want to jeopardize their financial security and possibly place themselves in a situation where they would have to repeat the bureaucratic process of being re-evaluated and receiving a new rating. One veteran suggested that the VA allow a reasonable period for a beginning entrepreneur to discover whether or not they can make it in a small business and then phase benefits out rather than cut them immediately.

Our data also suggest that disabled veterans face stronger barriers when trying to enter into business in the retail and manufacturing sectors while they find it relatively easy to enter the service sector where the largest proportion are found. Finally, we found that disabled entrepreneurs are much more likely than the non-disabled to form sole-proprietorships and less likely to incorporate or form partnerships.

Those suffering from PTSD appear especially motivated by the desire to avoid working for someone else and, when in business for themselves, are more inclined to work alone.

Based on these findings we suggest the SBA take the following steps to help minimize the difference in entrepreneurial opportunity and performance between disabled and non-disabled veterans:

- Share with the VA the information we have developed in this report on the relationship between disability and entrepreneurial aspiration and performance, and explore with VA representatives ways to minimize the impact of the VA rating system on the entrepreneurial initiative of disabled veterans.
- Review the performance of the HAL-2 program. Determine whether there are any distinct patterns of use by degree and type of disability.
- Consider modifying for veterans the HAL-2 requirements that the business be 100% owned by handicapped individuals.
- Familiarize HAL-2 administrators with the nature of PTSD and the problems it can generate. Make a special effort to welcome participation of applicants with PTSD and to avoid excluding veterans with a VA rating of 30% or below.
- Increase efforts to advertise the HAL-2 program especially through veterans organizations.
- Explore with the VA the possibility of locating on a six month trial/pilot basis, a loan officer and SCORE representative one day a week (or every other week) in selected VA Vet Centers around the country. Evaluate this effort in terms of level of response and quality of results.
- Propose to the Congress that disabled veterans (rather than all Vietnam-era veterans) be defined as a group suffering from "social and economic disadvantage" in order that they might qualify for participation in the 8 (a) Minority Business Development and Procurement Assistance Program, the 7 (j) Management and Technical Assistance Program and other programs limited to persons or businesses so defined.

Findings

Due to the length of the questionnaire and the breadth of material covered, we have developed literally hundreds of findings in Chapter 4 of this report. Some, of course, are more important than others. For the summary below we have extracted what we feel are the most important of these and presented them in as brief a form as possible. The presentation of findings is arranged in the order that the material was presented in Chapter 4. The reader interested in the full range of findings and the analysis conducted should review Chapter 4.

A. Entrepreneurial Aspirations of Veterans

1. We estimate that between 700,000 and 1,000,000 Vietnam-era veterans can be classified as having a strong interest in owning and operating their own business. This does not include those already in business for themselves. These numbers represent 8% and 13% of the total Vietnam-era veteran population.

2. Vietnam-era veterans with strong entrepreneurial aspirations are motivated more by the challenge and the opportunity to be free from working for someone else than they are by the prospect of higher income. However, they are also very concerned about the risk of financial insecurity that self-employment brings.

3. These veterans are most likely to want to open a business in the retail or services sector and about one-third each would expect to use their savings, secure a government loan or a bank loan for their initial capital or financing.

4. Of other non-financial types of assistance they feel a need for, accounting is by far the most common need.

5. Overall, occupation is the best predictor of entrepreneurial aspiration. Blue collar workers are more likely than white collar to have strong aspirations.

6. Social and economic disadvantage is associated with aspiration. In general, veterans who rank low on two or more social criteria are more likely to have strong aspirations. In particular, the following combinations appear to generate aspiration:

   - being unemployed and a member of a minority group
   - being a member of a minority group and having a low income

- working in a blue collar job and being a minority
- being a minority group member with a low educational level
- having a low educational level and a low income

B. Characteristics of Veteran-Owned Businesses

1. Vietnam-era veterans are most likely to own and operate businesses in the service and retail sector, however, when compared with entrepreneurs in general, veterans are more likely to be in manufacturing and less likely to be in finance, insurance and real estate or agriculture.

2. In terms of the life expectancy of operations, veteran-owned businesses seem to conform to the pattern for small businesses in general. Seventy-one percent of our previous owners left or closed their business within the first two years of operation.

3. The vast majority of veteran-owned businesses are "small-smalls". Ninety-two percent have fewer than 20 employees. The median number employed by all businesses in our sample is 1.5.

4. There is a tendency for Vietnam-era veterans to co-own with or employ other veterans.

5. Vietnam-era veterans are most likely to form sole-proprietorships but are more likely to form corporations or partnerships than are entrepreneurs in general.

6. Veteran-owned businesses formed as corporations survive longer than those formed as sole-proprietorships or partnerships. The latter is the least stable of the three structures.

7. Veteran entrepreneurs report at start-up a median of 3.6 years of general business experience and 4.5 years of experience in their field, trade or profession.

8. Seventeen percent of self-employed veterans have a degree in a business-related field and another 38% report having taken some courses.

9. About three-quarters of veteran entrepreneurs start a new venture rather than purchase or inherit an existing business. The majority rely on personal or family savings for their initial capital or financing and only 4% received a government loan for this purpose.

10. Once their business was underway, 41% received an additional loan, almost always from a bank. Only 5% reported receiving a government loan.

11. Full-time entrepreneurs are much more likely to have received a loan than those operating a business on a part-time basis.

C. Experiences with and Perceptions of SBA and Private Sector Services

1. There is a tendency for veterans from less advantaged groups in our society to use the programs and services of the SBA and veterans from groups with greater social and economic advantage to use the business-related services in the private sector.

2. Disability status and minority status are the two best predictors of whether or not a veteran will use the programs and services of the SBA. Disabled and minority veterans are more likely to use these services than are the non-disabled and White veterans.

3. In general, the likelihood of using SBA is related to positions of social and economic advantage in our society. Those who rank lower on two or more social criteria are more likely to be users. The following combinations are the strongest indicators of use:

   - lower rank in military (E1 - E3) with disability
   - minority veteran with low income
   - disabled veteran with low income

4. The veteran sub-group with the highest rate of use of SBA's programs and services are minority veterans with family incomes between $15,000 and $30,000.

5. Employment status and full-time/part-time status are the best predictors of whether or not a veteran entrepreneur will use the business-related services in the private sector. Veterans who were employed at the time of the survey or who are self-employed full-time are more likely to show a pattern of private sector use.

6. The two veteran sub-groups with the lowest level of use of private sector services are part-time entrepreneurs with no college education and Black veterans with low incomes.

7. Veterans who use the financial, legal and accounting services of the private sector are much more likely to describe their encounters as successful and helpful than are those who use the programs and services of the SBA.

8. Of those who use the SBA, successful entrepreneurs, minorities, those with lower incomes and from the lower enlisted ranks are more likely to be satisfied with the service they received. The least likely to be satisfied are veterans who served in Vietnam and those with a degree in a business-related field. Overall, the best predictor of satisfaction with SBA is minority status.

9. Criticism of the SBA focused on quality of personnel and services while criticism of the private sector focused more on the program criteria, e.g. collateral requirements, that limit the veteran's opportunity to participate.

10. Overall, we found a great deal of anger and frustration among Vietnam-era veterans directed at the government in general and at SBA in particular. We did not find this to be the case for private sector institutions. These feelings seem to be related to the history of treatment of Vietnam veterans in our society since the war as well as to feelings of entitlement and to expectations raised by SBA publicity.

11. The most frequent suggestion veterans make for improving SBA's services to veterans has to do with special consideration in the form of giving more time to veterans, being more sensitive to their "beginner's" status and showing them respect.

12. The second most frequent type of suggestion veterans make for improving SBA's services is to lower interest rates, reduce collateral requirements, and allow longer terms and lower ceilings for loans.

D. Factors Associated with Entrepreneurial Success

1. Disability has a powerful influence on veteran entrepreneurs. Disabled veterans are much more likely than the non-disabled to have been unsuccessful in their efforts to start and operate a small business.

2. In addition to disability status, education and access to capital or credit are major factors that contribute to success in small business among Vietnam-era veterans. Successful entrepreneurs are more likely to have a college degree or at least some college and they are also more likely than the unsuccessful to have received start-up capital or credit from an institutional source such as a bank or SBA.

3. Successful entrepreneurs are much more likely to have incorporated than are the unsuccessful and much less likely to be a sole-proprietorship.

4. Successful enterprises are more likely than those that did not succeed to be in the manufacturing or finance, insurance and real estate sectors; and less likely to be in the retail, transportation or agricultural sectors.

5. Unsuccessful veteran entrepreneurs are more likely to be members of both Vietnam-era and other veterans groups than are those who are successful in business.

E. Disability and Entrepreneurship

Several findings related to disabled veterans have been presented in the preceding sections. In addition to the above, the following findings were developed in Section 4E.

1. The VA system of evaluating and rating disabilities is a disincentive for many veterans, especially the more severly disabled, that works against starting their own business.

2. Disabled veterans are most likely to aspire to own and operate businesses in the retail sector but usually enter the service sector instead. They also seem to encounter stronger barriers to entry into the manufacturing and finance, insurance and real estate sectors.

3. Disability increases the likelihood that a business will not get off the ground and probably decreases its chances of survival beyond three years.

4. Disabled veterans are much more likely to have left or closed a previous business involuntarily than were the non-disabled.

5. Disabled veterans are more likely to form sole-proprietorships and less likely to form partnerships or be incorporated than the non-disabled. This is especially true for those suffering from Post-Traumatic Stress Syndrome (PTSD).

6. Veteran entrepreneurs who are disabled are more likely to be self-employed on a part-time basis and to have fewer employees and lower revenues than the non-disabled.

7. Disabled veterans are more likely to be unemployed than the non-disabled. Twenty-eight percent of disabled veterans and 11.4% of the non-disabled reported lack of employment at the time of the survey.

Additional Suggestions for Changes or Innovations in SBA Programs for Veterans

In Section 4C of this report, we have summarized suggestions made on the questionnaire for improving SBA's programs and services to veterans. (See pp. 118 - 120) However, during the course of this study we spoke both formally and informally with several hundred veterans and others responsible for policy and programs related to veterans. During these interviews and conversations, a large number of suggestions were made concerning changes or innovations that might improve the veterans business program of the SBA. Many were very general and some probably not very practical but there were also some that we believe merit consideration. These are listed below.

A. Credit and Equity

- The vast majority of Vietnam-era veteran owned businesses are "small-smalls", i.e., they employ fewer than 20 people and, in fact, the majority employ fewer than 4. Most have very modest needs for start-up or working capital. Many are seeking loans of $10,000 or less and find neither the banks nor the SBA very interested in financing that small an amount. Therefore, the SBA should make a special effort to meet the needs of this group.

- SBA should support the use by banks of a short-term revolving credit tool for businesses with seasonal capital needs. For a fixed period, say six months, the borrower could draw on the account while paying only the interest. At the end of that period full repayment would be made. The cycle would then begin again as needed.

- SBA should encourage the creation of a version of the Minority Enterprise Small Business Investment Corporation (MESBIC) for Vietnam veterans, i.e., VESBIC's.

B. Use of Organizations for Outreach

- The Veterans Business Resource Councils are a very good and very important idea but many are floundering due to lack of financial support and the organizational changes occurring with the Vietnam Veterans Leadership Program. A special effort needs to be made to establish the VBRC's on a sound basis. SBA should conduct a review of the more successful Councils and transfer that knowledge to others. The Agency should also make a greater financial commitment to the Councils.

- The SBA should establish a system of storefronts or use the VA Vet Centers for some of the work of field office staff and SCORE counselors. This would increase participation and improve communication between veterans and SBA.

- Vietnam-era veterans groups and their newsletters should be used more to disseminate information on SBA programs and policies for veterans.

C. Personnel for Outreach

- Full-time VAO's should be appointed in the district offices and, if this is not practical, try it in a few districts and evaluate the results.

- SBA should make more of an effort to appoint Vietnam-era veterans as VAO's.

- SCORE chapters should try to recruit more volunteers with experience in small business.

D. Materials for Outreach

- Since partnerships are the least stable of any business structure among veterans, the SBA should consider the development of special informational material and seminars or workshops on the subject of forming a stable partnership.

- Since accounting is the area that most aspiring entrepreneurs need assistance in, the Agency's material and programs in this area should be reviewed for adequacy.

Chapter 1: Introduction and Background

This report presents the findings of a survey research study funded by the Small Business Administration (SBA). It is designed to assist the SBA in understanding the entrepreneurial interests and experience of Vietnam-era veterans and was carried out over a 14 month period between October 1983 and December 1984. Support for this and several related studies reflects a growing concern within the federal government, and the SBA in particular, with the needs and desires of a new constituency - the Vietnam veteran.

A. The SBA and Veterans

The intent of the SBA in funding the present study can be better understood if it is set in the context of policy and program initiatives taken by Congress and the Agency on behalf of veterans over the past decade.

In 1974, Congress directed the SBA to give "special consideration" to veterans of the Armed Forces in all Agency programs.[1] This law was implemented in the same year by subpart 116 of the SBA regulations without, however, spelling out in any detail the operational meaning of "special consideration." During the next few years, this lack of specificity contributed to a concern on the part of veterans groups and Congress that veterans were not, in fact, receiving special

---

[1] Public Law 93-237 which was an amendment to the Small Business Act.

consideration. In response to this concern the SBA has implemented several major actions.

Beginning in 1980 the Agency sponsored a study by the Center for Community Economics based in Santa Rosa, California. The purpose of this study, commonly referred to as the "Pechin Study"[2], was to design an outreach and service delivery system that would "enable SBA to improve the quantity and quality of its services offered to veterans - especially Vietnam veterans." The study team developed its findings and recommendations based on in-depth interviews with SBA policy, program and field staff; meetings and discussions with veterans' organizations; and in-depth interviews with policy and program staff of federal agencies and departments other than SBA. The study team submitted its report in October of 1980 with a set of 31 recommendations designed to assist SBA in implementing a policy of special consideration for veterans.[3] A list of these recommendations is included as Attachment A to this report.

Soon after the completion of the Pechin Study, and as a direct result of its recommendations, the SBA established the Task Force on Special Consideration For Veterans under the leadership of the chief Council for Advocacy. Members of the Task Force included SBA program directors and senior officials from national veterans service organizations. In their final report they defined their objectives as follows:

---

[2] The study director was Mr. James Pechin of the Center.

[3] Center for Community Economics, "Design of an Outreach and Delivery System of SBA Programs for Veterans". Prepared for the Small Business Administration, October 3, 1980. Available from the National Technical Information Service.

- To examine and clarify "special consideration" for veterans as mandated by the Small Business Act, as amended by Public Law 93-237, with a view toward eventually publishing new rules and regulations which more clearly reflect SBA's capabilities and responsibilities toward veterans of the Armed Forces of the United States and their survivors or dependents;

- To define the scope and direction of the SBA's commitment to veterans; and,

- To develop areas of mutual cooperation in this effort between the SBA and national veterans service organizations.[4]

The Pechin Report with its detailed recommendations served as a guide and an important source of ideas for the four subcommittees that carried out the work of the Task Force.[5] The Task Force completed its work and submitted its final report with 29 recommendations to the Administrator in March, 1982. A list of these recommendations is included as Attachment B to this report. Two months later, on May 14, 1982, a formal policy statement was issued by the Administrator based on the work of the Task Force and its predecessors. In this statement the Administrator directed:

- Establishment of an Office of Veterans Affairs (OVA) as an advocacy group for veterans.

- A review of all programs and activities to determine the need for new regulations to ensure that special consideration is given to veterans - especially Vietnam and handicapped veterans.

- Intensification of management assistance and business training for veterans through special projects and conferences.

---

[4] SBA, Office of the Chief Counsel for Advocacy, "Report to the Administrator, U.S. Small Business Administration by the Task Force on Special Consideration for Veterans, Public Law 93-237", March, 1982, p.5.

[5] Subcommittees were (1) Loans and Other Financial Assistance; (2) Management Assistance, Training and Public Information; (3) Procurement and Technology Assistance; and (4) Organization, Policy, and Interagency Cooperation.

- Appointment of Veterans Affairs Officers (VAO's) in each Regional and District Office where they are not already designated.
- Regular collection and analysis of data measuring the participation of veterans in SBA programs.

A copy of this Policy Statement is included as Attachment C to this report.

As part of their effort to implement the policy of special consideration, the new OVA issued a set of guidelines to the field offices in March, 1983 including interim guidelines for the establishment of Veterans Business Resource Councils (VBRC's). Copies of both sets of guidelines are included as Attachment D to this report.

These councils are at the core of the new SBA veterans' outreach program. Their purpose is to ensure that direct technical assistance is available to veterans interested in starting and operating their own businesses without placing an unbearable strain on the already limited financial and management assistance resources of the SBA field offices.

The VBRC's are currently being set up through SBA district offices around the country in cooperation with local veterans groups and financial and business institutions. While they are being started with seed money from the SBA and will operate under SBA charter, they will be non-profit corporations supported by funds from both government and the private sector. They will be staffed primarily by veterans with business experience. At the time of this writing the precise program focus of each of the VBRC's is being worked out in each of the local areas.

While the goal of the new program is to create a resource base and delivery system to serve all interested veterans, the real impetus for the intensification of SBA activity summarized above comes from the increased awareness of and concern for the status of Vietnam veterans in our society.

B. Background of the Problem

According to recent government statistics, there are 8.3 million Vietnam-era veterans in this country of whom approximately one-third served in Vietnam.[6] These men and women represent 29.4% of all veterans and they are of special interest to the SBA not only because of their status as veterans but because they are members of an age group, roughly 36-55 years of age, that typically produces new entrepreneurs.

For their part, Vietnam veterans have emerged as an important interest group on the American political scene. Their appeal for special consideration is supported both by their history of service to their country as well as by a plethora of studies documenting the problems many of them face in their readjustment to civilian life.[7]

---

[6] The government has defined Vietnam-era veterans as those who served in the Armed Forces at any time between August 5, 1964 and May 7, 1975 whether or not they served in Vietnam. For this and other data on Vietnam-era veterans see the publication issued by the Veterans Administration: Data on Vietnam Era Veterans, September 1983.

[7] Three of the most widely used and influential of these studies are:

House Committee on Veterans' Affairs, Committee Print No. 89, Myths and Realities: A Study of Attitudes Toward Vietnam Era Veterans, July 1980.

House Committee on Veterans' Affairs, Committee Print No. 14, Legacies of Vietnam: Comparative Adjustment of Veterans and Their Peers, March 1981.

Wilson, John P. The Forgotten Warrior Project: Parts I and II, Cleveland, Cleveland University Press, 1978.

Other studies are included in the bibliography of this report.

In their effort to exert influence many are joining existing veterans' organizations while others are developing their own. As they do so they are identifying special issues of concern and targeting government agencies and other institutions as important sources of service delivery and other opportunities. The SBA, with its financial and technical assistance programs, has become one such target of this activity. As is evident from the summary of SBA activity presented in the preceding section, the Agency has clearly recognized the legitimate needs of Vietnam-era and disabled veterans.

While efforts are underway to improve services to veterans, it seems clear that some segments of the Vietnam-era veteran population present a special challenge to the SBA. We emphasize "some segments" because it would be a mistake to lump all of the men and women who served in the armed forces between August 5, 1964 and May 7, 1975 into a single category.

This special challenge presented by some segments of the population results from the convergence of four factors. One is the strong feeling of alienation experienced by many Vietnam-era veterans which makes it difficult for them to function effectively in our basic social institutions. The reasons for this are, of course, complex but they are linked to the nature of the Vietnam conflict and the civil conflict it generated at home. Thus, many would prefer to set out on their own or work closely with other veterans who might understand them and be more tolerant.

This tendency is reinforced by a second factor, namely the physical disabilities and the emotional price many veterans are still paying for their experience in Vietnam - a condition often diagnosed as post-traumatic stress syndrome (PTSD). But these same characteristics

that drive them away from our basic institutions can also make it difficult for them to initiate or successfully operate ventures of their own. Thus the third factor is the high risk nature of starting a small business. The failure rate is high even under the best of circumstances, but when the normal risks of starting a business are combined with the psychological, physical and emotional scars of war, the odds against success can be overwhelming.

The special challenge is even more clear when these are combined with a fourth factor: that segment of the Vietnam-era veteran population that served in combat situations is made up of a disproportionate number of persons with low levels of education and of veterans who are members of minority groups. They suffer from high rates of unemployment and often lack the skills and the contacts necessary to enter into self-employment.

It is against this background and within the context of the history of SBA's relationship to veterans that the objectives of this study can be understood.

Objectives of the Study

The present study is an integral part of SBA's effort to implement its policy of special consideration for veterans. If veterans are to receive special consideration then SBA needs a clear understanding of their interests and needs - particularly any special barriers that they face in their entrepreneurial quest. The overall objective of our study is to increase this understanding. Specifically our study is designed to achieve the following objectives:

- Determine extent to which Vietnam-era veterans aspire to become small business owners and operators.
- Determine their perceptions of the legal and financial institutions which are pivotal to their success.
- Determine the factors present among the successful Vietnam-era entrepreneurs that differ from those of the group that have been unable to launch a business, but would like to do so.
- Isolate the relative importance of such factors, including age, experience, or education, that were included above.
- Suggest any allowances that may be required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment.

Structure of Report

This report is divided into four chapters including this introductory chapter. Chapter 2 describes our analytical framework and the study methodology. Chapter 3 presents a statistical description of our sample of respondents. It includes data on military background, personal and family background and business interests and experience. Where comparative data is available we will use it to compare our sample with the national population of Vietnam-era veterans.

In Chapter 4 we present our analysis and findings. They will cover:

- an analysis of the entrepreneurial aspirations of Vietnam-era veterans;
- a description of the characteristics of veteran owned businesses;
- an examination of the experience of Vietnam-era veterans with SBA and private sector institutions, especially banks, and their perceptions of these institutions;
- a comparison of successful with unsuccessful veteran entrepreneurs to identify key predictors of success and failure; and

- an analysis of the entrepreneurial experience of disabled veterans in order to understand how their experience differs from that of other veterans and what special assistance they might need.

Chapter 2: Analytical Framework and Methodology

Analytical Framework

For our analytical framework we have identified four groups of veterans to focus on in our study. We will refer to these as entrepreneurial types. The four types are:

- the aspiring entrepreneur
- the disappointed entrepreneur
- the unsuccessful entrepreneur
- the successful entrepreneur

These four types represent various stages of the entrepreneurial experience from aspiration to successful operation

In the aspiring entrepreneur category we will not include every veteran who simply indicates an interest in owning and operating their own business. Our society encourages the development of strong individualistic values including the desire to be one's own boss and control one's own economic destiny, even among many who will never act on these feelings. This basic character trait of American culture is bound to emerge in a study of this type. Since our purpose is in part to assist SBA in defining the basic characteristics of Vietnam-era veterans who are potential users of their programs and services, our definition of aspiration needs to be a realistic and useful one. Thus, in the aspiring entrepreneur group we have included only those who have a high level of interest and have seriously considered starting their own business and think it very likely that they will do so in the near future and have taken some steps in this direction. Such characteristics suggest they could become serious candidates for SBA assistance.

The diappointed entrepreneur includes those who not only have strong aspirations but have tried without success to start their own business. They may have put together a loan package or business plan and approached SBA or a bank for start-up capital or taken other steps. Our task is to help SBA determine the factors associated with lack of success.

The unsuccessful entrepreneur includes those who were able to get a business underway only to have it fail within the first three years. Again, our goal is to help SBA understand the factors associated with lack of success.

The successful entrepreneur includes those who currently own and operate their own business and have been doing so for at least three years or who operated a previous business for at least three years and left that business for reasons other than economic failure or personal stress. Our goal here is to try to isolate the factors associated with success and to understand whether, and if so, how they differ from those associated with the experiences of the disappointed and unsuccessful entrepreneurs.

Sample Development

Two primary considerations dictated the design of our research methodology. The first was our inability to develop a representative sample of Vietnam-era veterans at either a state or national level. The resource needed to do this, a list of the universe (names and addresses) from which to draw a sample, does not exist. While both the Department of Defense and the Veteran's Administration have partial lists, the Privacy Act makes access problematic and, even if access were gained, the lack of completeness and the lack of currency for addresses raises serious questions as to whether the resulting sample would be worth the effort required.

The second consideration was our need to ensure, for analytical purposes, that our study sample would include sufficient numbers of veterans with certain entrepreneurial and demographic characteristics. This was necessary, for example, in order to analyze the differences between the successful and unsuccessful entrepreneurs. It was also necessary, as our background discussion of Vietnam veterans in Chapter 1 suggests, in order to determine whether disability or minority status are important determinants of entrepreneurial success or of perceptions of service institutions.

Thus in the absence of a total list of potential respondents, our methodology needed to guarantee a sample that would include sufficient numbers of each of the entrepreneurial types, as well as Black, Hispanic and disabled veterans, in order to achieve our study objectives.

Based on these considerations we decided to work through the network of major national veteran's groups (e.g. American Legion, VFW) and the national, state and local Vietnam-era veteran organizations springing up in every state throughout the country. Some of the latter are government sponsored, e.g. state commissions and the Vietnam Veteran Leadership Program, while others are voluntary associations.

We secured the cooperation of leaders in a representative number of these organizations in each of the states included in our study. Through their knowledge and special relationship to their members we were able to gain access to a sample suitable for our purposes.

The study was carried out in two phases: a pilot phase in Massachusetts and an expanded phase in New York, Ohio and Texas. This enabled the study team to test and refine our sample development and data collection techniques close to home (Massachusetts) at minimum cost before moving into the other states.

We took a number of factors into consideration in selecting the three expansion states. These included:

- geographic location - we wanted to include states from four different federal regions.
- economic characteristics - our goal was to include states with somewhat different industry mixes.
- characteristics of veteran population - we wanted to make sure that we reached states with sizable Black and Hispanic veteran populations.
- veterans' organizational infrastructure - we selected states where Vietnam veterans have succeeded in developing a number of active organizations.
- cost to study - once the preceding criteria had applied, it made sense to avoid, if possible, states located a great distance from our study headquarters in order to minimize travel related costs.

Our total sample consisted of 472 respondents in four states: Massachusetts, New York, Ohio and Texas. Once we gained the cooperation of the leaders of the various veteran organizations, we generated our sample using a combination of techniques. They included:

- attending membership meetings where we described the study, asked for volunteers and distributed questionnaires.
- publishing an announcement of the study and an invitation to participate in the organization's newsletter or posting it in their meeting hall.
- mailing a description of the study to a total sample or representative sample of their membership with a return postcard for those interested.
- mailing a number of study descriptions and return postcards to the leadership who in turn distributed them to members.
- asking respondents to include on their questionnaire the names and addresses of other Vietnam-era veterans who they thought might be interested in participating and to whom we then sent an invitation and return postcard.

Using these techniques we were able, with the help of the organization leaders, to locate and attract sufficient numbers of each entrepreneurial

type as well as minority and disabled veterans to participate in the study.[8]

Instrument Design and Data Collection

The data for this study were collected using two distinct but integrated methodologies: a questionnaire-based survey supplemented by two sets of in-depth interviews. One set of interviews was conducted with veterans who were members of our questionnaire sample, the second set was conducted with persons we refer to as institutional decision-makers. These are people in key positions in Congress, the SBA and financial institutions who play a critical role in shaping and limiting entrepreneurial opportunities for veterans.

The questionnaire was constructed of both fixed choice and open-ended questions and required from 15 to 35 minutes to complete, depending on the extent of a person's business experience. It was designed to be self-administered and consisted of four sections:

- Section I: Military Background
- Section II: Interests and Aspirations This section was completed only by respondents who had no entrepreneurial experience and was designed to measure their level of aspiration.
- Section III: Business Experience This section was completed only by those who had at least tried to start their own business and was designed to help us understand the factors associated with success and lack of success as well as the extent and nature of their experiences with governmental and private sector institutions and their perceptions of these institutions.

---

[8] There is one exception to this which we will discuss in Chapter 4, but it did not pose an insurmountable problem.

- Section IV: Other Personal, Family and Military Background This section asked for the standard demographic and background information, e.g. sex, race, education, income. It also asked a few questions about their Vietnam experience.

A complete copy of the questionnaire is included as Attachment E to this report.

We selected 60 veterans, who had completed our questionnaire, for in-depth interviews based on five criteria:

- entrepreneurial type
- minority status
- whether or not they suffered from a disability
- the extent and nature of their experience with governmental institutions, especially the SBA
- the extent and nature of their experience with private sector institutions

Thus our goal was to include in our interview sample veterans with the full range of entrepreneurial experiences and experiences with governmental and private sector institutions (particularly SBA and the banks) representing all races and including some disabled veterans.

Each interview was taped and lasted from 45 - 90 minutes.[9] While all interviews covered some common areas, the focus of these interviews varied depending on the reasons for selecting a particular veteran to be interviewed. For example, with a disabled veteran we would explore the role, if any, his disability has played in his entrepreneurial experience. With veterans who had particularly unsatisfying experiences with the SBA we probed to determine what the real source of dissatisfaction was and what, if anything, could have been done to improve the situation.

---

[9] A few of the interviews were conducted by telephone and were not taped.

We have not included a separate analysis of these interviews in this report, rather we have used them to help us to arrive at a fuller understanding of the questionnaire data and to help us avoid misinterpretation of our survey findings.

The data from the questionnaire and the in-depth interviews with veterans enable us to view the entrepreneurial world from the perspective of the Vietnam veteran. But if the SBA is to develop a realistic overall program strategy that responds to the varied needs of veterans then it is necessary to understand the point of view of some of the decision makers who play a key role in shaping and limiting entrepreneurial opportunities for veterans.

We used our interviews with institutional decision makers to learn what their experience with veterans had been and what their preceptions are of the interests and needs of Vietnam veterans. We were interested in how they viewed their responsibilities to this group and what they thought was feasible and desirable in terms of programs and services.

We selected 26 decision makers from four states and from Congressional offices for these interviews. They included SBA officials from headquarters, regional and district offices; members of the Senior Corps of Retired Executives (SCORE); counselors in Small Business Development Centers (SBDC's); officials of state agencies involved in delivering services to veterans; bank loan officers; and Congressional aides from key Congressional committees. Our analysis of these interviews is included as Attachment F to this report.

Data Processing and Analysis

As questionnaires were received they were reviewed for completeness and accuracy. In those instances in which there were inappropriate gaps or responses that could not be coded for statistical analysis, an effort was made to reach the respondent by telephone for clarification.

The next step was to code the open ended questions and recode several of the fixed choice questions. In doing this coding we took into consideration the overall objectives of the study. It was important to make the categories for our variables reflect what was in the data and at the same time make them relevant to the questions most central to the study.

As the first phase of our data analysis we looked at our results one variable at a time. This univariate analysis was based on frequency distributions and the various statistics associated with such data (e.g., measures of association and dispersion). These frequencies were used for a variety of purposes. One was to describe our sample and make comparisons with the national population of Vietnam veterans. These comparisons are important for assessing possible sources of bias in our sample. Much of this analysis is presented in Chapter 3. Another use of this univariate analysis was to obtain descriptive information for each question in the study. In many cases the frequency data represent important findings reported in Chapter 4.

A second phase of the data analysis called for examination of the bivariate (two variable) relationships between our variables. Here we examined the relationship between our key dependent variables (e.g., level of aspiration, entrepreneurial success, etc.) and our independent variables (e.g., level of education, minority status, disability status,

etc.). In this analysis we made use of Pearson correlation coefficients as well as various measures of rank-order (nonparametric) correlation such as Spearman's rho coefficient. We made extensive use of the measures of association available for bivariate contingency tables, in particular Kendall's Tau b and Tau c as well as the gamma coefficient. We also considered the chi-square statistic and various measures of association based on chi-square. This bivariate analysis had two major objectives. One was to isolate the important bivariate relationships. Many of these turned out to be important findings which are reported in Chapter 4. A second objective was to determine which of these bivariate relationships required further study using various multivariate procedures.

The third phase of our data analysis called for the use of multivariate procedures. Multivariate analysis refers to an analysis in which three or more variables are taken into consideration at the same time. Typically the focus is on assessing the impact of one variable on another while controlling for the effects of one or more additional variables. Where we were interested in considering only one control variable, we generally used a multivariate version of contingency table analysis. When we were interested in controlling for several variables at the same time, we found discriminant analysis most useful.

Discriminant analysis is a procedure that is in many respects similar to multiple regression, but it can be used in situations in which the dependent variable of interest is categorical or nominal (e.g., variables such as disability and entrepreneurial type) rather than continuous or interval (e.g. age or years of experience). As many of the dependent variables of interest in the present study are categorical, discriminant analysis has proven to be more useful than multiple regression analysis. As in the case of multiple regression the coefficients obtained in

discriminant function analysis provide an estimate of the relative strength of the effect of a particular predictor controlling for the effects of the other predictors in the same equation.

There are many reasons for doing multivariate analysis. One reason is to determine whether certain key bivariate relationships hold up or turn out to be spurious when appropriate causally prior variables are controlled. For example, we could find a relatively strong relationship between membership in Vietnam veterans groups and entrepreneurial success, one that shows that members are more likely to be unsuccessful. Before concluding, however, that membership in such groups somehow contributes to failure in small business, we institute controls for several variables such as education, experience and disability which are causally prior to membership in a group. As a result of this multivariate analysis we might discover that disabled veterans are much more likely to join such groups and that disability is more strongly associated with lack of success than is membership.

Another reason for doing multivariate analysis is to specify the conditions under which a particular bivariate relationship is stronger or weaker. For example, we might find that service in Vietnam is strongly related to level of entrepreneurial aspiration where those who served tend to have stronger aspirations. Yet when we control for education we might find that the relationship between Vietnam duty and aspiration is actually very strong for veterans with lower levels of education and non-existent for those with higher levels of education.

The third major use of multivariate analysis is to assess the magnitude of the effects of predictors controlling for several other variables at the same time. For example, we might discover that minority status, education, employment status, occupation, and several other variables are all associated with level of aspiration. We could control several of these at once using discriminant function analysis to determine the relative strength of each as a predictor of aspiration.

Chapter 3: Description of Sample

Our main study sample consists of 472 Vietnam-era veterans from four states: Massachusetts (n=219), New York (n=93), Ohio (n=77), and Texas (n=83). Each respondent completed a copy of the questionnaire described in Chapter 2. In this chapter we describe our sample in terms of military background and experience, personal and family background and business experience. Where comparative data are available we will use it to compare our sample with the total Vietnam-era veteran population and, in a few cases, with the U.S. population.

This use of comparative data will enable us to better judge the extent to which our sample is representative of Vietnam-era veterans in general and thus avoid making any unwarranted generalizations based on our findings.

Military Background and Experience

We asked our respondents what branch of service they were in. Table 1 shows the distribution of their responses and also presents comparative data for the total population of Vietnam-era veterans.[10] As Table 1 indicates, veterans who served in the Army and Marine Corps are overrepresented in our sample while those who served in the Air Force and Navy are underrepresented.

---

[10] Because of the need for the frequent use of the term "Vietnam-era veteran" and because this is the primary veteran group dealt with in this study, we will simplify and save space by using the term "veteran" except in those few cases where it could result in misunderstanding.

These differences probably reflect the differences in membership in veterans organizations - particularly Vietnam veteran organizations - through which we developed our sample. Sixty-seven percent of our respondents indicated they are a member of one or more Vietnam-era veteran groups and 47% are members of one or more of the other veteran groups, such as the American Legion or AmVets. Membership in these organizations may in turn reflect differences between the branches in military experience during the Vietnam-era. Based on their experience, Army and Marine Corps veterans may feel a stronger need for the camaraderie and support that veterans groups can provide.

TABLE 1

PERCENT OF RESPONDENTS
AND OF TOTAL VIETNAM-ERA VETERAN POPULATION
IN EACH BRANCH OF SERVICE

Branch	Study Sample (%)	Total VEV Population (%)[a]
Air Force	12	18
Army	58	50
Coast Guard	1	1
Marine Corps	16	10
Navy	13	21
	100	100
	(n = 472)	

[a] Source: VA: Data on Vietnam-Era Veterans, September 1981.

We also asked our respondents what their highest rank was. Based on their responses there appears to be no difference between our sample and the total population. Ninety-two percent of our sample were enlisted and 8% served as officers. The comparable percentages for the total population are 93% and 7%.[11]

Members of our sample served a median of 36 months in the military differing little from the total population median of 36.9 months. On the other hand, there is a large difference between these two groups in terms of the proportion who served in Vietnam. Seventy-nine percent of our sample, but only 32% of the total Vietnam-era population, served in Vietnam. Here again this probably reflects a difference in who joins Vietnam veteran organizations which in turn reflects differences in military experience.

Of those in our sample who served in Vietnam, 85% reported they served in units assigned to combat. Their median tour of duty in Vietnam was 12.1 months. It seems clear that we have succeeded in including in our sample a large number of Vietnam veterans with combat experience.

As might be expected, this also means we have included a sizeable number of disabled veterans. As we mentioned in Chapter 1, one of the objectives of this study is to determine whether any special measures are needed to assist the disabled veteran in their entrepreneurial efforts. Thirty-three percent of our sample report some degree of disability. This is compared to only 7% of the total Vietnam-era veteran population. Table 2 shows the degree of disability for members of our sample and the

---

[11] Unless otherwise indicated, all statistics on the total population of Vietnam-era veterans are estimates developed by the VA, Office of Information Management and Statistics and published in their report: Data on Vietnam Era Veterans, September 1983.

comparable percentages for all disabled Vietnam-era veterans as classified by the Veterans' Administration.

TABLE 2

PERCENT OF DISABILITY OF RESPONDENTS
AND OF ALL DISABLED VIETNAM-ERA VETERANS

Percent Disability	Study Sample (%)	Total VEV Population (%) [a]
0 - 10	42	40
20 - 40	36	38
50 - 70	12	13
80 -100	10	9
	100	100
	(n = 148)	

[a] Source: VA: Data on Vietnam-Era Veterans, September, 1983.

The figures in Table 2 show a remarkable similarity between the two groups. Seventy-eight percent of both groups suffer from a disability of 40% or less.

Because it could be related to entrepreneurial success, we also asked members of our sample to briefly describe the nature of their disability. The Veterans Administration classifies disabilities into three types: tuberculosis, lungs and pleura; psychiatric and neurological; and general medical and surgical. The psychiatric classification includes cases diagnosed as Post-Traumatic Stress Syndrome (PTSD) while the general medical and surgical includes amputees and paraplegics.

Table 3 compares the types of disabilities of members of our sample with those of the total Vietnam-era veteran population. Based on this

data and the data presented in Table 2 it appears that in terms of degree and type of disability, our sample closely represents the total population.

TABLE 3

PERCENT OF DISABLED MEMBERS OF STUDY SAMPLE WITH EACH TYPE OF DISABILITY COMPARED WITH TOTAL VIETNAM-ERA VETERAN POPULATION

Type of Disability	Study Sample (%)	Total VEV Population (%)
Psychiatric, Neurological	17	18
General Medical and Surgical [a]	69	82
Both [b]	14	--
	100	100
	(n = 156)	

[a] Less than .5% of all disabled are classified as suffering from tuberculosis, lungs, and pleura and are included in the general medical and surgical category.

[b] Gave description of disability that included both psychiatric or neurological problems as well as general medical and surgical.

Finally, we asked our respondents to indicate the type of discharge they received: honorable, general, medical or other. Table 4 shows that on this measure there is effectively no difference between members of our sample and the total Vietnam-era veteran population. The slight difference in the percent with "bad" discharges could reflect the result of requests for upgrading these discharges after veterans have returned to civilian life.

TABLE 4

PERCENT OF STUDY SAMPLE RECEIVING EACH TYPE OF DISCHARGE COMPARED WITH TOTAL VIETNAM-ERA POPULATION

Type of Discharge	Study Sample (%)	Total VEV Population (%)
Honorable	93	92
General [a]	1	
Medical	5	4
Other [b]	1	4
	100	100
	(n = 472)	

[a] A General discharge is classified as an Honorable discharge

[b] Includes, Bad Conduct, Undesirable, and Dishonorable discharges

In summary, we can say that in terms of military background and experience, our study sample is very similar to the total population of Vietnam-era veterans as measured by highest rank achieved, length of time in service, degree and type of disability and type of discharge received. On the other hand, we have, by design, included a disproportionate number of disabled veterans, those who served in Vietnam and who are now members of veterans' organizations. It will be important to keep these similarities and differences in mind when analyzing the data.

Personal and Family Background

We asked our respondents a number of questions about their personal and family background including their age, race, education, income and

marital status. This information will be useful in our effort to determine the best predictors of entrepreneurial success and in understanding veterans' perceptions of and experiences with such institutions as banks and the SBA.

Studies show that men more than women and persons between the ages of 36 and 55 are more predisposed to choose entrepreneurship as a career.[12] Ninety-eight percent of our sample is male, which is roughly the same as the proportion of all Vietnam-era veterans (97%). Their average age is 37.2 years which is also about equal to that of the total Vietnam-era veteran population. Table 4A shows that almost half of our sample (48%) are between the ages of 35 and 37. Sixty-five percent fall within the 36 - 55 age range that are the most likely candidates for entrepreneurial careers.

TABLE 4A

DISTRIBUTION OF RESPONDENTS BY AGE

Age Range	Number	Percent
25 - 32	32	7
33 - 34	52	11
35 - 37	225	48
38 - 42	118	25
43 - 65	41	9
	468	100
Average Age: 37.2		

[12] SBA, The State of Small Business, 1984, p.372.

The U.S. Department of Commerce reports that the likelihood of members of racial groups becoming entrepreneurs is in the following rank-order: (1) White (2) Asian (3) Hispanic and (4) Black.[13] That there is a strong relationship between minority status and economic opportunity in our society has been throughly documented. Part of our interest in Chapter 4 will be to learn from our data the extent to which membership in a minority group is related to aspirations and entrepreneurial success for veterans.

Sixteen percent of our sample, as shown in Table 5, consists of minority group members: 10% Black; 4% Hispanic; and 2% American Indian and others. The comparison in Table 5 with the total Vietnam-era veteran population shows that our sample is quite representative in this regard.

---

[13] SBA, The State of Small Business, 1984, p.372.

TABLE 5

COMPARISON OF STUDY SAMPLE WITH
TOTAL VIETNAM-ERA VETERAN POPULATION
BY RACE AND HISPANIC BACKGROUND

Group	Study Sample (%)	Total VEV Population (%)
White [a]	84	87
Black	10	9
Hispanic	4	4
Other	2	Unknown
	100	100
	(n = 472)	

[a] Does not include Hispanics.

We also asked each respondent to describe their current or (if unemployed) their normal occupation. Table 5A shows that 44% of our sample describe themselves as professional or managerial while 41% are normally employed in blue collar positions.

TABLE 5A

DISTRIBUTION OF RESPONDENTS BY OCCUPATION

Occupation	Number	Percent
Professional/Managerial	199	44
Sales/Clerical	67	15
Craft Workers	93	20
Laborers [a]	95	21
	454	100

[a] Includes operatives, farm laborers, service workers, household workers and other semi or unskilled laborers.

Unemployment can be both an obstacle to and an incentive for self-employment. The average unemployment rate for all Vietnam-era veterans during the third quarter of 1983 was 7.5%. The percent of our sample who are unemployed a year later is 13.0%.[14] Among other things we will explore the extent to which unemployed veterans aspire to be entrepreneurs.

---

[14] The percent describing themselves as unemployed in our sample was actually 17.6%. However, we adjusted this to make it comparable with the national rate. This adjustment consisted of excluding students and those with a disability of 50% or more. Exact comparisons are not possible since we do not ask whether these veterans were actively seeking work. However, based on our approximation, it is probably safe to conclude that unemployed veterans are overrepresented in our sample.

Family income can be an important source of capital for small enterprises. The median family income of our respondents in 1983 was $27,936. This compares with a median of $28,670 for all Vietnam-era veterans in 1983.[15] The official 1983 poverty level was $9,300. While 6% of the Vietnam-era veteran population fell below this level, 12% of our sample earned below $10,000.

Studies show that among the factors that influence choice of an entrepreneurial career are marital status and number of dependents. One of the findings is that family heads with one or two children and a working spouse are strong candidates to become entrepreneurs.[16] In Table 6, we present data comparing the marital status of members of our sample with that of all Vietnam-era veterans. It shows that divorced veterans are overrepresented and married veterans slightly underrepresented in our sample.

---

[15] The national data on median income come from the VA document: Annual Report 1983, p.7. We calculated the median family income only for family heads 45 and younger for comparative purposes since this was the basis on which the national figure was calculated. However, it should be pointed out that this group represents 79% of our sample.

[16] SBA, The State of Small Business, p.372.

TABLE 6

COMPARISON OF STUDY SAMPLE WITH
TOTAL VIETNAM-ERA VETERAN POPULATION
BY MARITAL STATUS

Marital Status	Study Sample (%)	Total VEV Population (%)
Married	69	74
Never Married	12	13
Separated	3	3
Divorced	16	9
Other[a]	*	*
	100	100
	(n = 472)	

[a] Less than 1% are widowed or living together.

Table 7 presents the data on number of dependents. It shows that 45% of our sample fall into the group having one or two children. As mentioned earlier, this group may be more likely than others to choose entrepreneurship as a career.

TABLE 7

PERCENT HAVING SPECIFIED NUMBER OF DEPENDENTS IN STUDY SAMPLE

Number of Dependents	Percent
None	17
One	15
2 - 3	45
4 or More	23
	100

Formal education is one source of the knowledge and skills that can contribute to entrepreneurial success. Table 8 presents data on the educational achievements of members of our sample and for all Vietnam-era veterans. It reveals some differences between the two groups and shows our sample to be somewhat more educated than Vietnam-era veterans in general. The primary difference is between the percentage in each group with only a high school education and with less than four years of college. This is probably due in part to the greater tendency of the more highly educated to participate in surveys of this type. It is important that this difference be kept in mind when we discuss findings related to education.

TABLE 8

EDUCATIONAL ACHIEVEMENT OF MEMBERS OF STUDY SAMPLE AND OF TOTAL VIETNAM-ERA VETERAN POPULATION

Achievement	Study Sample (%)	Total VEV Population (%)
Less than High School	2	8
High School	23	43
Some College	45	27
College: 4 yrs. or more	30	22
	100	100
	(n = 472)	

Since it is quite possible that formal education in business or a business related field could be an important determinant of success in business, we asked our respondents whether they had acquired such education. Sixteen percent of our sample said they have either an undergraduate or graduate degree in a business related field. Another 37% said they had taken "some courses" in a business related field. Comparative data from the total population is not available, however, it would probably show a much lower percentage.

In summary, we can say that our sample is similar to the total population of Vietnam-era veterans in terms of age, gender, minority status and family income. On the other hand, the unemployed veteran is overrepresented, divorced veterans overrepresented, and members of our sample have completed more education than Vietnam-era veterans in general. Here too it will be important to take these differences into consideration when analyzing our study results.

Business Experience

In Section 3 of the questionnaire, we asked veterans to describe their current and next most recent experience in either trying to start or in actively operating a small business. Their responses show that 62% have had some entrepreneurial experience. A further breakdown reveals that 41% of our study sample are currently starting or operating their own business. An additional 21%, while no longer self-employed, had been so in the past. At least 9% of our sample have been involved in two or more different entrepreneurial ventures.

As we discussed earlier, the objectives of this study require that we include in our study sample sufficient numbers of successful and unsuccessful entrepreneurs to enable us to statistically compare these two groups and analyze the differences between them. In addition, we are interested in the level of entrepreneurial aspiration among those without any business experience.

The 62% of our sample with some entrepreneurial experience include a sizable number of successful entrepreneurs. Among the 21% who were once in business but are no longer we will select out the unsuccessful and disappointed entrepreneurs for further analysis. Finally, we will focus on the 38% of our sample without any business experience in order to study the extent and focus of their entrepreneurial aspirations; their reasons for wanting or not wanting to be in business for themselves; and the types of assistance they might need if and when they attempt to start their own business.

Table 9 shows the distribution of each of the entrepreneurial types in our sample. The data show that 17% are entrepreneurs who have

successfully operated a business for three or more years. Seven percent, the unsuccessful, were able to get a business started but saw it fail within the first three years. Five percent tried to start their own business but were unable to (the disappointed), and 5% are in the beginning stages of their first experience as an owner-operator. Twenty-nine percent have a moderate to strong interest in opening a small business (the aspiring). The remainder of the sample are either uninterested or have a very slight interest in self-employment; have operated their own business successfully in the past but for fewer than three years and thus are excluded from the successful entrepreneur category; or did not otherwise meet the rather strict criteria we used to include a person in one of the four major categories. The use of fairly narrow definitions for each type is desirable for analytical purposes since it will help to sharpen the differences between groups of respondents.

TABLE 9

DISTRIBUTION OF ENTREPRENEURIAL TYPES IN STUDY SAMPLE

Type	Number	Percent
With Entrepreneurial Experience		
Successful	81	17
Unsuccessful	31	7
Disappointed	24	5
Beginner	24	5
Non-Classifiable	132	28
With No Entrepreneurial Experience		
Aspiring (Strong)	43	9
Aspiring (Moderate)	97	20
Uninterested	40	9
	472	100

[a] The distinction between strong and moderate aspirations will be discussed in Section A, Chapter 4.

[b] Includes all respondents who do not fit into one of the other categories.

Chapter 4: Analysis of Data and Presentation of Findings

In Chapter 2 we outlined our three phase approach to analysis of the data: a univariate analysis of each variable followed by a bivariate analysis of relationships between key variables and, when appropriate, multivariate analysis using contingency tables with a single control variable and/or discriminant function analysis for controlling several variables at once. In this chapter, where we present our analysis and major findings, we will follow this analytical scheme.

The chapter is arranged in five sections. As described in Chapter 1, they are:

- Section A: entrepreneurial aspirations of Vietnam-era veterans
- Section B: characteristics of veteran-owned businesses
- Section C: experience with and perceptions of SBA and private sector institutions
- Section D: comparison of successful and unsuccessful entrepreneurs
- Section E: disabled veterans and entrepreneurship

In each section we will conduct our analyses, present and discuss our findings.

A. Entrepreneurial Aspirations of Vietnam-Era Veterans

As discussed in Chapter 1, one of the specific objectives of this study is to determine the extent to which Vietnam-era veterans aspire to become small business owners and operators. Since we were not able to develop a true random sample of veterans we have designed an alternative procedure for estimating the extent of entrepreneurial aspirations in the total veteran population. This involves identifying some of the primary characteristics of veterans with strong aspirations and, based on our

knowledge of the incidence of these characteristics in the total Vietnam-era veteran population, developing estimates of the proportion of Vietnam-era veterans who could be considered as aspiring entrepreneurs. A detailed description of this procedure is contained in Attachment H.

In Chapter 2 we noted that the desire to be in business for oneself is linked closely with the basic cluster of American values that revolve around individualism and capitalism. Any survey of this type is bound to tap into those values. Since we want to identify veterans who can realistically be considered as potential entrepreneurs and users of SBA services, we need to define the aspiring entrepreneur in such a way that we do not include every veteran who at one time or another has felt it would be nice to be his own boss.

To ensure that our definition be a useful one, we constructed an additive scale based on five questions in the questionnaire.[17] A score was then calculated for each respondent based on their responses to these questions. We then divided the distribution of scores into three categories or levels of aspiration: weak, moderate, and strong. The resulting variable, the level of aspiration, can now be used as the dependent variable for analytical purposes.

We remind the reader that our total sample consists of 472 cases. Of these, 292 have had some entrepreneurial experience and were instructed to skip Section 2 in the questionnaire where the questions on aspiration were located. The remaining 180, 38% of our sample, who reported no entrepreneurial experience were asked to complete Section 2. This is the group whose responses the present analysis is based on.

---

[17] A more detailed description of the construction of this scale can be found in Attachment G.

We first asked the "no experience" respondents to indicate their ideal form of employment ranging from fully self-employed to fully employed by others in a large enterprise. Table 10 summarizes their responses. It shows that 60% of this group would ideally like to be full-time entrepreneurs while another 22% would choose self-employment on a part-time basis. Only 18% report no interest at all in self-employment.

TABLE 10

IDEAL FORM OF EMPLOYMENT FOR VIETNAM-ERA VETERANS WITH NO ENTREPRENEURIAL EXPERIENCE (n = 180)

Form of Employment	Percent
Fully self-employed in a small business	60
Major part-time self-employed [a]	14
Minor part-time self-employed [b]	8
An employee in small business	13
An employee in large organization [c]	5
	100

[a] The exact wording was "Self-employed part-time and employed by others part-time but with the major portion of my income coming from self-employment."

[b] The exact wording was "Self-employed part-time and employed by others part-time but earning the major portion of my income from being employed by others."

[c] The exact wording was "Fully employed by others in a large business or other type of organization, e.g. government or non-profit agency."

This should not surprise us. Because of the purpose of our study we no doubt attracted veterans as participants who would have some interest in entrepreneurship. Thus these descriptive statistics reveal the extent of bias in our sample. The analytical task is to understand what distinguishes the strong aspirants from the other groups and to attempt to develop some reasonable estimates of their distribution in the general population of Vietnam-era veterans.

What are the motives that make self-employment attractive to veterans and what are the disincentives that could discourage them from making the effort? We asked two questions designed to elicit information on motives and disincentives (see Question 12 and 13 in Attachment E). One asked them to rank in order of importance five potential benefits of self-employment and the other asked them to do the same with four potential drawbacks. Their responses are summarized in Tables 11 and 12.

These tables show that being one's own boss (independence and freedom) is seen as the primary advantage while financial insecurity is felt to be the major disadvantage. The least important motive was leadership opportunity and the disincentive that worried them the least was the prospect of being an authority figure rather than a co-worker. Interestingly enough, based on the responses to these questions, neither long hours nor higher income are the primary concerns of a majority of respondents.

TABLE 11

ADVANTAGES OF SELF-EMPLOYMENT
RANKED IN ORDER OF IMPORTANCE
(n = 180)

Advantage	Rank (%) 1st	2nd	3rd	4th	5th	Total	Average Rank
Freedom [a]	34	30	13	14	9	100	2.36
Challenge [b]	25	21	31	17	6	100	2.57
Higher Income	23	26	23	17	11	100	2.68
Variety and Interest	13	15	19	32	21	100	3.33
Leadership [c]	6	10	13	18	52	100	4.00

[a] The exact wording was "The independence and freedom of being my own boss."

[b] The exact wording was "The challenge of trying to succeed on my own."

[c] The exact wording was "The opportunity to create jobs and exercise responsibility for the working conditions and performance of others."

TABLE 12

DISADVANTAGES OF SELF-EMPLOYMENT
RANKED IN ORDER OF IMPORTANCE
(n = 180)

Disadvantages	Rank (%) 1st	2nd	3rd	4th	Total	Average Rank
Financial Insecurity	64	21	11	4	100	1.55
Constant Pressure	20	48	28	4	100	2.16
Long Hours	12	24	43	21	100	2.72
Authority Figure [a]	5	8	18	69	100	3.50

[a] The exact wording was "Having to be an authority figure rather than a friend or co-worker."

The focus in this section is on the level of entrepreneurial aspiration and factors which might influence it. In Table 13 we show the distribution of veterans on the aspiration scale we described earlier. It shows that 22% have weak, 54% have moderate, and 24% have strong aspirations.

TABLE 13

LEVEL OF ASPIRATION OF VETERANS
WITH NO ENTREPRENEURIAL EXPERIENCE

Level	Number	Percent
Weak	40	22
Moderate	97	54
Strong	43	24
	180	100

We thought it would be interesting to know whether the motivations of strong aspirants differed from those with weaker aspirations. We examined the relationship between these two variables by averaging the rank-ordered responses to the two questions on advantages and drawbacks of self-employment. The results are presented in Tables 14 and 15.

When we examine Table 14 we see that the motivations for self-employment vary little by level of aspiration with one exception. Challenge is less important to those with moderate aspirations than it is to the other two groups. This is interesting because, based on their answers to the questions that the scale is based on, these veterans express a fairly strong interest in self-employment but at the same time do not indicate that they are doing or plan to do much to act on this interest. Conversely, veterans with strong aspirations not only express interest but are preparing themselves to act on that interest. This latter group of strong aspirants are motivated less by economic incentives and more by the psychological and achievement based incentives of independence, freedom and challenge. What this suggests is that the appeal of financial rewards alone is not enough to propel a veteran into an entrepreneurial career. For those who feel that drive and commitment are two of the most important keys to entrepreneurial success, this finding might confirm that feeling.

When we look at the data on the disadvantages of self-employment in Table 15 we see that these disincentives do not vary at all by level of aspiration. Financial insecurity is the greatest concern for all three groups. It is interesting that fear of financial loss is stronger as a disincentive than is the prospect of financial gain as an incentive.

TABLE 14

AVERAGE RANK AND RANK ORDER OF ADVANTAGES OF SELF-EMPLOYMENT BY LEVEL OF ASPIRATION

Advantages	Level of Aspiration: Weak (n = 40)		Moderate (n = 97)		Strong (n = 43)	
	Aver. Rank [a]	Rank Order	Aver. Rank	Rank Order	Aver. Rank	Rank Order
Challenge [b]	2.40	1	2.69	3	2.42	1
Freedom [c]	2.43	2	2.30	1	2.59	2
Higher Income	2.80	3	2.58	2	2.76	3
Variety and Interest	3.45	4	3.24	4	3.41	4
Leadership [d]	3.93	5	4.07	5	3.93	5

[a] Average rank based on 5 point scale with 1 being the most important and 5 the least.

[b] The exact wording was "The challenge of trying to succeed on my own."

[c] The exact wording was "The independence and freedom of being my own boss."

[d] The exact wording was "The opportunity to create jobs and exercise responsibility for the working conditions and performance of others."

TABLE 15

AVERAGE RANK AND RANK ORDER OF DISADVANTAGES OF SELF-EMPLOYMENT BY LEVEL OF ASPIRATION

	Level of Aspiration					
	Weak (n = 40)		Moderate (n = 97)		Strong (n = 43)	
Disadvantages	Aver. Rank[a]	Rank Order	Aver. Rank	Rank Order	Aver. Rank	Rank Order
Financial Insecurity	1.55	1	1.54	1	1.56	1
Constant Pressure	2.20	2	2.09	2	2.30	2
Long Hours	2.68	3	2.87	3	2.61	3
Authority Figure[b]	3.64	4	3.44	4	3.40	4

[a] Average rank based on 4 point scale with 1 being the most important and 4 the least.

[b] The exact wording was "Having to be an authority figure rather than a friend or co-worker."

Type of Business

We also asked respondents who had no entrepreneurial experience to describe the type of business they would be interested in owning. We then used the Department of Commerce's Standard Industrial Classification (SIC) system to code their responses into the nine (2 digit) industry sectors. Table 16 summarizes their responses as distributed by level of aspiration. It shows little difference between those with moderate and strong aspirations though the latter are more

likely to want to start a manufacturing firm or a business in finance, insurance or real estate. Overall, Table 16 shows that 64% of veterans aspire to own businesses in the retail or service sectors.

TABLE 16

TYPE OF BUSINESS ASPIRANTS ARE INTERESTED IN OWNING BY LEVEL OF ASPIRATION

Type of Business [a]	Level of Aspiration [b] Moderate (%)	Strong (%)	Total
Agriculture, Forestry and Fishing	5	2	4
Mining	0	0	0
Construction	7	5	6
Manufacturing	10	16	13
Transportation	3	0	2
Wholesale Trade	3	2	2
Retail Trade	37	33	35
Finance, Insurance, and Real Estate	5	14	10
Services	30	28	29
	100	100	100
	(n = 60)	(n = 43)	(n =103)

[a] Two digit SIC codes

[b] Very few veterans with weak aspirations answered the question since they had little or no interest in owning a business.

Need for Assistance

We next asked respondents who were at least moderately serious to indicate the source from which they would expect to obtain their initial financing or capital if they were to try to start a business. Table 17 presents their responses. It shows that about one-third of aspirants expect they would depend on either their savings or a government or bank loan for start-up capital. The differences between veterans with strong and moderate aspirations are minimal.

TABLE 17

LIKELY SOURCE OF START-UP CAPITAL OR FINANCING BY LEVEL OF ASPIRATION

Source	Level of Aspiration: Moderate (%)[a]	Level of Aspiration: Strong (%)
Family or Friends	7	13
Savings	32	32
Government Agency	30	36
Venture Capital	6	8
Former Owner	1	2
Bank Loan	30	36
Other	3	0
Don't Know	23	30
	(n = 69)	(n = 42)

[a] Percentages add to more than 100 since respondents could indicate more than one source.

While financial resources are a fundamental ingredient of entrepreneurial success, other non-financial types of knowledge and

skills are also important. With this in mind we asked each veteran to indicate whether there were other types of assistance they would need and, if so, what these would be. Sixty-eight percent of those with moderate to strong aspirations felt there were other forms of assistance they would need. Their responses are summarized in Table 18.

It is clear that accounting is the area that most aspiring entrepreneurs (67%) feel the need for help in. This is particularly true for the strong aspirants (74%). The two other areas mentioned most frequently were management and marketing/sales. However, those most likely to start their own business, the strongly aspiring, are less likely to feel inadequate in these areas than are those with only moderate aspirations.

TABLE 18

TYPES OF NON-FINANCIAL ASSISTANCE NEEDED BY ASPIRING ENTREPRENEURS BY LEVEL OF ASPIRATION

Type of Assistance	Level of Aspiration		
	Moderate (%)[a]	Strong (%)	Total (%)
Accounting	61	74	67
Marketing/Sales	47	36	42
Management	62	33	40
Legal	17	12	15
Taxes	9	2	6
	(n = 57)	n = 42)	(n = 99)

[a] Percentages add to more than 100 since respondents could indicate more than one type.

Finally, we asked veterans who completed this section of the questionnaire to list those agencies or institutions they were familiar with that offer assistance in starting or operating a business. Thirty-eight percent responded that they knew of at least one agency or institution. Ninety percent of those answering mentioned the SBA while 19% mentioned SCORE.[18]

Characteristics of Veterans Who Aspire to Be Entrepreneurs

In a study prepared recently by the U.S. Department of Commerce, it was found that a number of personal characteristics are associated with choice of entrepreneurship as a career. They included male gender; status as head of household with one or two children and a working spouse; experience in non-blue collar, nonmanufacturing positions; being between 36 and 55 years of age; and having some post-secondary education.[19] In our attempt to discover the characteristics that are associated with entrepreneurial aspiration among Vietnam-era veterans, we used both bivariate and multivariate techniques. During this process we looked at the relationship between level of aspiration and a wide range of personal, family and military background characteristics

---

[18] This may be lower than the actual percentage who have heard of SCORE since some respondents may have used SBA as a generic term to refer to any of the agency's programs.

[19] U.S. Department of Commerce, Minority Business Development Agency, An Econometric Analysis of Minority Entrepreneurship (Washington, D.C.: Government Printing Office, September, 1983), pp. 1-4. The summary of this studies' findings presented above is taken from the SBA's annual report, The State of Small Business, March 1984, p. 372.

including those mentioned in the study by the Department of Commerce.[20] In the remainder of this section we present the results of this analysis.

Note on Method of Analysis

Before proceeding with the core of our analysis a methodological note is in order. Throughout this chapter we will use two types of multivariate statistical techniques: multivariate (3-way) contingency tables and discriminant function analysis. As described in Chapter 2, the use of multivariate contingency tables involves examining the relationship between two variables, e.g. level of aspiration and education while controlling for a third variable, e.g. minority status. Using this example, the results of this analysis will enable us to draw one of four possible conclusions about a relationship:

(1) Minority status has no effect on the relationship and thus the relationship is true as portrayed by the bivariate table and the relationship is confirmed.

(2) The relationship between aspiration and education becomes very weak for all categories of the control variable and the control variable is causally prior to both. We conclude that the original relationship was spurious and is due to the association between a veteran's minority status and education.

(3) The relationship between aspiration and education becomes stronger for one group of the control variable and weaker for the other. We conclude that there is interaction between the two variables (education and minority status) and it becomes important to specify why the relationship is stronger for one group, e.g. minorities than for the other, e.g. Whites.

---

[20] In the initial stages we included all background variables from the questionnaire except gender (see Attachment E). We are not able to examine the effect of gender on aspiration due to the small number of female veterans in our sub-sample (n=5).

(4) The relationship between aspiration and education becomes weaker in all categories of the control variable when the control variable is not causally prior, e.g. income. We conclude that income is an intervening variable that mediates the effect of education on aspiration level.

In addition to helping us determine the nature of a particular relationship, we will use multivariate contingency tables as a way of checking to see whether oversampling of particular groups might bias our findings. Disabled and unemployed veterans, more highly educated veterans, those who served in Vietnam and those who are members of veterans organizations are overrepresented in our sample. For example, veterans who served in Vietnam represent 79% of the veterans in our sample, but they make up only 32% of all Vietnam veterans. Multivariate tables allow us to make separate statements about the strength of the relationship between say education and aspiration level for those who did serve in Vietnam as opposed to those who did not. By so doing we avoid any bias that might be introduced were we to only present data on the bivariate relationship between education and aspiration without consideration of our oversampling of those who served in Vietnam.

Finally, we will use discriminant function analysis to examine the relationship between a number of control variables and a single dependent variable. For example, as a result of our bivariate and/or multivariate contingency table analysis, we may find that minority status, employment status and income are all related to high aspiration. We can then use discriminant function analysis to help us determine which of these variables is the best predictor of aspiration.[21]

---

[21] See pp. 18 - 20 for a description of this technique. In this report our discriminant function analysis will always involve a dependent variable with only two categories. In this special case the method is analogous to multiple regression analysis and it is appropriate to refer to the independent variables as predictors.

We have sorted through a massive amount of data in this study to arrive at our findings. If we were to ask the reader to follow us through every step, most would find the process so tedious and boring that the meaning would be lost. Therefore, we offer these comments on our analytical method now so that we can simplify as much as possible the presentation of findings that is to follow.

Analysis and Presentation of Findings

To begin our analysis we looked at the bivariate relationship between level of aspiration and all of the background and experience variables in the questionnaire (see Attachment E). Based on this analysis we found that a number of these variables show at least a moderate association with level of aspiration. The findings are summarized below.

- Unemployed veterans are more likely to have strong entrepreneurial aspirations than those who were employed at the time of the survey. Forty-seven percent of the unemployed and 20% of the employed have strong aspirations.

- Veterans from the lower ranks (E1 to E3) are more likely to have strong aspirations (39%) and this likelihood decreases in a linear fashion with officers the least likely (11%).

- Members of lower income groups, those with family incomes of $15,000 and below, are twice as likely to have strong aspirations as those with incomes above $15,000. Forty-three percent of the lower group and 21% of the higher have strong aspirations.

- Veterans with one to three dependents are more likely to have strong aspirations than those with no dependents or with four or more. Twenty-eight percent of the former group and 14% and 23% of the latter two have strong aspirations.

- Veterans with less formal education are more likely to have strong aspirations. Thirty-two percent of those without any college and 19% with a college degree are strong aspirants.

- Black veterans (35%) and minorities in general (36%) are somewhat more likely than Whites (24%) to be strong aspirants.

- Blue collar workers are more likely to have strong aspirations than are those in white collar jobs. This is true of 31% of the former and only 20% of the latter group.

- Disabled veterans (33%) are somewhat more likely than the non-disabled (23%) to have strong aspirations but this is true only for those with a disability of 70% or less. The more severely disabled do not express a strong interest in starting a business.

- Veterans who served in Vietnam are slightly less likely to have strong aspirations than era veterans who did not. However, among those who did serve in Vietnam, if they served in units assigned to combat they are much more likely to have strong aspirations (27%) than those who did not (5%).

Before continuing with the multivariate analyses, it is worth mentioning two of the background variables that do not appear to be associated with strength of aspiration. A veteran's age and whether he or she has a degree in a business-related field does not seem to be associated with entrepreneurial aspiration. This could mean that formal business education credentials are viewed more as requirements for a career in a larger institution. In the case of age, we found no association but it may be of interest that the age group with the highest percentage of strong aspirants is the 41-45 year old group (42%).

While there are a rather large number of factors that seem to be associated with level of aspiration, we have reason to believe on theoretical grounds that the really important influences are fewer in number. For example, it is possible that occupation, as a causally prior variable, might account for the relationship between income and aspiration since our income is largely determined by the type of work we do. Or the relationship between disability and aspiration may be a result more of unemployment than of disability since a large proportion of the disabled are unemployed. We will use multivariate techniques in an attempt to clarify these relationships.

As we summarized earlier in this section, it is the purpose of multivariate contingency table procedures to help us to distinguish the real from the spurious relationship; determine whether there is interaction between variables or whether there are intervening variables affecting the observed relationship; and allow us to make sure that our oversampling of particular groups - in this case the disabled, the unemployed, and more highly educated - does not bias our results by exaggerating or understating the strength of relationships. Our use of discriminant function analysis will enable us to look at the relationship between aspiration and several related variables simultaneously while controlling for all the others and thereby determine with greater precision the relative strength of each predictor of aspiration.

In our bivariate analysis we found level of aspiration to be associated with nine different background characteristics. They were employment status, rank, income, number of dependents, education, race/minority status, occupation, disability status and whether or not the respondent had seen combat in Vietnam. In our multivariate contingency table analysis we introduced one or more controls for each of these relationships. We summarize the more interesting results of this analysis below.

- The tendency for the unemployed to have higher aspirations remains at least moderately strong for almost all sub-groups when we control for disability status, race, education and minority status.

- The association between rank in service and aspiration does not change significantly with controls for other variables, however, in several cases, cell frequencies are too small to determine the degree of effect.

- The combination of low income and low education increases the likelihood that a veteran will have strong aspirations. Fifty percent of this sub-group have strong aspirations.

- Being a member of a minority group and having an income below $15,000 significantly increases the probability that a veteran will have strong aspirations. Fifty-four percent of this group are strong aspirants. Minorities with incomes of $30,000 and above are highly unlikely to be interested in starting their own business.

- Disabled veterans without dependents are just as likely as all veterans with 1 - 3 dependents to have strong aspirations. However, the non-disabled without dependents are not likely at all to be interested in self-employment.

- The likelihood that veterans in blue collar jobs will have strong aspirations increases significantly if the veteran is a member of a minority group. Fifty-four percent of this sub-group are very interested in starting their own small business.

- Minority veterans who have not attended college are very likely to have strong aspirations (60%); and those who are unemployed have the highest percentage of strong aspirants of any sub-group in our sample (70%).

As a result of our earlier analysis using bivariate contingency tables we identified nine characteristics that appeared to be associated with the strength of a veteran's entrepreneurial aspiration. They included employment status, rank, family income, number of dependents, education, race/minority status, occupation, disability status and combat duty in Vietnam. Based on further analysis with multivariate contingency tables using appropriate control variables we now learn that the relationship between strength of aspiration and the aforementioned characteristics is stronger among groups who rank lower on two of these characteristics, e.g. education and income or the unemployed minority. This method, however, limits us to a single control variable and does not tell us what the relative strength of each of these factors is as a predictor of strong interest in being an entrepreneur. Discriminant function analysis enables us to do this.

We used discriminant analysis to examine the relationship between aspiration and each of these variables while simultaneously controlling for the effects of all the others. The results allow us to rank each characteristic according to the contribution it makes to the process of

discriminating between veterans with strong and weak aspirations.[22] The results of this analysis are presented in Table 19.

The variables in Table 19 are arranged in descending order of importance. For each variable a standardized discriminant function coefficient is presented. The absolute value of this coefficient indicates the contribution it makes to the discrimination process. As mentioned earlier, it measures the strength of each variable, relative to the others in the function, as a predictor of aspiration.

The data in Table 19 show that of the characteristics identified earlier, occupation, with a coefficient of .689, is the single best predictor of interest in starting a small business. The positive sign of the coefficient is consistent with our earlier finding that veterans in blue collar jobs have stronger aspirations than those with white collar experience. The next strongest predictors are race (.588)[23] employment status (.507), and number of dependents (.351). Of the remaining five characteristics - income, education, rank, disability status and combat duty - only income showed any strength at all (.260).

---

[22] For a description and further discussion of this technique see pp. 18 - 20.

[23] We conducted separate analyses using race and minority status as predictors with race proving to be the stronger of the two. Minority status produced a coefficient of only .385.

TABLE 19

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS: RELATIVE IMPORTANCE OF SIX FACTORS IN DISCRIMINATING BETWEEN VETERANS WITH STRONG AND WEAK ENTREPRENEURIAL ASPIRATIONS (n = 172)

Variable	Coefficient [a]
Occupation	.689
Race	.588
Employment Status	.507
Number of Dependents	.351
Income	.260
Education	-.035

Canonical Correlation = .368 [b]

Wilks' Lambda = .864 [c]

[a] Standardized discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the multiple R in regression analysis.

[c] The larger the Lambda (closer to 1.00) the weaker the discriminatory power of the overall function.

Summary and Discussion

Using bivariate and multivariate statistical procedures we have identified nine characteristics of Vietnam-era veterans that are associated with their level of entrepreneurial aspiration, i.e., the strength of their interest in starting their own business. These characteristics are occupation, employment status, race/minority status,

number of dependents, income, education, rank in service, disability status and whether or not the veteran saw combat in Vietnam.

We learned that in several cases, this association is stronger among veterans who rank lower on two of these characteristics, e.g. income and education. Finally, we identified occupation, race, employment status, and number of dependents in that order as the four characteristics that are the strongest predictors of strength of aspiration. How can we explain these findings and what implications do they have for the SBA?

It seems clear from our data that social and economic disadvantage produces a strong interest in self-employment. Veterans from blue collar backgrounds, especially those who are members of a minority group; unemployed veterans, again, especially minorities; and minority veterans with a combination of low income and educational level are all very likely to have a strong interest in self-employment. The reasons are probably very obvious. From the interviews we conducted with 13 aspiring entrepreneurs it is clear that many unemployed and minority veterans view self-employment as a desirable alternative to competing in an occupational system that they either view as discriminatory or have had disappointing experiences with. As one aspiring minority vet put it: "I can't trust the world out there to watch out for my ass, I gotta do it myself." Especially important for minority veterans was the perception that they did not want to suffer as had their parents at the mercy of the labor market. For example, recounting the experience of his father being laid off after 29 years with a single employer, one veteran expressed a strong desire to avoid this dependency through self-employment.

The fact that minority veterans with family incomes above $30,000 have little interest in self-employment tends to support the argument that discrimination and social and economic disadvantage breeds aspiration. It

is also possible that some minority and unemployed veterans view self-employment as an avenue to higher income that does not require further educational credentials.

The finding that veterans with a blue collar background are more likely to want to start their own business appears at first glance to be inconsistent with the finding mentioned earlier in this section that persons with non-blue collar experience are more likely to choose self-employment as a career. This is only an apparent inconsistency, however. What our data show is that blue collar workers have strong aspirations, not that they actually become entrepreneurs. The difference between these two sets of findings suggests that there may be strong barriers preventing their interest from being realized. Aspirants from white collar backgrounds are evidently better equipped to overcome whatever barriers exist.

Our findings suggest that the pool of Vietnam-era veterans who have a strong interest in starting their own business is made up of a disproportionate number of veterans from blue collar and minority backgrounds who lack some of the basic skills and resources - including education, income and on-the-job training - that are essential to the successful start-up and operation of a small business. Any public relations effort on the part of the SBA to disseminate information about the Agency's programs and services to the veteran community is likely to stimulate a strong response from members of this group. If they do not find programs and services that are geared to their needs, they will probably not find the SBA to be a very useful resource. The potential for the development of bad feelings and an unfavorable image of the Agency among these veterans is obvious.

It would seem that the Agency has a basic policy decision to make. This is a decision concerning whether or not veterans who need special assistance in order to make use of the technical and financial assistance that the SBA currently offers, are to be targeted as a priority group. If they are, then some changes in the current mix of programs and services and ways of advertising these services are probably in order. If they are not, then the Agency should consider re-evaluating its program of information dissemination and policy of special consideration to veterans.

Estimating the Extent of Entrepreneurial Aspiration

Our findings indicate that among those veterans who have no entrepreneurial experience, 24% have strong aspirations to own and operate their own business. If our sample were a perfect representation of the larger Vietnam-era veteran population, we could conclude with confidence that this is the extent of aspiration among those without any entrepreneurial experience in the population. However, we know this is not the case. First, our sample is biased in that we included members of several key groups disproportionate to their distribution in the total population: the disabled, the unemployed, the more highly educated, and veterans who served in Vietnam and who are now members of veterans' organizations. Second, because of the focus of the study and the content of the printed and oral invitations to participate, we no doubt attracted participants who, as a group, are more interested in business than is the general population as a whole. In order to develop any meaningful estimates of the extent of entrepreneurial aspiration in the veteran population we have to adjust for the bias introduced by these two sources.

We can adjust for the first source of bias since we have data for the total Vietnam-era veteran population on most of the key variables, e.g. percent disabled and percent unemployed. Essentially this involves weighting our sample on these variables to make it conform to the general population.

The solution to adjust for the second source of bias, differences between our sample and the general population in strength or orientation to business, is not as satisfactory. Since we do not know how the general population would be distributed on our level of aspiration scale, we will simply make two different assumptions concerning the degree to which the general population differs from our sample. Based on these assumptions we can develop low and high estimates of the extent of aspiration in the general population. A more detailed description of this estimation procedure can be found in Attachment H.

Based on this procedure, we estimate that the number of Vietnam-era veterans in the general population who have a strong interest in owning and operating a small business ranges from almost 700,000 to slightly more than 1 million (see Table 20). The low estimate assumes that the general population is one-third as likely as our sample to have strong aspirations, and the high estimate assumes it is one-half as likely.[24]

---

[24] The extent of the bias in business orientation may not be as great as we are assuming. While it is true that we tried to attract respondents with business experience, it is also true that we emphasized in all of our direct contacts and written material that all Vietnam-era veterans, even those with no interest in business, were needed for the study.

TABLE 20

ESTIMATES OF THE EXTENT OF ENTREPRENEURIAL ASPIRATION IN THE VIETNAM-ERA VETERAN POPULATION

Limit	Assumption	Estimate	
		Number	% of Population
Lower	Population is one-third as likely as sample to be business oriented.	691,992	8.4
Upper	Population is one-half as likely as sample to be business oriented.	1,037,988	12.6

B. Characteristics of Veteran-Owned Businesses

Self-employment is by no means a uniform experience. It can vary a great deal depending on the size and type of business engaged in; how long the business has been in operation; whether it is a full-time operation or whether the owner is also employed by someone else and operating the business in his or her spare time; and whether the entrepreneur is the sole owner or has the support and, perhaps, conflicts that often come with having one or more partners. With these and other sources of variation in mind we asked a number of questions in order to gain a better understanding of the variety of entrepreneurial experiences among Vietnam-era veterans.

In this section we present data describing the basic characteristics of veteran-owned businesses. It represents a summary of the information provided by the respondents in Section III of the questionnaire (see Attachment E) where we asked questions about both their current and next most recent experiences, if applicable. As the reader will find, much of the information is presented in tabular form with data on businesses currently in operation presented in one column and data on businesses operated by veterans previous to the time of the survey in another. We have combined this information in the same tables not because a comparison of the two groups always reveals much of interest, though occasionally it does, but because it is an economical way to present the rather large amount of data we have.

In Chapter 3 we reported that 62% of our study sample have had some entrepreneurial experience: 41% currently starting or operating their own business and 21% who are currently working for someone else

(or unemployed) but who have operated or tried to start a business in the past.[25]

Age and Type of Business

Table 21 shows the distribution of current and previous businesses according to the duration of the operation. The data show that 46% of current operations have been sustained for three years or more while 27% describe themselves as still in the start-up phase.

It is common to observe the high risk nature of small business and to point out that the majority of small enterprises fail within the first few years. Our data tend to support this observation. As Table 21 shows, 71% of the previous operations in our sample were closed or the veteran left the business within the first two years.[26]

---

[25] The reader should keep in mind that the data presented in this section are derived from the statistical base of only those with some entrepreneurial experience: veterans who are currently or were previously engaged in entrepreneurial activity (n = 292). They are not based on the number in our total sample (n = 472).

[26] Strictly speaking this is not a "failure rate" as it is usually defined. The SBA defines a business failure as one that ceases operation for involuntary reasons. "They may file for bankruptcy or be considered a business failure if the organization ceases to operate and leaves outstanding debt." From The State of Small Business: A Report of the President. U.S. Government Printing Office, Washington: 1984, p.36. Included in the "previous business" category in this study are some cases where the veteran sold the business or his or her share in it and other cases where the veteran left the business voluntarily for personal reasons. (We discuss later the various reasons our respondents gave for closing or leaving a business.) Our data, too, do not permit the determination of whether or not there was outstanding debt.

TABLE 21

NUMBER OF YEARS OPERATING CURRENT OR PREVIOUS BUSINESSES

Duration of Operation	Previous Business (%)	Current Business (%)
Still in Start-Up Phase	--	27
Never Got Started	21	--
Under 1 Year	18	15
1 - 2 Years	32	13
3 - 5 Years	16	18
Over 5 Years	13	28
	100	100
	(n = 134)	(n = 191)

What types of businesses do veterans close or leave? We asked respondents to describe the products or services delivered in the business they had previously operated. We then used the Department of Commerce's Standard Industrial Classification (SIC) system to code their responses. The results are presented in the left hand column of Table 22. They show that two industry sectors, service and retail trade, account for 58% of the previous businesses left or closed by veterans.

TABLE 22

TYPE OF BUSINESSES ENTERED INTO BY VETERANS:
PREVIOUS AND CURRENT OPERATIONS

Product or Service[a]	Previous Operation (%)	Current Operation (%)
Agriculture, Forestry and Fishing	10	4
Mining	1	1
Construction	9	11
Manufacturing	8	13
Transportation	6	4
Wholesale Trade	4	5
Retail Trade	24	15
Finance, Insurance and Real Estate	4	6
Services	34	41
	100	100
	(n = 137)	(n = 188)

[a] 2 digit SIC classification

The data in Table 22 show that in six of the nine cases there is little or no difference between the two distributions. However, in three cases, agriculture, retail trade and manufacturing, the differences are large enough to suggest greater or less difficulty in sustaining these types of businesses. Only 4% of the current operations are in the agricultural sector whereas 10% of the businesses left or closed by veterans during the past 15 years were in this sector. Fifteen percent of current businesses are in the retail trade whereas 24% of previous operations were. These differences could suggest less stability in these industries. On the other hand, the data suggest that small manufacturing enterprises may be somewhat more stable ventures among veterans than are businesses in the other sectors. Thirteen percent of current businesses are in this sector whereas only 8% of the previous businesses were.

There are a variety of reasons for leaving or closing a business not all of which reflect poorly on a person's ability or the success of the business. Thus we asked respondents to tell us why they left or closed their previous business. Their answers are summarized in Table 23. As can be seen, the most common reason was that they closed the business for financial reasons but did not declare bankruptcy (44%). An additional 3% did declare bankruptcy. Nineteen percent sold the business or their share in it; while 15% left under severe personal circumstances such as illness or family crises.

TABLE 23

REASONS FOR LEAVING OR CLOSING
PREVIOUS BUSINESS
(n = 117)

Reason	Percent
Sold Shares to Partners	11
Sold to New Owners	8
Closed for Financial Reasons [a]	44
Declared Bankruptcy	3
Closed for Non-Stressful Personal Reasons [b]	19
Closed for Stressful Personal Reasons [c]	15
	100

[a] But did not declare bankruptcy

[b] Examples include being drafted, better job offer and enrolling in school

[c] Examples include illness, marital crises and psychological stress

In Table 22 we compared the distribution of current veteran-owned businesses among industry sectors with the distribution of previously owned businesses that they left or closed. In Table 24 we compare the distribution among industry sectors of current veteran-owned businesses with the distribution of all small businesses in the U.S. An examination of this data shows that in five of the nine sectors there is little or no difference between our sample and the national sample. In four sectors, however, the differences are large enough to note. Veterans in our sample are much more likely to be involved in small manufacturing enterprises; somewhat more likely to be involved in services; less likely to be engaged in finance and much less likely to be engaged in agriculture than are entrepreneurs in general.

TABLE 24

COMPARISON OF CURRENT VETERAN-OWNED SMALL BUSINESSES
WITH ALL SMALL BUSINESSES IN U.S.
BY TYPE OF BUSINESS

Product / Service[a]	Veteran-Owned (%)	Total U.S. (%)[b]	
		IRS	SBDB
Agriculture, Forestry and Fishing	4	17	(3)
Mining	1	1	(1)
Construction	11	9	(14)
Manufacturing	13	3	(9)
Transportation	4	4	(3)
Wholesale Trade	5	4	(10)
Retail Trade	15	17	(29)
Finance, Insurance and Real Estate	6	13	(8)
Services	41	31	(23)
	100 (n = 188)	100	100

[a] 2 digit SIC classification

[b] Data for total U.S. used for comparison are from the IRS's Statistics of Income database rather than the SBA's Small Business Data Base (SBDB). It is more comparable with our data since it includes farm proprietors and the SBDB data, shown in parentheses, does not.

How can these differences be explained? Are they likely to represent real differences or are they more the result of the sampling procedures we used? When we described our sample in Chapter 3, we noted several groups that were over or underrepresented. In terms of effect on type of business, the three most likely sources of bias are the overrepresentation of the disabled, the more highly educated, and Massachusetts veterans. Perhaps these groups are more or less likely to establish a particular type of business. We can check for bias by examining the bivariate relationship between type of business and each of these variables.

We see the results of this analysis for disability in Table 25. It shows that disabled veterans are less likely to start a business in the manufacturing sector. When we look at the effect of state of residence and education we find that while Massachusetts veterans are no more likely than the sample as a whole to operate manufacturing firms, veterans with at least some college education are less likely. Since both the disabled and the highly educated are overrepresented in our sample, we can say that the degree to which veterans differ from the total population is actually understated.

The modest difference between veterans and the total population in the percent who own and operate a business in the service sector is probably a result of our oversampling of the disabled and the highly educated. Table 25 shows that the disabled are more likely (47%) than the non-disabled (38%) to start a business in the service sector and we found that the highly educated are also more likely to be located here (55%).

Finally, we could find no evidence that oversampling of the disabled, the highly educated or Massachusetts veterans has any undue influence on the distribution of veteran-owned businesses in either the agriculture or finance sectors.

We can conclude then that Vietnam-era veteran entrepreneurs are less likely to operate businesses in the agricultural and finance sectors and more likely to be in the manufacturing sector. In the other six industry sectors, there is no significant difference between veterans and the general population.

TABLE 25

RELATIONSHIP BETWEEN TYPE OF BUSINESS
AND DISABILITY STATUS FOR CURRENT OPERATIONS

Product / Service	Current Operation (%) Disabled	Non-Disabled
Agriculture, Forestry and Fishing	6	4
Mining	0	1
Construction	8	12
Manufacturing	7	15
Transportation	4	4
Wholesale Trade	4	5
Retail Trade	18	15
Finance, Insurance and Real Estate	6	6
Services	47	38
	100	100
	(n = 51)	(n = 136)

Part-time Versus Full-time Entrepreneurs

Perhaps one of the most important distinctions to be made among entrepreneurs is whether their venture is a full-time operation or a way in which they supplement their regular income on a part-time basis. This is important because part-time entrepreneurs will probably generate less income and fewer jobs but might also make fewer requests for assistance from service agencies and institutions. We will learn in a moment the extent to which our data confirm these assumptions.

To help us determine whether a venture was full or part-time we asked each respondent to estimate the proportion of their individual

income (not family income) they derive from their business. We then classified those who earned 75% or more from their own business as full-time entrepreneurs.[28] Table 26 shows the percentage of current businesses that are full or part-time according to this definition. It shows that 71% are full-time and 29% part-time.

TABLE 26

VETERAN-OWNED BUSINESSES OPERATED
ON FULL AND PART-TIME BASIS
(n = 129)

Basis	Percent[c]
Full-time[a]	71
Part-time[b]	29
Total	100

[a] Earns 75% or more of personal income from self-employment

[b] Earns less than 75% of personal income from self-employment

[c] Percentages are based on current businesses beyond the start-up phase.

---

[28] We recognize the arbitrary nature of this definition but feel it is as good as any alternative we are familiar with. Currently the SBA uses annual receipts or revenues as the basis for defining part-time and full-time operations. Those with revenues of $10,000 or less are considered part-time. However, since this effectively assigns all very small struggling entrepreneurs into the part-time category it did not seem as useful for our purposes.

Size of Business

When the size of small business is discussed two different measures are used: number of employees and annual receipts or revenues. Table 27 shows the percentage of veteran-owned businesses with specified numbers of employees. Our sample closely resembles the national census of small business which reports that 95% have fewer than 20 employees.[29] The data in the far right hand column show that 92% of current veteran-owned operations have fewer than 20 employees and that they employ a median of 1.5 persons.

It would seem unlikely that businesses operated on a part-time basis would employ as many people as full-time operations. Table 27 also distinguishes between part-time and full-time operations and the data confirm our assumption. Part-time operations are two and one-half times as likely (55% to 21%) to have no employees and the median numbers of employees are .4 and 2.6 respectively.

---

[29] Bureau of Census data reported in SBA, The State of Small Business: A Report of the President, p.159.

TABLE 27

NUMBER OF EMPLOYEES OF VIETNAM-ERA VETERAN-OWNED BUSINESSES: FULL-TIME AND PART-TIME OPERATIONS

Number of Employees[1]	Owner Status: Full-Time (%)	Part-Time (%)	Total (%)
None	21	55	30
1 - 3	39	31	37
4 - 6	16	11	15
7 -10	5	3	5
11 -19	7	0	5
20 or more	12	0	8
	100	100	100
	(n = 91)	(n = 38)	(n = 129)
Median	2.6	.4	1.5

[a] Both the percentages and the medians were calculated only for businesses beyond the start-up phase.

Since the SBA currently uses revenues as a basis for defining whether a business is full or part-time, it is of interest to know what difference the two definitions make when applied to veteran-owned businesses. Table 28 compares the full-time/part-time distribution for current businesses using our definition and when part-time is defined as $10,000 or below in annual revenues and full-time as more than $10,000 which is SBA's definition. It shows that 88% of veteran-owned businesses are full-time by SBA's definition and 12% are part-time. The corresponding percentages using our definition are 79% and 21%. Thus, it appears that by using the revenue-based definition, SBA may be including some businesses whose owners earn less than 75% of their income from self-employment.

TABLE 28

VETERAN-OWNED BUSINESSES OPERATED
ON FULL AND PART-TIME BASIS: COMPARISON OF RESULTS
USING STUDY DEFINITION AND SBA DEFINITION BASED ON ANNUAL REVENUES [a]

Basis	SBA Definition [b]	Study Definition [c]
Full-time	88	79
Part-time	12	21
	100	100
		(n = 129)

[a] Calculations based on businesses beyond the start-up phase only.

[b] Full-time owners had more than $10,000 in annual revenues in 1983 and part-time had $10,000 or less.

[c] Full-time owners earned 75% or more of their individual income in 1983 from self-employment while part-time owners earned less than 75%.

A second way to check on the degree to which the two methods produce similar results is to look at the Pearson R produced by a simple correlation procedure applied to the two variables representing the two methods. A very high correlation between the two would suggest that they are classifying most cases into the same categories. In fact the Pearson R produced in this case is .60, and is significant at the .00001 level. When we examine the contingency table we see that the two methods classify 84% of all cases in the same manner. Thus, the results of the two measures are very similar.

Differences between full and part-time businesses are also evident when we compare their median annual receipts or revenues. The median annual receipts of all current veteran-owned businesses beyond the start-up phase in 1983 were $49,975. For part-time operations they were

$10,104. For full-time operations they were $100,058. Clearly this distinction is basic to any understanding of veteran-owned small businesses.

Structure of Ownership

The overwhelming proportion of small businesses in this country, about 75%, are sole proprietorships. Seventeen percent are corporations and 8% are partnerships. Table 29 presents data comparing our sample of veteran-owned businesses with the national sample. It shows that veterans are more likely to form corporations or partnerships than are entrepreneurs in general and less likely to establish sole-proprietorships. Only 51% of current operations are sole-proprietorships while 32% are corporations and 17% partnerships.

TABLE 29

OWNERSHIP STRUCTURE OF CURRENT AND PREVIOUS VETERAN-OWNED BUSINESSES

Ownership Structure	Previous Business (%)	Current Business (%)	Total U.S. (%)[a]
Sole-Proprietorship	58	51	75
Corporation	16	32	17
Partnership	25	17	8
	100	100	100
	(n = 124)	(n = 187)	

[a] National figures were calculated based on the IRS Statistics of Income data reported in SBA, The State of Small Business: 1984, p.104.

Table 29 also includes data on previous businesses owned by veterans in our sample. It shows that only 16% of the businesses that have been closed were corporations and 58% were sole-proprietorships. When we compare this with the 32% of current businesses that are corporations and 51% that are sole-proprietorships it confirms what common sense would suggest, namely that the chances of survival in the world of small business may be greater for corporations than for someone who operates as a sole-proprietor. Perhaps when someone goes to the trouble to form a corporation it is indicative of greater sophistication and commitment as well as a stronger financial base. This comparison also suggests that veteran-owned partnerships may be less stable than corporations. To test these ideas we controlled for duration of the operation. If a greater proportion of operations with a corporate structure survive over time compared to partnerships and sole-proprietorships this would be further evidence of the greater stability of veteran-owned corporations.

Tables 30 and 31 present the results of this analysis for current and previous businesses respectively. They show that at each stage of the life cycle, a greater proportion of corporations have survived than have either sole-proprietorships or partnerships.[30] However, the data suggest that partnerships are the least stable of the three structures. For both current and previous operations, they have the lowest survival rate among veteran entrepreneurs.

---

[30] The lower survival rates for previous businesses reflects the fact that they represent a pool of businesses that closed or failed whereas the current pool are relatively more successful.

TABLE 30

SURVIVAL OF SMALL BUSINESSES
OVER TIME BY OWNERSHIP STRUCTURE
CURRENT OPERATIONS

Ownership Structure	Percent of Current Operations Surviving Beyond: Start-up Phase	1 Year	3 Years	5 Years
Corporations (n=58)	79	72	63	38
Sole-Proprietorships (n=94)	71	59	43	26
Partnerships (n=31)	71	39	23	16

TABLE 31

SURVIVAL OF SMALL BUSINESSES
OVER TIME BY OWNERSHIP STRUCTURE
PREVIOUS OPERATIONS

Ownership Structure	Percent of Previous Operations Surviving Beyond: Start-up Phase	1 Year	3 Years	5 Years
Corporations (n=19)	89	72	39	17
Sole-Proprietorships (n=69)	86	69	36	14
Partnerships (n=30)	87	60	23	10

Because there is a substantial difference between our sample and the national census in terms of the distribution by ownership structure, we checked again to see whether this difference could be explained by the oversampling of disabled, more highly educated and Massachusetts veterans. We found no evidence that either education or state of residence contributed to these differences, and the effect of disability status does not explain them either. Table 32 shows that in fact disabled veterans are less likely than non-disabled to form partnerships or corporations. Thus our data may actually understate the difference between Vietnam-era veterans and the general population.

TABLE 32

OWNERSHIP STRUCTURE OF CURRENT
VETERAN-OWNED BUSINESSES BY DISABILITY STATUS

Ownership Structure	Disabled (%)	Non-Disabled (%)
Sole-Proprietorships	69	46
Corporations	21	35
Partnerships	10	19
	100	100
	(n = 50)	(n = 136)

Our data also show that veteran-owners held majority interest in approximately three-quarters of the businesses in our sample.

Family Involvement in Veteran-Owned Businesses

Many small businesses depend on family members as a source of capital or low wage labor. In Table 33 we see that involvement of other family members in veteran-owned businesses is fairly common. Approximately one-third of all veteran-owned businesses have another family member involved as either an employee or owner. About one in seven involve another family member as an owner. The difference between current and previous businesses is minimal.

TABLE 33

FAMILY INVOLVEMENT IN VETERAN-OWNED BUSINESSES

Involvement	Previous Operation (%)	Current Operation (%)
Employees or Owners	30	32
Owners Only	15	15
	100	100
	(n = 137)	(n = 188)

Veterans as Co-Owners or Employees

In Chapter 1 we suggested that Vietnam veterans might find self-employment or working with other veterans in a small business particularly attractive because of the negative feelings many have about our basic institutions and because of the strong feelings of comradeship they feel toward fellow Vietnam veterans. In Table 34 we present data on the degree of involvement of fellow veterans in veteran-owned businesses. The data

show that 19% of current veteran-owners who have one or more partners have other Vietnam-era veterans as partners.

It also shows that 22% of current veteran-owned businesses with one or more employees hire other Vietnam-era veterans. The data show a similar pattern for previous businesses and for veterans from other eras. Since Vietnam-era veterans comprise 8% of the labor force, these percentages suggest a tendency for them to co-own and work with fellow veterans though not as strong as might have been expected.[31]

TABLE 34

PERCENT OF VETERAN OWNED BUSINESSES
THAT HAVE OTHER VETERANS AS OWNERS OR EMPLOYEES

Era of Veteran	Veteran Co-Owners [a]		Veteran Employees [b]	
	Previous Business(%)[c]	Current Business(%)	Previous Business(%)	Current Business(%)
Vietnam Era	24	19	21	22
Other Eras	15	17	19	16
No Veterans Involved	64	67	71	72

[a] Percentages are based only on businesses that have one or more co-owners.

[b] Percentages are based only on businesses that have one or more employees.

[c] The percentages in each column will not total to 100 since some businesses employ or have as co-owners veterans from both the Vietnam and other eras.

---

[31] If all small business owners and operators hired exactly one employee then the probability of hiring a Vietnam-era veteran by chance alone would be 8 in 100 (8%). If they hired 2, the probability of hiring 1 Vietnam-era veteran by chance would be 15.3%, etc. Since the average number of employees for entrepreneurs in our sample is 1.5, the probability that at least 1 of their employees will be a Vietnam-era veteran is between 8 and 15.3 in 100.

Preparation for Success

It is generally agreed that experience is one of the keys to entrepreneurial success. But there are at least two types of experience that can contribute to the successful start-up and operation of a small business. One consists of the more general business skills such as accounting, sales and marketing, business planning and personnel management that could be applied in any business. The second consists of the technical skills and knowledge related to the specific field an entrepreneur is in. For example, if someone is starting a retail clothing store, their relevant technical experience would include such experience as the years they worked in or operated a clothing store, designed or manufactured clothing or worked as a buyer.

While these two types of experience are not mutually exclusive, we asked our respondents to estimate the amount of experience they had when they started their business in each of these areas. Current owners reported a median of 3.6 years of general business experience and 4.5 years of technical experience. Later in this chapter we will explore the extent to which either one or the other or both of these types of experience contribute to success in entrepreneurial activity.

Another type of preparation for entrepreneurial success is formal education. In addition to general education, business-related courses can make an important contribution to the development of general business skills. When we look only at those veterans with some entrepreneurial experience we find that 17% had a degree in a business-related field and another 38% reported they had taken some courses.

Both the years of experience and level of business education are objective measures of preparation for entrepreneurial success. However, it is quite possible that some people simply have a "knack" that can guide them successfully in their own business. This is obviously a difficult trait to measure, however, as an approximation we asked our respondents for their subjective opinion as to how prepared they felt they were when they started their business. Their responses are summarized in Table 35.

The data show that 39% of current operators feel they were at least "well-prepared" when they started, while 20% feel they were poorly prepared. As might be expected, retrospective evaluations of level of preparation for previous businesses (businesses left or closed) are much less positive. Only 31% feel they were well-prepared while 36% said they were poorly prepared. These self-evaluations may or may not be realistic. In Section D of this chapter we will examine the extent to which self-evaluations are related to experience and education and the relationship of all three measures to success in small business.

TABLE 35

SELF-EVALUATION OF LEVEL OF PREPARATION OF VETERANS WHEN BUSINESS WAS STARTED

Level	Previous Business (%)	Current Business (%)
Very Well Prepared	9	13
Well Prepared	22	26
Somewhat Prepared	34	41
Poorly Prepared	22	12
Very Poorly Prepared	14	8
	100	100
	(n = 126)	(n = 172)

Access to Capital/Credit

Another prerequisite for the successful start-up and operation of a small business is access to capital in the form of individual or family income or credit. We asked four questions designed to help us understand the financial characteristics of start-up and operation of veteran-owned small businesses. The questions were:

- How did you acquire ownership of the business?
- From what sources did you obtain your initial financing and/or capital to become an owner of this business?
- Apart from your initial financing, did you ever receive a loan for this business?
- If so, what was the source of this loan?

Tables 36 through 38 summarize the responses to these questions for both current and previous operations. Table 36 shows that the vast majority of veterans, approximately three-quarters, start new ventures rather than acquire or buy into existing operations. Table 37 shows

that they rely primarily on savings to begin operation, though a sizeable minority, 21% of current owners, received a commercial bank loan or relied on family or friends (19%). Another 13% received a loan from other private institutional sources such as a credit union or insurance company. Of interest is the fact that only 4% relied on government agencies as a source of start-up funds.

Once their business was in operation, 24% of the previous ventures and 41% of current operations received one or more loans. Table 38 presents data on the source of these loans. It shows that the majority are bank loans and that only 5% of current and 2% of previous veteran-owned businesses received government loans. A separate count shows that 50% of our sample of entrepreneurs have received at least one loan from an institutional source in their business career. Later in this chapter we explore the relationship between access to credit and success among veteran entrepreneurs (see Section D).

TABLE 36

PROCESS OF ACQUIRING OWNERSHIP
OF CURRENT AND PREVIOUS BUSINESSES

Process	Previous Business (%)	Current Business (%)
Original Founder	74	79
Purchase	14	13
Inherited	0	3
Acquired without Compensation	1	1
Other [a]	11	4
	100	100
	(n = 117)	(n = 186)

[a] Includes contracting and franchising.

TABLE 37

SOURCE OF INITIAL FINANCING OR CAPITAL FOR VETERAN-OWNED BUSINESSES

Source	Previous Operation (%)[a]	Current Operation (%)
Family or Friends	21	19
Individual or Joint Savings	66	64
Government Agency	4	4
Venture Capital	0	1
Former Owner	6	4
Bank Loan	18	21
Other[b]	10	13
	(n = 117)	(n = 167)

[a] Percentages do not add to 100 since some used more than one source of capital

[b] Includes credit unions and insurance sources

TABLE 38

SOURCE OF POST-START-UP LOANS

Source	Previous Business (%)[a]	Current Business (%)
Family Friends	2	6
Government Agency	2	5
Venture Capital	0	0
Former Owner	1	1
Bank	19	30
Other [b]	0	4
	(n = 124)	(n = 179)

[a] Percent of veteran-owned businesses past the start-up phase who secured a loan from each source. A few respondents indicated more than one source.

[b] Includes credit unions and insurance sources

Since access to credit is such a critical factor in business, we extended our analysis to explore whether receiving at least one loan in their entrepreneurial career is related to other characteristics of the veteran or the business itself. Specifically, we examined the relationship between receiving a loan and the following variables:[32]

- age of respondent
- race
- disability
- education level
- socio-economic background
- business education
- years of general business experience
- years of technical experience
- degree of self-employment
- Vietnam duty

[32] We also looked at the relationship between access to credit and type of business but the number of cases was too small for analysis.

Of the variables listed above we found that seven of the ten do not appear to affect the likelihood of a veteran receiving a start-up or post-start-up loan from an institutional source for their business. Only business education, degree of self-employment and whether or not a veteran served in Vietnam have any degree of association with access to credit. Of these three, only degree of self-employment is strongly associated. Sixty-five percent of full-time entrepreneurs have received one or more loans at some point in their entrepreneurial career while only 38% of part-timers have. The weaker relationships show that those with an undergraduate degree in a business-related field are somewhat more likely (61%) than those with less business education and more business education to have received a loan. Veterans who served in Vietnam are slightly more likely (52%) to have received at least one loan from an institutional source than are those who did not serve (43%).

C. Experience With and Perceptions of Institutions

One of the primary objectives of this study is to understand the perceptions that veterans have of institutions, such as the SBA and commercial banks, that can play a critical role in the successful start-up and operation of a small business. To do this we needed to include in our sample a sizable number of veterans who have had some experience with these institutions.

Our data show that 64% of those with some entrepreneurial experience have either sought or plan to seek assistance from a government agency. This is almost always the SBA. Ninety-three percent of this group mentioned the agency by name. Fifty-five percent have sought or plan to seek assistance from private sector institutions, primarily banks, but also including legal and accounting services and credit unions. These groups represent a sizable portion of our sample and should provide ample opportunity to explore veterans' experience with and perceptions of these institutions.[33]

The SBA offers a wide range of financial and technical services to qualified entrepreneurs. The system through which these services are coordinated and delivered includes 10 regional and 60 district offices (field offices); Small Business Development Centers (SBDC's); and the Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE) program.

---

[33] We also conducted interviews with representatives of these institutions to help us understand their perceptions of veterans and the needs of veterans. The results of these interviews are described in Attachment G.

The field offices are the first point of contact for entrepreneurs seeking assistance. They administer all of the loan and other financial assistance programs as well as assistance in the areas of management, marketing, production and procurement. Each field office has a person designated as Veterans' Affairs Officer (VAO) who is charged with ensuring that veteran applicants receive special consideration.

The SCORE/ACE program, staffed by volunteers, is often housed in the SBA field office. Persons who approach SBA for assistance with management problems are often referred to the SCORE/ACE representative for assessment and counselling. The field offices together with the SCORE/ACE program sponsor seminars, conferences and workshops on topics of greatest interest in the small business community.

SBDC's are based at colleges and universities and are jointly funded by the SBA, the state and the host institution. They provide management counselling, training, and technical assistance to interested members of the small business community. At this writing, thirty states have established SBDC systems, however, Massachusetts is the only one of the four states in our study to do so.

Banks are also involved in the SBA network of programs and services through their participation in the various loan programs, primarily the 7 (a) Regular Business Loans program in which the SBA guarantees up to 90% of a bank loan. If an applicant is turned down twice by a bank for a loan, he or she is then eligible to apply for an SBA loan.

In Section III of the questionnaire, we asked our respondents a number of questions regarding loans and other requests and their experiences with these institutions. We asked them to identify the particular institution they had approached and the purpose of their contact. We also asked them to describe the result of their request, to

evaluate their experience and, if appropriate, explain why they were dissatisfied and what they would propose to improve the quality of the service or program.

Table 39 shows that the vast majority of respondents who used these institutions had approached either the field offices (44% of all entrepreneurs in our sample) or a bank (33%). Only 10% mentioned SCORE while 16% of the entrepreneurs in the Massachusetts sample mentioned the SBDC's.[34]

TABLE 39

PERCENT OF THOSE WITH SOME ENTREPRENEURIAL EXPERIENCE USING SERVICES OF MAJOR INSTITUTIONS

Institutions	Number	Percent
Field Offices	128	44
SCORE [a]	29	10
SBDC's [b]	23	16
Banks	96	33

[a] No respondents mentioned using the services of the ACE program.

[b] Percentage based on only 148 entrepreneurs in Massachusetts sample since SBDC's do not operate in other states in sample.

[34] These are probably slightly lower than the actual percentages who used SCORE and the SBDC's since this was an open-ended question and some respondents may have used "SBA" as a generic term for any of the agencies programs. In retrospect we should have made the question fixed choice and listed the agencies or offices.

1. Characteristics of SBA Users

Are some groups more likely to approach SBA than others? For example, does a person's race, disability or level of education predispose or inhibit them when they consider their options? Or is it that some groups simply have more knowledge of the availability of SBA's programs and services? Perhaps membership in a veterans organization means they have greater access to information about SBA programs or more encouragement to use the agency's services.

With this in mind, we conducted a bivariate analysis of the data to determine whether the likelihood of approaching SBA for assistance varied with any business, personal, family or military background variables.[35]

As a result of this analysis, we found no strong relationships that are statistically significant between use of SBA and background characteristics. The SBA, it seems, is able to reach all demographic groups with its services. However, several relationships of moderate strength are worth mentioning. The likelihood of using SBA's programs and services varies somewhat by rank, minority status, disability status and income.

- The lower the rank the more likely a veteran is to request assistance from the SBA. Sixty-four percent of the veterans whose highest rank achieved was E1-E3 had approached the SBA for help while 41% of ex-officers had.[36]

---

[35] At the bivariate level we looked at the relationship between SBA use and all background and experience variables in the questionnaire (see Attachment E).

[36] This is probably a good time to remind the reader that these percentages do not represent the level of use for members of particular ranks in the Vietnam-era veteran population as a whole. Our sample is a "heavy user" group by design. What is of interest here is the relationship between the percentages for the two groups.

- Minority veterans[37] are more likely to approach SBA than are Whites. Sixty-three percent of all minority veterans with some entrepreneurial experience have done so while only 47% of White veterans have.

- Disabled veterans are somewhat more likely to use the SBA than the non-disabled. Fifty-seven percent of the former and 45% of the latter reported at least one request.

- Veterans from lower income groups are slightly more likely to approach SBA for assistance than are those from higher income groups. Fifty-three percent of those who earn below $15,000 and 44% of those earning above $30,000 have sought assistance.

Our next step was to use multivariate contingency tables to determine whether any of these relationships are spurious or the product of interaction or intervening variables; and to understand whether oversampling of particular groups (the disabled, etc.) could result in understating or exaggerating the importance of the findings.[38] The four bivariate relationships we explored further were those between SBA use and rank, minority status, disability status and income. In each case we used the other three factors as control variables. The results of this analysis are summarized below.

Rank and SBA Use

Our bivariate analysis showed that SBA use decreased as rank increased. This relationship remains essentially unchanged when we control for income and minority status. However, when we control for

---

[37] Includes Black, Hispanic, American Indian and Asian veterans.

[38] Since we found no relationship between employment status, education, Vietnam duty or group membership and SBA use, we can drop these variables from further analysis.

disability status we find the relationship between rank and SBA use gets stronger for disabled veterans and disappears for the non-disabled. Thus, the combination of low rank and being disabled increases the probability that a veteran entrepreneur will seek assistance from the SBA. In and of itself, rank is probably not a very strong influence. We will compare the relative strength of each of these variables later in this section when we use discriminant function analysis.

Minority Status and SBA Use

We found at the bivariate level that minority veterans are more likely to use the programs and services of the SBA than are White veterans. We used controls for both disability status and income to see if this would have any effect on the relationship.[39] We found that this pattern of use is not affected significantly by whether or not a veteran is disabled. However, we did find significant interaction between minority status and income. Minority veterans with family incomes below $30,000 a year are much more likely to use the SBA than are Whites at this income level (71% to 49%). On the other hand, the relationship between minorities and Whites is actually reversed at the higher income level. Forty-five percent of Whites and only 29% of minority veterans use SBA at this level. Thus, low income when combined with minority status appears to be a stronger indicator of SBA use than either characteristic alone.

[39] We also controlled for rank but most of the cell frequencies were too small for meaningful analysis.

Disability Status and SBA Use

We found at the bivariate level that disabled veteran entrepreneurs are somewhat more likely than the non-disabled to use the programs and services of the SBA. When we control for the effects of rank, minority status and income we find that this relationship does not change with one exception: disabled veterans with low income are much more likely than non-disabled veterans with low incomes to use the SBA (67% to 44%). Thus the combination of disability and low income are a fairly strong indication that a veteran entrepreneur will approach the SBA for assistance.

Income Level and SBA Use

The difference between income groups in the degree to which they use the programs and services of the SBA was minimal - about 9% between the lowest and highest group. However, some interesting interaction effects are revealed when we control for other variables. For example, when we control for minority status the differences between income groups increases four-fold for minority veterans and disappears for Whites. Among all the sub-groups, the one with the highest level of SBA use are minorities with family incomes between $15,000 and $30,000. Eighty-two percent of this group report having contacted the SBA at least once.

When we control for disability status, the relationship between minority status and SBA use is affected for both disabled and non-disabled veterans. Among the non-disabled, members of the middle ($15,000 - $30,000) rather than the lower income group are the most likely users of SBA's programs and services (53%). For the disabled, the lower

income group continues to be the primary users (67%) but, as discussed earlier, the relationship becomes stronger. This reinforces our earlier conclusion that low income and disability together are a strong indicator of SBA use.

Summary

While we found no strong bivariate relationships between use of SBA's programs and services and user characteristics, we did find that when we instituted controls for certain variables that relationships for some sub-groups are much stronger. The key findings are as follows:

- veteran entrepreneurs who served in the lower ranks (E1-E3) and are disabled are very likely, relative to members of other groups, to use the programs and services of the SBA.
- minority veterans with family incomes below $30,000 are much more likely than Whites at this level to use the SBA.
- disability when combined with low income is a strong indicator of SBA use.

Perhaps of equal or greater interest is the absence of any relationship between use of the SBA and such variables as education, degree of self-employment, entrepreneurial type and membership in veterans groups. We might have hypothesized that the more educated veteran would be more likely to have the confidence and skills to approach a bureaucracy for assistance but this was not confirmed. Some might have expected that full-time or unsuccessful entrepreneurs would have a greater need for the services of SBA and would therefore be more likely to use them but our data do not support this either. It might also have been argued that veteran entrepreneurs who participate in veterans organizations would have more timely access to information concerning SBA's programs and services

and perhaps more encouragement and might, therefore, be more likely to approach the SBA for assistance. But again our data do not provide any evidence that this is occurring.

What we can say is that relatively speaking,[40] the combinations of lower rank and disability, minority status and low income, and disability with low income are strong indicators that a veteran entrepreneur will perceive the SBA as a source of assistance and make the effort to request it.

Predictors of SBA Use

As a result of the preceding analyses we identified four factors that seem to be associated with whether or not a veteran entrepreneur is likely to use the programs and services of the SBA. They are rank in service, minority status, disability status and income. We next used each of these as independent variables in the discriminant function analysis. This technique enables us to measure the relative power of each of these user characteristics to discriminate between veterans who make use of and do not use the programs and services of the SBA.[41] The results of this analysis are presented in Table 40.

---

[40] It is important to keep in mind that these are statements of differences relative to the number of each group in the population. The pool of potential White users of the SBA in the Vietnam-era veteran population is obviously much greater than the pool of potential Black users. Thus, more Whites than Blacks will use the Agency's services but a higher proportion of all Blacks than of all Whites will do so.

[41] Similar to regression, discriminant analysis measures the effect of each independent variable on a single dependent variable - in this case, SBA use - while controlling for the effects of one or more other independent variables. See pp.18 - 20 for discussion of this technique.

The variables in Table 40 are arranged from top to bottom in order of importance. The coefficients show the relative ability of the variables to discriminate between users and non-users, i.e., they measure their relative strength as predictors.[42] The data show that disability status with a coefficient of .522 is the single most powerful predictor of use followed closely by minority status with a coefficient of .475. Relative to these two user characteristics, neither rank nor income, by themselves, are very powerful predictors of SBA use. In fact, the four variables combined produce a canonical correlation of only .181. This is quite low and serves to reinforce our earlier statement that variation in patterns of SBA use between different demographic groups is not great. It does appear that the Agency is making its services available to all. We will discuss the implications of these findings further at the close of this section.

---

[42] These coefficients are analogous to the beta weights in multiple regression analysis.

TABLE 40

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS: RELATIVE IMPORTANCE OF FOUR FACTORS IN DISCRIMINATING BETWEEN VETERANS WHO HAVE USED SBA AND THOSE WHO HAVE NOT (n = 264)

Variable	Coefficient[a]
Disability Status	.522
Minority Status	-.475
Rank	.372
Income	.339

Canonical Correlation = .181[b]

Wilks' Lambda = .967[c]

[a] Standardized canonical discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the multiple R in regression analysis.

[c] A large Lambda indicates the overall function has a relatively low power of discrimination.

2. Characteristics of Users of Private Sector Services

What about veterans who use the financial, legal and accounting services available in the private sector? Are some groups more likely than others to use these services? Do the characteristics of private sector users differ from those most likely to use the programs and services of the SBA? We conducted the same set of analyses as above to determine whether the likelihood of approaching private sector institutions varied with any background characteristics.

Overall, the bivariate relationships between private sector use and background variables are not much stronger or more significant than was the case with SBA use. The major findings are:

- Veteran entrepreneurs who were employed at the time of the survey are more likely to use private sector services than are those who were unemployed. Forty-four percent of the employed and 28% of the unemployed reported such use.

- Full-time entrepreneurs are more likely than those in business on a part-time basis to use the services of the private sector. Fifty-two percent of the former and 36% of the latter group reported at least one request.[43]

---

[43] This relationship was a bit stronger when SBA's definition of part-time was used: 59% to 33%.

- Veterans with a college degree or at least 1 year of college are somewhat more likely (44%) than those with no college at all (32%) to use private sector services.

- Members of higher income groups are more likely to use private sector services than are veterans with lower family incomes. Thirty-three percent of those earning $15,000 or less and 44% of those earning $30,000 or more were private sector users.

- Black veteran entrepreneurs are somewhat less likely to use private sector services than are Whites. Forty-two percent of the latter group and 33% of the former reported at least one request for assistance. There was no difference between Whites and other minorities.

Once again we used control variables to determine whether any of these bivariate relationships were spurious and to check for evidence of interaction or intervening variables. They were also used to alert us to whether oversampling of particular groups, in this case the unemployed and the highly educated, could be affecting our results.[44] The results of this analysis are summarized below.

Employment Status and Private Sector Use

Our examination of the bivariate data showed that veterans who were employed at the time of the survey were more likely to report having used

---

[44] Since we found no bivariate relationship between private sector use and membership in veterans' groups, Vietnam duty or disability status, we did not include these variables in the multivariate analysis.

the services of the private sector (44%) than those who were unemployed (28%).[45] We used controls for disability status, income, race and education to see what effect these might have on the relationship.

When we control for disability status we find a significant interaction effect. For the disabled, the difference in use between the employed and the unemployed drops slightly, however for the non-disabled the relationship becomes stronger. Among this group the employed are four times more likely to have used the services of the private sector than the unemployed (42% to 10%).

One of the more interesting findings, however, is that the disabled veteran who is unemployed is much more likely (39% to 10%) than the non-disabled who is unemployed to have used the services of the private sector. There are at least two possible explanations that come to mind. The first is that government disability benefits may help to provide the unemployed disabled veteran with the financial security and confidence to seek assistance; and the second is that the stigma of being unemployed could be much less of an inhibiting factor for the disabled than for the non-disabled when considering whether or not to seek a loan. Perhaps they

---

[45] This bivariate relationship poses some problems of interpretation since we cannot tell from our data whether the respondent was unemployed when he or she made contact with the service provider or whether the unemployment was in part a consequence of being turned down for a loan. In the first alternative, employment status would be treated as a causally prior variable that might affect the chances of the person receiving a loan. In the second example, employment status would be treated as the dependent variable, i.e., the result of contact with the private sector institution. Our belief is that the first example is a much more common occurrence and thus we will treat employment status as an independent variable when we use it in discriminant function analysis. Since our immediate concern is with the degree of association between private sector use and employment status, we do not need to make any assumption about which variable has causal priority for multivariate contingency table analysis. However, the reader should keep in mind that both of these experiences could be affecting the strength of the relationship.

perceive that representatives of the bank would be more forgiving of unemployment if a person also has a disability.

Controlling for income produces significant changes in the relationship between employment status and private sector use. For those with family incomes of $15,000 and above, the relationship becomes much stronger. Employed veterans at this income level are two and one-half times more likely to use private sector services than the unemployed (45% to 18%). However, for the lowest income group we find that the employed are no more likely than the unemployed to use the services of the private sector. Low income, in this case, appears to be a levelling factor.

The relationship between employment status and private sector use is also affected when we control for race. While the effect for Whites is minimal, among Blacks the relationship becomes stronger. Black veteran entrepreneurs who were employed at the time of the survey are much more likely to use the services of the private sector (44%) than those who were unemployed (13%).

Finally, we checked to see if education as a control variable would produce any changes in this relationship and found that the effects are minimal. The sub-group with the lowest rate of use are unemployed veterans with no college. Only 18% of this group have used the services of the private sector.

Degree of Self-Employment and Private Sector Use

Our bivariate analysis showed that full-time veteran entrepreneurs are more likely to use the legal, accounting and financial services of the private sector than are those self-employed on a part-time basis. We checked to see if this relationship holds when controls are used for

income and education[46] and found some fairly strong effects. The relationship between degree of self-employment and private sector use is strengthened for veteran entrepreneurs with family incomes under $30,000. Full-time entrepreneurs at this income level are more than twice as likely as part-timers to use private sector services. However, for those with incomes $30,000 and over there is no difference. Slightly more than half of both groups do.

When we control for education we find that the relationship between degree of self-employment and private sector use becomes stronger for the highest and lowest educational levels. Full-time entrepreneurs with no college are two and one-half times more likely to use the services than are those self-employed on a part-time basis who have not attended college. The sub-group with the lowest rate of use are part-timers without any college (20%).

The fact that part-timers at both ends of the educational spectrum are much less likely to use these services can probably be attributed in large part to lack of need. They probably do their own books and the nature of the business is such that they require little capital.

Education and Private Sector Use

At the bivariate level we found that veterans with a college degree or at least one year of college are somewhat more likely to use private sector services than those with no college at all. When we control for race and employment status we find no change in this relationship.

---

[46] We also controlled for race but cell frequencies were too small for meaningful analysis.

However, there is some interaction effect when we control for income and for degree of self-employment. For veteran entrepreneurs with family incomes of $30,000 and above, those without any college are still less likely to use the services of the private sector. At the lowest income level, however, education does not affect the likelihood that a veteran will approach these institutions. Those with a college education are no more likely than those without to use these services. At this level, income is more important than education as a factor that encourages use.

When we control for degree of self-employment, we find that the difference between the more and the less educated disappears among full-time entrepreneurs but increases among part-timers. The latter with at least some college are more than twice as likely to use these services as part-time entrepreneurs without any college (45% to 20%). Thus the combination of part-time status and low educational level tends to be associated with low usage of these services.

Income and Private Sector Use

In our bivariate analysis we found that veteran entrepreneurs from higher income groups are somewhat more likely than those from lower income groups to use the legal, accounting and financial services of the private sector. Since level of income can be a function of other characteristics such as race, education, employment status or degree of self-employment, we examined the relationship between private sector use and income while controlling for each of these variables. Several findings of interest emerge from this analysis.

There is interaction between race and income that affects the relationship between private sector use and income. Among Whites, there

is no difference among income groups in the extent to which they use the private sector. However, for Blacks the difference among income groups is great. Black veterans with incomes above $15,000 are much more likely (50%) to use private sector services than are those with incomes below $15,000 (9%). Thus Black veterans with low incomes are one of the sub-groups least likely to use private sector services.

Controlling for employment status has no effect on the relationship between private sector use and income for employed veterans. For the unemployed, however, the difference between income groups is eliminated. The unemployed from the higher income groups are no more likely to use the SBA than are those with lower incomes. Unemployment evidently has a levelling effect in this regard.

When we control for degree of self-employment we see no change among full-time entrepreneurs but a strengthening of the relationship between income and private sector use among part-time entrepreneurs. Members of the latter group with higher incomes are much more likely (56%) to use private sector services than are their lower income counterparts (20%). Thus part-time entrepreneurs with little income are one of the sub-groups least likely to use the services of the private sector.

We look, finally, at the effect of education on the relationship between income and private sector use. When we control for education we find that the difference between lower and higher income groups in level of private sector use almost disappears. If a veteran has some college education, income seems to make very little difference in whether or not they approach the private sector for assistance. However, for those without any college, having a higher income does seem to be important in this regard. Veterans at this educational level with incomes $30,000 and above are twice as likely (47% to 24%) to use the services of the private

sector as those with incomes below this level. Thus, depending on his unique set of resources, a veteran appears to be able to draw either on his educational credentials or his position as a higher earner to support efforts to secure assistance.

Race and Private Sector Use

The bivariate relationship between private sector use and race is fairly weak - Whites are only slightly more likely to use the services of the private sector than are Blacks. However, we thought there might be some stronger differences among certain sub-groups of our sample so we checked for this using controls for income and degree of self-employment.[47] What we found is that there is no difference between Black and White veterans who are full-time entrepreneurs in the extent to which they use private sector services. Roughly half of both groups do. However, Black veterans who are part-time entrepreneurs appear to be less likely than their White counterparts to use these services.[48]

When we control for level of income we find that the difference between Black and White veterans increases for the lowest income group with 40% of low income Whites using private sector services but only 9% of low income Blacks doing so. There is essentially no difference between the two groups at higher income levels. As noted earlier, the combination of being Black and poor seems to be a powerful barrier to private sector use for veteran entrepreneurs.

---

[47] When we controlled for education, cell sizes were too small for meaningful statistical analysis.

[48] Unfortunately the cell size (n=6) is too small for meaningful statistical analysis.

Summary

As was the case with SBA use, we found no strong statistically significant relationships between use of private sector institutions and user characteristics at the bivariate level. However, when we used multivariate contingency tables to control for the effects of related characteristics, we did find that the relationships for certain sub-groups are stronger. The key findings are as follows:

- Veterans who were unemployed at the time of the survey were unlikely to report use of private sector services. This is especially true for those who were unemployed and were Black or had no college education or had family incomes of $15,000 and above.
- Full-time veteran entrepreneurs with family incomes under $30,000 are more than twice as likely as part-time entrepreneurs at this income level to use the legal, accounting and financial services of the private sector.
- Part-time status when combined with low educational level is a strong indication that a veteran will not use these services.
- Black veterans with family incomes over $15,000 are just as likely as White veterans with incomes at this level to use private sector services but Black veterans with incomes below this level are much less likely than any other sub-group to use such services.

As we noted earlier, some of the more interesting findings are the absence of relationships between private sector use and certain variables. For example, we expected that there might be a tendency for entrepreneurs with a business education or from higher socio-economic backgrounds[49] to use these services more frequently but our data do not provide any evidence for this.

Relatively speaking then we can say that employed veterans who are White and have family incomes $15,000 and above are likely

---

[49] The socio-economic background variable we constructed is based on father's education and occupation and respondent's education. It is not directly related to the respondent's income and occupation.

users of the legal, accounting and financial services of the private sector. So too are full-time entrepreneurs and veterans with some college education. The least likely users are Black veterans with incomes under $15,000 and part-time entrepreneurs with incomes under $30,000 or who have not completed at least one year of college.

Predictors of Private Sector Use

Based on our bivariate and multivariate contingency table analysis we selected five factors for use as independent variables in the discriminant function analysis: employment status, degree of self-employment, education, income and race. As described earlier, with this technique we can measure the relative power of each of these user characteristics to discriminate between veterans who make use of and do not use the services in question. The results of this analysis are presented in Table 41.

The variables in Table 41 are arranged in descending order of importance. For each variable a standardized discriminant function coefficient is presented. This coefficient represents the relative contribution of the variable to the process of discriminating between veterans in each group. As mentioned earlier, it measures the strength of that variable, relative to the others in the function, as a predictor of use. The findings in Table 41 show that of the user characteristics identified earlier, employment status with a coefficient of .768 is by far the most important precictor of private sector use. The positive direction of the coefficient confirms that veterans who were employed at the time of our survey are more likely to have used the services of the private sector than are those who were unemployed.

The next strongest predictor, though much weaker than employment status, is degree of self-employment (part-time/full-time status) with a coefficient of -.416. The negative sign reinforces our earlier finding that part-time veteran entrepreneurs are less likely than the full-time to use private sector services. Based on this analysis, neither race, education, nor income alone are very strong predictors of private sector use. We will discuss the implications of these findings at the close of this section.

TABLE 41

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS: RELATIVE IMPORTANCE OF FIVE FACTORS IN DISCRIMINATING BETWEEN VETERANS WHO HAVE USED PRIVATE SECTOR INSTITUTIONS AND THOSE WHO HAVE NOT (n = 256)

Variable	Coefficient[a]
Employment Status	.768
Part-time/Full-time	-.416
Race	.336
General Education	-.199
Income	-.124
Canonical correlation = .276[b]	
Wilks' Lambda = .924[c]	

[a] Standardized canonical discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the multiple R in regression analysis.

[c] A large Lambda indicates the overall function has a relatively low power of discrimination.

Comparison of Users of SBA and Private Sector Services

Now that we have identified some of the characteristics of veteran entrepreneurs who use either the programs and services of the SBA or the private sector, it might be of interest to compare these two user profiles to see how they differ. In Table 42 we have created a matrix summarizing the similarities and differences between the two groups.

The comparison in Table 42 reveals some interesting, if not surprising, differences between the two user groups. Vietnam-era veterans from the lower ranks, members of minority groups, lower income groups, and the disabled are somewhat more likely to perceive SBA as a realistic or preferred source of assistance than are their counterparts from the higher ranks, majority group, higher income groups and the non-disabled. On the other hand, Vietnam-era veterans who are non-black, who are currently employed, have a college degree, higher incomes or are full-time entrepreneurs are more likely to use the services of the private sector than are their Black, unemployed, less educated, low income or part-time entrepreneur counterparts.

From the preceding summary, it appears that SBA as a government agency is perceived by minorities and the disadvantaged as a more realistic source of assistance than is the private sector. On the other hand, veteran entrepreneurs who are members of the more privileged groups in our society or who are full-time entrepreneurs may be more likely to perceive the private sector as the best source of assistance. At the close of this section we will use data from several open-ended questions in the questionnaire and from our in-depth interviews with veterans to help us better understand what motivations and feelings are at the root of these variations in patterns of use.

TABLE 42

COMPARISON OF VETERAN ENTREPRENEUR PROFILES FOR USERS OF PRIVATE SECTOR AND SBA PROGRAMS AND SERVICES

User Characteristic

Institution	Rank	Race/Minority Status	Disability Status	Employment Status	Education	Income	Full/part Time Status
SBA	Lower ranks more likely than higher ranks especially when veteran is disabled	Minority vets more likely to use than whites especially Blacks with low incomes	Disabled vets more likely than non-disabled vets especially those with low income	No difference between employed and un-employed	No difference among levels of education	Vets with lower incomes are more likely than those from higher income groups	No difference between part and full-time
Private Sector	No difference among ranks	Black vets less likely to use than whites especially those who are part-time entrepreneurs or have low income. Other minorities are no less likely	No difference between disabled and non-disabled	Unemployed vets less likely than employed especially the un-employed who are Black, or have no college education or are not disabled	Vets with less education are less likely to use than those with college degree	Vets with higher incomes are more likely than those from lower income groups especially Blacks with low income	Full-time entrepreneurs are more likely to use than are part-time. Part-timers w/o college education or with low incomes are least likely users

4. Types of Requests

We also asked each respondent to describe the nature of each request they made to a particular institution. Based on an analysis of their content, we were able to classify them into three major categories: loans, planning or marketing and accounting or legal. In Table 43 we present data on the percentages of veteran entrepreneurs who have made each type of request. The data show that requests for information on loans and/or applications for loans are by far the most common reason a veteran approaches either a government agency or a private institution. Forty-four percent of all veterans with entrepreneurial experience in our sample have approached a government agency, usually the SBA, concerning a loan. Thirty-four percent have approached a private institution, usually a bank, for the same reason. Stated in another way, 81% of all those seeking assistance from the government and 81% of those seeking help from the private sector were seeking financial assistance. Much smaller percentages sought help with business planning or marketing or with accounting and legal problems.

TABLE 43

PERCENT MAKING EACH TYPE OF REQUEST
TO GOVERNMENT AGENCIES AND PRIVATE INSTITUTIONS

Request	Government Agencies		Private Institutions	
	% of All Entrepreneurs	% of All Requests[a]	% of All Entrepreneurs	% of All Requests[a]
Loans[b]	44	81	34	81
Planning/Marketing	12	23	6	16
Accounting/Legal	3	5	6	15
	(n = 292)	(n = 187)	(n = 292)	(n = 161)

[a] Percentages do not total to 100 since some respondents made more than one type of request.

[b] Includes both requests for information on loan programs and formal applications.

5. Evaluation of Experience

We asked respondents to describe whether or not they had been successful in their effort to obtain various forms of assistance from the SBA and whether they felt the Agency had been helpful to them. Their responses are summarized in Tables 44 and 45. Table 44 shows that 67% of all requests made to the private sector were successful from the user's viewpoint but only 45% of those to the SBA were. It also shows that 73% of all requests to private sector institutions were rated helpful while only 41% of those to the SBA were.

The data in Table 45 is organized into three evaluative categories: helpful, not helpful and mixed. The categories are mutually exclusive, i.e., a response can only be placed in one. Many respondents reported

more than one experience. The helpful and unhelpful categories include only those who felt the agency had been helpful or unhelpful in every case. The mixed category includes those who had one or more helpful experience and one or more experiences that were not helpful.

The most obvious finding in Tables 44 and 45 is that Vietnam-era veteran entrepreneurs are much more likely to feel the private sector is helpful to them than they are the SBA. Sixty-one percent of those who approached private sector institutions for assistance had only positive feelings about the response, whereas only 29% of those who approached the SBA felt this way. Looked at in a more positive way, the data show that 61% (29 + 32) of those using the SBA had at least one positive experience while 90% of those using the private sector did so. Differences between SCORE users and field office users are not great though the former are somewhat more likely to be satisfied with the service they received. We will explore the implications of these findings at the close of this section.

TABLE 44

RESULT AND EVALUATION OF REQUESTS TO SBA AND PRIVATE SECTOR INSTITUTIONS[a]

Result	Institution: SBA (%)	Institution: Private Sector (%)
Successful	45	67
Unsuccessful	55	33
	100	100
	(n = 200)	(n = 169)
Helpful	41	73
Not Helpful	59	27
	100	100
	(n = 212)	(n = 166)

[a] Percent of all requests to SBA or private sector institutions that were successful or unsuccessful and evaluated as helpful or not helpful.

TABLE 45

QUALITY OF EXPERIENCE WITH
SBA AND PRIVATE INSTITUTIONS

Institution	Helpful[a] (%)	Not Helpful[b] (%)	Mixed[c] (%)	Total (%)
All SBA (n=156)	29	39	32	100
Field Offices	28	41	31	100
SCORE	36	25	39	100
SBDC's	18	30	52	100
Private Sector (n=106)	61	10	29	100

[a] Evaluated all experiences as helpful

[b] Evaluated all experiences as not helpful

[c] Had at least one helpful and one unhelpful experience

Relationships Between Background Variables and Satisfaction

Once again we carried our analysis a step further to determine whether particular personal or business characteristics were strongly associated with a veteran's feelings about the SBA or private sector institutions.[50] At the bivariate level we found that:

- Veterans who served in the enlisted ranks were more satisfied than ex-officers with the assistance they received particularly those from the lowest ranks (E1-E3). Seventy-nine percent of the latter and only 27% of the officers reported at least one helpful experience.

- Minority veterans were more likely to express satisfaction with the service they received from SBA than were White veterans. Seventy-six percent of the former and 57% of the latter group described at least one helpful experience.

---

[50] At the bivariate level we looked at the relationship between evaluation of experience and all background and experience variables in the questionnaire (see Attachment E).

- Members of lower income groups (under $15,000) are much more likely to be satisfied with SBA's programs and services than are members of higher income groups. Only 36% of those earning $30,000 or more reported at least one helpful experience while 73% of the former group did.

- Veterans who served in Vietnam are more likely to be dissatisfied with SBA's programs and services than are era veterans who did not serve there. Only 54% of those who served in Vietnam reported at least one helpful experience while 78% of the latter group did.

- While the overall relationship between both general and business education and quality of experience was weak, it is interesting that those with an advanced degree in a business related field appear to be the least satisfied of any of the educational groups.[51]

- Successful entrepreneurs are somewhat more likely than the unsuccessful to express satisfaction with SBA's assistance (60% to 41%).

Based on this bivariate analysis we see that service in Vietnam, rank, minority status, income, entrepreneurial type and possibly business education appear to be characteristics that influence quality of experience with SBA. Veteran entrepreneurs who are successful or from the lower ranks, minority groups and lower income groups are more likely to feel the agency has been helpful to them. On the other hand, our data suggest that veterans who served in Vietnam or who have a graduate degree in a business-related field tend to be critical of the agency.

Predictors of Satisfaction with SBA Use

Based on the preceding analysis we selected six factors for use as independent variables in the discriminant function analysis: service in

---

[51] Unfortunately, the cell size (n = 7) is too small to make a stronger statement.

Vietnam, rank, minority status, income, entrepreneurial type and business education.[52] As we have noted previously, this technique allows us to measure the relative power of each user characteristic to discriminate between those who were satisfied with SBA's service and those who were not. Table 46 presents the results. It shows that minority status, with a coefficient of .757 is the best predictor of satisfaction. This confirms our earlier finding that minority veterans are more likely than Whites to be satisfied with the assistance provided to them by the SBA. The second best predictor is whether or not a veteran served in Vietnam (.531), followed closely by business education (.503). Veterans who served in Vietnam and those with more business education are more likely to be critical of the SBA. Of the remaining three variables, only entrepreneurial type (.377) shows any strength as a predictor of satisfaction. Successful entrepreneurs are more likely than the unsuccessful to be satisfied. Based on this analysis, neither rank nor income alone are good predictors of satisfaction.

---

[52] Because only 51% of respondents who used SBA evaluated their experience, cell frequencies were too small in most cases to carry out multivariate contingency table analysis.

TABLE 46

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS: RELATIVE IMPORTANCE OF SIX FACTORS IN DISCRIMINATING BETWEEN VETERANS WHO WERE SATISFIED WITH SBA'S SERVICES AND THOSE WHO WERE DISSATISFIED (n = 133)

Variable	Coefficient[a]
Minority Status	.757
Vietnam Duty	.531
Business Education	.503
Entrepreneurial Type	.377
Rank	.103
Income	.102
Canonical correlation = .239[b]	
Wilks' Lambda = .943[c]	

[a] Standardized canonical discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the multiple R in regression analysis.

[c] A large Lambda indicates the overall function has a relatively low power of discrimination.

We attempted to conduct the same analyses for experiences with the private sector but with very limited results due to the relatively small number of cases in the "not helpful" category. Essentially this suggests no significant variation among different groups in experiences with the private sector.

Reasons for Dissatisfaction

We asked those respondents who had described one or more of their experiences with the SBA as unhelpful to tell us why they felt this way. The question was open-ended and from a reading of their responses we identified 3 general categories that seemed to best fit the data. These are: (1) quality of personnel or services; (2) program limitations; and (3) bureaucratic procedures. Perhaps the best way to clarify these is to present several quotes from the questionnaire which represent examples of each type.

Quality of Personnel/Services

Remarks Concerning SBA

"The SBA people look for the easy way to push you out the door and I never got the feeling they had an interest in my needs."

"Felt like I was 'bothering' them. Answers were too generalized and vague. Atmosphere was too casual."

"In general, SBA officials had to be fought or pushed every step of the way - most frustrating experience - their inefficiency cost me a minimum of $15,000 in increased costs."

"People in SCORE were not aware of current marketing information and could not provide any information. Basically the two people were incompetent."

Remarks Concerning Private Sector

"Commercial bank: I found them uninterested to the point that my loan request was regarded as 'not even to be considered.' Only at my strong and unyielding insistance did they write me a 'letter of declination!"

"Services generally overpriced. Delays in fulfilling commitments. Advice, later found to be not in best interest." (Legal services)

Program Limitations

Remarks Concerning SBA

"I thought because I was a Vietnam-era vet there would be some kind of special monies set aside for the vets. I saw an SBA Rep. Told him what I was interested in and he said 'I'm sorry but right now you're the wrong sex and color'. That was in 1979. I haven't been back since."

"I was told that because I was not a member of a minority group I would not be able to get a loan."

"Only people with a good income and credit will get loans. If you start from scratch the chances for success are not good."

"It seemed to me that unless you had every kind of security - house, car, money - you couldn't even come close to getting help."

"No collateral, no guarantee on my loan request, thereby no loan! Although I had a contract with (name of company) for a two year period."

"Loans for small business - must be turned down by two banks in order to be considered for an SBA loan. Interest rate for business was 14% (too high). Was told that SBA loan guaranty would be no less."

Remarks Concerning Private Sector

"BANKS: Wanted too much collateral - If I had that much collateral, I could use same and not have to pay interest on a loan!"

"Commercial banks in my area don't give loans longer than 5 year periods. I couldn't afford the repayments. I needed 10 years."

"No track record. Too small."

" 'So What?' attitude to veteran status. If the government means these programs to be specifically for veterans, overly conservative attitude of lending institutions should be taken into consideration. From my own experience it seems that the only way you can qualify for a loan is if you don't really need one. I.e., so much collateral that the lender can't possibly lose if you default. If a vet is an alcoholic or drug addict, he can go to the V.A. hospital and have thousands of dollars spent by the government to try to rehabilitate him. But if you ask to borrow an equivalent sum of money from the government (through a bank) they tell you to 'get f____ed' or put up $2 in collateral for every dollar they lend you."

Bureaucratic Procedures

Remarks Concerning SBA

"I and most other vets (who were at the same meeting) were thoroughly demoralized by the inordinate amount of paperwork and the time element necessary to process said paperwork."

"They told me there was a two year wait."

"I was sent from desk to desk (By phone) without any noticeable results."

"No one seemed to know where to route my request or who to route it to."

Remarks Concerning Private Sector

"Second bank played with our paperwork for 3-4 weeks."

Table 47 presents the distribution of responses according to these categories. Once again there are clear differences between the experience of veteran entrepreneurs with SBA and with the private sector. The frequency of complaints that center on personnel and the quality of service delivered is much greater for experiences with the SBA than it is for those with the private sector. For the latter, the most common complaint has to do with program limitations such as collateral and equity requirements or dollar limits on loans. We will discuss these findings further at the close of this section.

TABLE 47

REASONS WHY SBA AND
PRIVATE INSTITUTIONS WERE NOT HELPFUL

Institutions	Reason (%)			
	Quality of Personnel/Services	Program Limitations	Bureaucratic Procedures	Total
All SBA[a] (n=74)	65	27	8	100
Private Sector (n=25)	41	54	5	100

[a] The number of respondents using SCORE and the SBDC's who gave reasons for their dissatisfaction was too small for further analysis.

We attempted to extend our analysis, as we did previously, to determine whether any personal or business characteristics were strongly associated with the reasons veterans gave for their dissatisfaction with these institutions. However, the numbers in each cell were too small for significance testing and thus we had to abandon the effort.

Suggestions For Improving Services

Finally, we asked those respondents who had one or more experiences with the SBA or private sector for their suggestions as to how services could be improved. Eighty-three respondents or 58% of those who had experience with the SBA had at least one suggestion to offer. An analysis of the content of these suggestions shows that they fall into five general categories. These categories, arranged in order of the frequency of suggestions in each, are as follows:

- special consideration: increased personal attention
- special consideration: changes in program criteria/requirements

- organization changes
- better information dissemination
- increase numbers or upgrade quality of personnel

Special Consideration: Increased Personal Attention

In a study that originated from a concern that Vietnam-era veterans might have special needs that require some form of special consideration, it is fitting that the most frequent suggestion this group makes for improving SBA's programs and services is that more personal attention and special consideration be shown to them. As one respondent put it: "The SBA should take a chance on aspiring vets - after all, we took a chance in 'Nam'." Or as another stated very simply: "They should sit down and talk to us - they should just spend more time talking to us." And finally the frustration of a third veteran is evident in the following remark: "Cut the bureaucratic red tape and talk to us as neophytes not as big businessmen. We want to get started!!" Specific suggestions included having a case worker "to help the vet through the bureaucratic maze" and having a person "to sit down and help us complete the forms."

Special Consideration: Changes in Program Criteria/Requirements

The second most frequent type of suggestion focused on the provision of special consideration by loosening the requirements for participation in SBA programs, particularly loans. Suggestions ranged from elimination of the 51% ownership requirement and "2 turn-downs by a private bank" requirement to "loosening the collateral requirement" and broadening the definition of qualified businesses to include real estate. Perhaps the

most emphatic statement made in this regard was the veteran who said: "The requirement that one must be turned down by several banks before one can secure a SBA loan is plain stupid and a waste of business professionals' time!"

Organizational Changes

The third most common type of suggestion had to do with fundamental changes in responsibility for services to veterans. A few respondents suggested eliminating SBA and several felt that responsibility for business services to veterans should be placed in the hands of veterans either by hiring them or creating a system of branch service centers specifically for veterans.

Better Information Dissemination

The type of suggestion made next most frequently had to do with improving the process of informing veterans about the programs and services of the SBA. Several respondents noted that they learned about the SBDC's or the direct loan program "by accident". One suggested that if SBA had store fronts like the Vet Centers of the V.A. that vets would be more familiar with and use the programs more. As one respondent put it: "More information should be published as to where to go for help and what are the necessary things the applicant should be prepared to bring to an initial interview. The Agency should try to understand that in most cases the person is new at all the 'red tape' and be more eager to put him at ease."

Increase Numbers and Upgrade Quality of Personnel

The type of suggestion made least frequently was that SBA should increase the number and quality of personnel in the field offices and related programs. One criticism mentioned by several respondents was that the SCORE volunteer assigned to them did not have any experience in small business or the business the respondent was in or interested in entering. One suggested that the agency should recruit active executives rather than retired executives to assist veterans. Evidently he had not heard of the ACE program.

Suggestions for Improving Private Sector Services

We also asked veterans who had experience with the legal, accounting and financial institutions in the private sector to suggest ways that their services could be improved. Forty-six percent of those who used these services responded to this question - a total of 53 respondents. Their responses can be placed in three of the same categories as those just discussed:

- special consideration: changes in program criteria/requirements
- special consideration: increased personal attention
- organizational changes

Special Consideration: Changes in Program Criteria/Requirements

By far the most frequent suggestion made had to do with liberalizing the rules used in loan programs. Specific suggestions were less collateral or equity, lower interest rates, lower ceilings and longer terms.

Special Consideration: Increased Personal Attention

The next most frequent suggestion focused on increasing the personal attention that veterans receive. Several veterans complained that bank officers did not manage a loan in a personal enough way. They would like to see more site visits. Some also felt that when an application is being considered that a bank official should attend meetings of the firm's board or partners and make more of an effort to get to know the prospective borrower. One respondent felt that "too much weight is placed on objective financial and experience criteria and not enough on the more intangible personal qualities of the applicant."

Organizational Changes

This concern for more personal attention is also evident in suggestions for organizational changes. One respondent suggested that banks have an Affirmative Action Officer for veterans and another felt that there should be a special liaison person for banks within each SBA field office. A third argued that banks should make a special effort to hire Vietnam-era veterans to coordinate the bank's participation in SBA programs.

6. Summary

The purpose of this section has been to understand the perceptions that Vietnam-era veterans have of the SBA and private sector institutions, particularly banks, that often play a critical role in the start-up and

operation of small enterprises. As the basis for developing this understanding we used both quantitative and qualitative data from the questionnaire to describe and analyze user characteristics and their patterns of use, types of requests, their feelings about their experience and any ideas they might have for improving the quality of services to veterans. In the following remarks we will integrate the findings based on the questionnaire data with what we learned from the in-depth interviews in an effort to arrive at a fuller understanding of veterans' perceptions of these institutions. We begin with a brief summary of the major findings in this section.

- As a service institution, the SBA is reasonably successful in reaching all demographic groups including minorities,[53] the disabled and veterans from all levels of education and income.

- Relative to their numbers in the larger Vietnam-era veteran population, veterans are more likely to use the services of the SBA if they have one of the following combinations of characteristics: (1) lower rank and a disability; (2) minority status and low income; or (3) disability and low income.

- Disability status and minority status are the two strongest predictors of whether or not a veteran entrepreneur will approach the SBA for assistance. Relative to their numbers in the population, minority and disabled veterans are the most likely users of the programs and services of the SBA.

- Veteran entrepreneurs are more likely to use the legal, accounting and financial services of the private sector if they have one of the following combinations: (1) employed and either White, college educated, or with family income above $15,000; (2) full-time entrepreneurs; and (3) higher income and education level in general.

- Being unemployed or having a history of unemployment is the single strongest predictor that a veteran entrepreneur will not use the services of the private sector.

- The primary reason for contacting both the SBA and private sector institutions is financial. Eighty-one percent of all respondents making requests were either applying for loans or seeking information about loans.

---

[53] Unfortunately we were unable to determine use patterns for women because there were too few in our sample.

- Veteran entrepreneurs are much less likely to be successful in their requests and more likely to express dissatisfaction with the services and programs of the SBA than they are with those of private sector institutions.

- The focus of their dissatisfaction with the SBA is on the quality of personnel and/or service, whereas the focus in the private sector is on program requirements and the limiting effect they have on opportunity.

- Dissatisfaction with the SBA is most widespread among ex-officers, White veterans, those who served in Vietnam, are from higher income groups, have been unsuccessful in trying to start a business, or have a graduate degree in a business related field.

- When asked what they would propose be done to improve the situation, the most common themes for both sectors were: (1) take the time to show more personal attention to veterans; and (2) give veterans special breaks in the form of lower interest rates, lower loan ceilings and longer terms.

These findings tell an interesting story. They suggest that there is a tendency for veterans from groups suffering from social and economic disadvantage in our society (minorities, the disabled and lower income groups) to perceive the SBA, a government agency, as a more realistic source of assistance than the private sector. Anticipating discrimination, many disadvantaged veterans do not trust the private sector. These tendencies are quite consistent with the traditional view of government's role as supporter and protector of the less advantaged in our society. At the same time, groups with greater advantage prefer to turn to the private sector for legal, accounting and financial assistance. Many mistrust government bureaucracies as being remote and unconcerned, while they view the private sector as being more responsive and more oriented to customer service.

This view of government is also evident when we look at the user characteristics associated with satisfaction and dissatisfaction with the SBA. Not only do disadvantaged groups have higher rates of participation but they are also more likely to be satisfied with the service they receive. Deserved or not, the SBA has developed somewhat of a reputation,

at least among the White males in our sample, as an agency more committed to serving minorities, women and other disadvantaged groups than to serving members of higher status groups in our society. This feeling was expressed frequently in the open-ended remarks on the questionnaire and in the in-depth interviews with veterans. Many White veterans believe that reverse discrimination is standard procedure and, according to the veterans' reports to us, some SBA officials are encouraging this belief through their remarks to these veterans.

How are we to interpret these findings? Taken at face value they suggest that Vietnam-era veterans who are or have been engaged in small businesses and who have used the services of the SBA have a rather unflattering image of the agency. Before accepting this as the whole story, however, it is important to ask and answer three questions. The first is: are the views described here those of a tiny vocal minority who happened to participate in this study or are they more representative of the entire group of veterans who use the services of these institutions? The second question is: are the criticisms written in the questionnaires grounded in very strong feelings or are they simply the product of an opportunity to let off a little steam about something that they really hadn't given much thought to? The third question is: is this criticism strictly a product of their direct experience with the SBA or is there a broader context that is important to understand? We had each of these questions in mind when we conducted 60 in-depth interviews with veterans who had also completed the questionnaire.

Our first question then has to do with how representative our findings are. Given that a significant proportion of SBA users in our sample expressed some dissatisfaction with their experience with the agency, what can we conclude about how widespread the problem is?

Could this simply be a case of a vocal minority who are more active in Vietnam veterans' organizations and are using this study as a means of attacking one more government agency?

Because of our sampling procedure, i.e., the use of veterans organizations to reach respondents, we considered this possibility very seriously and after careful examination of the data have concluded that this is not the case. We first looked at the groups that are over-represented in our sample to see whether they tended to be more dissatisfied than those who are underrepresented. The groups we refer to are the disabled, the more highly educated, the unemployed, veterans who served in Vietnam and those who are now members of veteran organizations.

A review of the bivariate data on the relationships between these user characteristics and quality of experience with the SBA shows that neither the highly educated, the disabled, the unemployed nor members of Vietnam-era or other veterans' groups are more likely than their opposites to be dissatisfied with their experience with the SBA. Only one group, those who served in Vietnam, were more likely to be unhappy with the SBA. This is an important exception since 79% of our sample did serve in Vietnam while only 34% of the total Vietnam-era veteran population did. However, when we look at the percentage of each group who had at least one unsatisfying experience with the SBA, we find that 75% of those who served in Vietnam did but 62% of those who did not serve also had negative experiences. Thus, the difference is not great enough to lead us to conclude that by oversampling among the former group we are seriously

overstating the extent of dissatisfaction with the SBA among users of the agency's services.[54]

It is important, of course, to keep in mind that we are examining only the views of users of SBA and that this group is a relatively small sub-group of the total population (approximately 1% of all small businesses). However, there is some evidence from our interviews that the communication network within the Vietnam-era veteran community is "putting the word out" on the SBA. Among the in-depth interviews we conducted were 13 with veterans who had strong entrepreneurial aspirations but no experience with the agency, and 10 others with some entrepreneurial experience who had not had any direct contact with the SBA. In 8 of these 23 in-depth interviews the veteran expressed negative views of the SBA based on second and third hand accounts of other veterans' experiences. Clearly the grapevine is working against the agency.

We address ourselves now to the question of the depth and intensity of the feelings expressed in the questionnaire responses. These written responses were often brief and sometimes cryptic.[55] It is possible that many, if not most, of these comments are simply examples of routine

---

[54] However, there is one source of possible bias that has not been mentioned. This is the type of questions that were and were not asked of the veteran. Since we were trying to learn how to improve SBA's services, we did not ask respondents to explain why the agency had been helpful but only for their explanation of negative experiences and then we focused on these in our analysis. Thus to some extent our method encouraged negative criticism. For respondents with strong feelings this made no difference whatsoever, however, for those with more diffuse or unformed opinions we may have prompted a negative response that means very little. Still we use the numbers to compare two or more groups rather than to measure in absolute terms so this could only be a minor source of bias.

[55] However, we also received a significant number of lengthy and carefully constructed responses that described in great detail the experience of the veterans and their feelings about it.

criticism of big government and bureaucracy - a traditional ritual and right in our society. The setting and format of an open-ended interview is designed to allow the respondent to go beyond such responses. One of the primary purposes of the 60 in-depth interviews we conducted with veterans was to allow us to explore in greater depth the reasons for their dissatisfaction with governmental and private institutions. In these interviews we gave the respondent an opportunity to qualify or sharpen their questionnaire responses and allow us to gauge the depth and intensity of the feelings behind the comments.

Our conclusion, based on 37 interviews with veterans who had one or more experiences with the SBA, is that the majority of those who have complaints about the agency have rather strong feelings about their experience. For example, one respondent, a veteran who we have classified as unsuccessful, approached a field office about a loan and reported the following experience:

> "They grilled me about why I thought I should get a break just because I was a veteran. I'm through with them. . I'll never go back!"

Another respondent who had operated his wholesale business successfully for three years was looking for some management advice and was referred to a SCORE representative by the field office. He described the people who spoke with him as "a bunch of old men who are retired executives from Gulf or somewhere who never started a business on their own." A third respondent, a beginning entrepreneur, expressed his frustration with an SBDC counselor whom the field office had referred him to for loan package advice.

> "'You haven't got a chance in hell.' That's just how he put it. Now I've worked my ass off for a year and built this up from nothing to where last year I did $80,000 in business and this guy's telling me

I'm not worth anything. If he can't relate to someone coming in here for help, then goddammit he ought to move the hell out of the office . . . He's got degrees but he's got the personality of a toad. I'd like to know if he's been in Vietnam . . . if he ever was in so much as a fist fight! How can he relate to a guy who got shot up?"

A fourth veteran, summarizing his feelings, said: "SBA people are like all bureaucrats. They're mainly interested in their own jobs and covering their own asses."

The contrast between the above comments and those made about banks and their personnel is revealing. One veteran who had been turned down by a bank for a loan was not pleased with the outcome but simply said, "I guess banks have to make money and back a sure thing. You have to have money to get it." Another veteran observed that while he didn't receive the loan that "they treated me like a potential customer." These and other comments reflect more resignation or acceptance than anger in the veteran's feeling about the private sector. This difference could reflect differences in the way people are treated or in the expectations that veterans take with them when they approach the institution, or both.

It should not be surprising, of course, if someone gets upset when they are denied assistance, usually financial, that is directly related to their's and their family's opportunity for security, status, self-respect, etc. But some questions remain. Why is it that those who used the private sector are much more successful with their requests and much more satisfied than users of the SBA? Secondly, why does there seem to be so much more "heat" in the veteran's feelings about the SBA than there is when he expresses his feelings about private sector personnel and institutions? Finding answers to these questions require that we explore the broader context of the Vietnam veteran's feelings about government and our society.

There are several factors that we think are fueling the veteran's negative attitude toward the SBA. Much has been written concerning the confusion and hurt felt by the Vietnam veteran when he returned home to a society that was caught up in it's feelings of shame and guilt about our involvement in the war. There was no homecoming - no hero's welcome. It is only in recent years that the delayed process of bestowing honor and showing special concern has become acceptable. SBA's policy of special consideration is a part of this process. But the Vietnam veteran is extremely sensitive to any disparity between words and deeds. As one veteran who attempted without success to get a direct loan put it: "We hear all this talk about 'SBA and veterans'. Just show us what you got for us. Talk is cheap." Much of the heat in the veteran's comment probably has its roots in this feeling of being wronged. One respondent, who might have been a psychologist, made the following observation: "What you got to understand is that Nam vets are angry at the government for not treating us as heros. SBA is the government!"

A second factor has to do with the traditional relationship between veterans and the government. Most of the veteran's experience with government was either in the military service or with the Veteran's Administration since discharge. Both of these experiences are characterized by relationships based on entitlements. Whether it's a weekly paycheck, disability benefits, the G.I Bill's education benefits or a home loan, the veteran is accustomed to dealing with the government as someone who is entitled to certain benefits in return for the sacrifice made.

In our interviews with veterans we heard a number of comments, rather cynical in nature, concerning the VA. On the one hand, the agency is viewed as the source of many benefits but, on the other it exacts a price

in terms of paperwork and waiting and sometimes rejection. The SBA is probably to some extent a victim of this traditional relationship between the veteran and both the military and the VA. Our interviews revealed that there is the expectation on the part of many veterans that they are entitled to something when they enter the Agency's door. What this "something" is is not always clear but it often boils down to the intangibles of respect and appreciation and caring about them as individuals. However, it also means, as we noted earlier, special consideration in the form of better financial terms and taking more of a risk on the veteran.

This feeling of entitlement is not usually present when the veteran enters a bank. With very few exceptions our respondents felt that banks are there to make a profit and that veterans should not be treated any differently from anyone else.

It could be that because veterans feel they are entitled to government assistance that they find it easier initially to approach the SBA than the private sector. This could help explain the higher percentage of entrepreneurs in our sample who had made at least one contact with the SBA than with the private sector. This greater willingness to make contact could also be part of the reason that there is a much lower success rate for requests to the SBA than to the private sector (46% to 67%). Some veterans may not feel the same need to prepare for an encounter with an agency toward whom they feel entitled as they might feel when approaching a profit-making institution like a bank. They are probably better prepared to succeed in the latter case.

None of this is intended to explain away the basic fact that a majority of the veterans in our sample who had experience with the SBA felt they were treated poorly or unfairly or were otherwise not provided

with good service. What we have tried to do with these brief comments is to place these experiences in a broader historical, social and psychological context. The fact is that the SBA must operate within and take into consideration this context just as the veteran must.

It is significant that it was at the height of our society's new found concern for and commitment to Vietnam veterans that the SBA's new veterans' program was formulated and implemented. In a sense the veteran was ripe for the pitch. They wanted to believe that their government with widespread public support was now gearing up its machinery to make amends. The problem of course is that while the expectations have been raised, the SBA is seriously limited by budget and staffing levels as to what it can do for veterans. As a result, there is the confusion as well as resentment and frustration that is evident in the data we have collected.

D. Successful and Unsuccessful Entrepreneurs

One of the primary objectives of this study, as described in Chapter 1, is to determine the factors present among the successful Vietnam-era veteran entrepreneurs that differ from those of the group that have been unable to launch a business, but would like to do so. A second objective is to isolate the relative importance of such factors, including age, experience or education, that are found to be associated with success. We address both of these issues in this section. Our method of analysis is the same as that followed elsewhere in this chapter. We will move from univariate to bivariate to multivariate techniques as appropriate.

In Chapter 1 we described the analytical framework for the study as a set of entrepreneurial types representing different phases of experience in the entrepreneurial process: aspiration, beginning, disappointment, lack of success and success. Before proceeding with our analysis we will define the criteria used for placing a veteran entrepreneur in each of these categories.[56]

- successful: does currently own and operate a business that has survived for at least three years and is earning more than 25% of personal income from this business; or operated a business previously for at least three years; earned more than 25% of personal income from self-employment; and did not leave or close the business under stressful economic or personal circumstances.
- unsuccessful: is not currently operating a business but did own and operate one that failed within the first three years of operation.
- disappointed: does not currently operate a business though did try to start a business but was unable to begin operation.

---

[56] Aspiration was treated in Section A of this chapter and will not be discussed here.

- beginner: is currently trying to start a business or is in the first three years of operation and has not had any entrepreneurial experience prior to this venture.
- non-classifiable: includes those entrepreneurs who do not fit into the four types defined above.

The distribution of each type is presented in Table 48. While 62% of our sample had some entrepreneurial experience, only 29% fall into one of the three types we will be focusing on in this section. Our purpose in establishing fairly narrow criteria for including a veteran entrepreneur in one of these categories was an analytical one. We wanted this classification process to sharpen any differences that might exist among the groups.

Table 48 shows that 17% of our sample are successful entrepreneurs; 7% are unsuccessful; and 5% are disappointed. An additional 5% are in the beginning stages of their entrepreneurial careers and 28% are non-classifiable. Because of the relatively small number of unsuccessful and disappointed cases produced by our classification procedure, and because their experience is very similar, we will combine the two for analytical purposes and hereafter refer to the combined group as unsuccessful entrepreneurs.[57]

---

[57] We do not pretend to be measuring or defining success in absolute terms with our use of these types. We claim only that the successful entrepreneurs are relatively more successful than the unsuccessful.

TABLE 48

DISTRIBUTION OF ENTREPRENEURIAL TYPES IN STUDY SAMPLE

Type	Number	Percent
With Entrepreneurial Experience		
Successful	81	17
Unsuccessful	31	7
Disappointed	24	5
Beginner	24	5
Non-Classifiable	132	28
With No Entrepreneurial Experience		
Aspiring (Strong)	43	9
Aspiring (Moderate)	97	20
Uninterested	40	9
	472	100

We begin our analysis by comparing successful and unsuccessful entrepreneurs on a number of military, personal and family background characteristics.

Military Background and Experience

We first examined the relationship between military background and experience variables and entrepreneurial type. We included the following variables in our analysis:

- rank
- number of months in service
- whether or not they served in Vietnam
- whether they served in a combat unit

- number of months in Vietnam
- disability status
- membership in Vietnam-era veterans group[58]
- membership in older veterans group

The results of this bivariate analysis are summarized below:

- We found no relationship between success and either rank, months in service, service in Vietnam, combat duty or length of Vietnam tour.

- There is a strong relationship between disability and success. Unsuccessful entrepreneurs are much more likely to be disabled (49%) than are the successful (18%).

- Membership in veterans' groups is moderately associated with success. Unsuccessful entrepreneurs are more likely to be members of Vietnam-era veteran groups (75%) than are the successful (58%). The same is true of members of older veterans groups. Seventy-seven percent of unsuccessful entrepreneurs but only 51% of the successful are members of these groups.

It is possible, of course, that the relationship between success and disability or membership in veterans' groups can be accounted for by other factors that could be associated with these characteristics such as less experience or education. We will use multivariate procedures later to see if this is the case.

Personal and Family Background

We also examined the relationship between personal and family background variables and entrepreneurial success.[59] The variables we considered were:

- age at start-up of business
- race and minority status[60]

---

[58] Includes such groups as VFW, American Legion, AMVETS and DAV.

[59] Unfortunately there were not enough females in our sample to consider the relationship between gender and success.

[60] We created a variable separate from race which we call "minority status." In it we combine veterans of Hispanic origin, Blacks and other racial minorities into one group.

- marital status
- number of dependents
- general education
- business education
- socio-economic background [61]

The results of this analysis can be summarized as follows:

- We found no relationship of significance between success and either age, race, minority status, business education or socio-economic background.

- There is a moderately strong relationship between number of dependents and success. Successful entrepreneurs are less likely (25%) to have one or no dependents than are the unsuccessful (45%). On the other hand, the successful are more likely (47%) to have two or three dependents than are the unsuccessful (30%). There is a slight tendency, but not significant, for successful entrepreneurs to be more likely than the unsuccessful to be married (75% to 64%).

- There is also a relationship of moderate strength between general education and success. Sixteen percent of the successful but 28% of the unsuccessful did not attend college. On the other hand, 43% of the successful have a college degree while only 28% of the unsuccessful do.

Later in this section we will examine these relationships more closely with the use of multivariate statistics.

Business Characteristics and Experience

We will consider now what, if any, differences there are in the entrepreneurial experiences of successful and unsuccessful entrepreneurs. There are, of course, certain differences that are a result of success or failure, such as family income, the number of employees or the revenues taken in. We are less interested in these types of differences and more interested in differences that might make it more or less difficult to succeed as an entrepreneur or that might

---

[61] This variable is based on a scale constructed out of the respondent's education, and father's education and occupation.

characterize higher risk ventures. With this in mind we first examined the bivariate relationship between entrepreneurial type and the following eleven variables:

- type of business (product or service delivered)
- acquisition process
- ownership structure
- majority ownership[62]
- access to credit
- Vietnam-era veterans as co-owners
- Vietnam-era veterans as employees
- family involvement
- years of general business experience
- years of technical experience
- level of preparation: self-evaluation

The results of this analysis are summarized below:

- We found no relationship between success and years of general business or technical experience; whether or not the veteran was a majority owner; or had Vietnam-era or other veterans as employees or partners.

- Success is associated with access to credit. Since this involves several variables and the relationships are somewhat complex, we will discuss this in some detail in a moment.

- Success is strongly associated with ownership structure. Successful entrepreneurs are much more likely to form corporations than are the unsuccessful (41% to 9%) while the latter are much more likely to form sole proprietorships (72% to 44%).

- Success is also related to level of preparation. Unsuccessful entrepreneurs are much more likely to feel that they were poorly prepared when they started their business than do the successful (46% to 19%).

- There is a relationship of moderate strength between success and type of business. Successful entrepreneurs are more likely to be in manufacturing (17% to 4%) and finance (8% to 2%) while the unsuccessful are more likely to be in retail trade (28% to 17%), transportation (11% to 5%) and agriculture (9% to 3%).

- The relationship between acquisition process and success is weak. Both types of entrepreneurs, about 70% of each group, are most likely to have been the original founders of their business. However, successful entrepreneurs are more likely than the unsuccessful to have purchased or inherited their business (22% to 9%).

---

[62] This refers to three variables: (1) source of initial financing or capital; (2) whether or not an entrepreneur received a post-start-up loan; and (3) source of post-start-up loan.

Access to Capital and Credit

As mentioned above, we found that access to capital and credit is associated with entrepreneurial success. This should come as no surprise since credit is the lifeline of small businesses. Sources of capital and credit that we considered include family or friends, personal savings, banks and other financial institutions, government agencies, venture capital and current owners of the business being purchased. We asked three questions designed to help us understand more about the veteran entrepreneur's access to capital or credit.[63] They were as follows:

- From which of the following sources did you obtain your initial financing and/or capital to become an owner of this business?
- Apart from your initial financing, have you ever received a loan for your business?
- What was the source of this loan?

We found that success is not associated with the source of initial financing though there is a slight tendency for successful entrepreneurs to have received a bank loan at start-up (28% to 19%). The major source of financing for both groups was individual or family savings. Sixty-one percent of successful entrepreneurs and 58% of the unsuccessful depended on this source. We also calculated the percentage of each group whose start-up funds came in the form of a loan from an institutional rather than personal source. We found that 39% of successful and 33% of the unsuccessful had received such a loan.

---

[63] All three questions were asked for both the current and previous operations.

We did find success to be related to whether or not a veteran received a post-start up loan. Fifty-four percent of successful and only 11% of unsuccessful entrepreneurs received a post-start up loan.[64] Eighty-six percent of these loans for successful entrepreneurs were bank loans.[65]

Summary

In summary, based on an analysis of bivariate relationships between entrepreneurial success and a wide range of military, personal, family and business experience characteristics, we have identified several factors that appear to be associated with success or lack of success among veteran entrepreneurs. They include:

- disability status
- membership in veterans' groups
- number of dependents
- education
- type of business (product or service delivered)
- ownership structure
- access to credit
- level of preparation: self-evaluation

Before moving on to our multivariate analysis, we should review those background characteristics that do not appear to be associated with entrepreneurial success among Vietnam-era veterans. They include age, minority status, business education and experience (both general business and technical experience).

---

[64] The percentage of the unsuccessful is based only on those businesses past the start-up phase.

[65] Due to the small number of unsuccessful entrepreneurs receiving these loans percentages would not be meaningful, therefore, we cannot compare the two groups in this regard.

In regard to age, a few words of qualification are in order. Based on our data, we cannot conclude that age is or is not associated with success. Unfortunately, the design of the study makes the use of age as an independent variable problematic. The problem is that the pool of unsuccessful entrepreneurs comes from businesses started during the past 15 years when all veterans were younger, whereas the pool of successful entrepreneurs is more a result of businesses started in the past 5 - 10 years when all veterans are older. Thus our data show that businesses started by older veterans are more likely to have succeeded but this finding is a misleading artifact of the study design. The ideal design for studying the effect of age on entrepreneurial success would be a longitudinal study in which respondents could be matched according to age and conditions of the economic environment would be similar, in effect controlled, for all respondents. This lack of control is, of course, a limitation of any study that compares events from differing time periods.

We did find that unsuccessful entrepreneurs are slightly more likely to be members of a minority group than are the successful (17% to 10%) but this difference is not statistically significant. We were surprised to find that neither business education nor the two experience variables showed any relationship with success. As with any measure, it is possible that if we could have refined the experience measures enough that they would have shown some association with success. However, we asked only for the respondent's estimate of the number of years of each type of experience and did not ask that they specify the precise nature of the experience. The questionnaire was already long enough that we were concerned about discouraging participation.

We move now to the next step in our analysis: multivariate contingency tables. As we have noted in previous sections, it is possible that the degree of association between success and any one of the background variables could be a function of some related characteristic. For example, the relationship between success and level of preparation could be a result of the fact that the better prepared have more formal education which we know is also associated with success. The association of success with type of business could be an artifact of the relationship of both with ownership structure. Certain types of businesses may be much more likely to be corporations or less likely to be sole-proprietorships. The use of control variables enables us to further our understanding of these relationships.

In our bivariate analysis we found entrepreneurial success to be associated with nine background characteristics. They were disability status; membership in Vietnam-era or older veteran groups; number of dependents; general education; type of business; ownership structure; access to capital and credit; and level of preparation at start-up. We used one or more control variables to examine further the relationship between success and each of these characteristics. The key findings are summarized below.

- Controlling for other variables has no effect on the relationship between success and access to credit, membership in older veteran groups, education, ownership structure or level of preparation.

- The relationship between lack of success and disability remains strong regardless of what controls are used. However, veterans with a disability who lack technical experience in the field, trade or profession are particularly likely to fail.

- Unsuccessful entrepreneurs are more likely to be members of Vietnam-era veteran groups than are successful entrepreneurs under all control conditions with one exception: for era veterans who did not see duty in the Vietnam theatre, successful entrepreneurs are more likely than the unsuccessful to be members of Vietnam-era veteran groups.

- The relationship between success and number of dependents appears to be largely the result of the fact that married entrepreneurs have more dependents and the disabled have fewer. By itself, this variable does not appear to be strongly associated with success.

Predictors of Success

Based on our bivariate and multivariate contingency table analysis we identified nine factors that are associated with entrepreneurial success. In order to measure their relative importance, we have selected five of these for use as independent variables in the discriminant function analysis:[66] disability status, education, number of dependents, minority status and access to credit.[67] We have not included five other variables which we found to be associated with success: membership in both types of veterans's groups, ownership structure, type of business and level of preparation. The first four we have excluded because they are not in a simple one-way relationship with success and, therefore, cannot be treated as independent variables. Being a member of a veterans group may have some influence on whether or not a veteran is successful or not but it is just as, if not more, likely that veteran groups tend to select members who are less successful as entrepreneurs. In a similar manner, veterans who form corporations may increase their chances of success but it is also likely that successful entrepreneurial types tend to form corporations. The same reasoning applies to type of business. Thus these are two-way

---

[66] See pp.18 - 20 for a discussion of this procedure.

[67] Access to capital and credit is actually several variables. The one we are using here measures whether or not a veteran received start-up financing from an institutional source. This is the only one that can legitimately be considered as an independent variable with a one-way influence on success.

relationships, i.e., the influence moves both ways and the results would be misleading if they were included in a discriminant function analysis.[68]

We decided not to use level of preparation because we do not have confidence in its ability as a predictor. This variable measures how well prepared veterans think they were when they started their business. It tends to reflect what has happened rather than to predict. Therefore, we will not use this variable further.

The results of the discriminant function analysis are presented in Table 49. As described in previous sections, this technique enables us to measure the relative power of each independent variable to predict a dependent variable, in this case entrepreneurial success or lack of success. The variables in Table 49 are arranged from top to bottom in order of importance. The coefficients show the relative ability of variables to discriminate between the successful and the unsuccessful, i.e., they measure their relative strength as predictors.

---

[68] In statistical terms they are non-recursive relationships.

TABLE 49

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS:
RELATIVE ABILITY OF FIVE FACTORS TO
DISCRIMINATE BETWEEN SUCCESSFUL AN UNSUCCESSFUL ENTREPRENEURS
(n = 122)

Set A: All Entrepreneurs

Variable	Coefficient [a]
Disability Status	.753
Education	.461
Number of Dependents	.311
Minority Status	- .229
Access to Capital/Credit	.220
Canonical Correlation = .384 [b]	
Wilks' Lamda = .852 [c]	

[a] Standardized canonical discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the Multiple R in regression analysis.

[c] The larger the Lambda (closer to 1.00) the weaker the discriminatory power of the overall function.

Table 49 shows that disability status, with a coefficient of .753 is by far the best predictor of entrepreneurial success. The positive sign tells us that successful entrepreneurs are much less likely to be disabled than are those who are unable to start or sustain a business. The next best predictor is education with a coefficient of .461. This confirms our earlier finding that successful entrepreneurs are more likely to have a college degree and the unsuccessful are more likely to have not attended college at all. The remaining variables, number of

dependents, minority status and access to credit (start-up loan from an institutional source) are fairly weak predictors of success relative to these first two.

Because disabled veterans make up only 7% of the total Vietnam-era veteran population, we decided to conduct a second set of analyses excluding the disability status variable. Since the non-disabled make up 93% of the population, we were particularly interested to learn what the most powerful predictors of success for this group would be if we eliminated the influence of disability. Table 50 presents the results. It shows that the ability to get a start-up loan from an institutional source, rather than to have to rely on personal savings or family and friends, is the strongest predictor of success with a coefficient of .616. It is followed closely by education (.605). Thus, in addition to the absence of a disability which, as we have just seen, plays an important role in entrepreneurial success, access to credit and education are the best predictors of success for the non-disabled veteran entrepreneur.

TABLE 50

RESULTS OF DISCRIMINANT FUNCTION ANALYSIS:
RELATIVE ABILITY OF FOUR FACTORS TO
DISCRIMINATE BETWEEN SUCCESSFUL AND UNSUCCESSFUL ENTREPRENEURS
(n = 87)

Set B: Non-Disabled Veterans

Variable	Coefficient [a]
Access to Capital/Credit	.616
Education	.605
Minority Status	- .387
Number of Dependents	- .117
Canonical Correlation = .182[b]	
Wilks' Lamda = .967[c]	

[a] Standardized canonical discriminant function coefficient

[b] The interpretation of the canonical correlation is similar to that of the Multiple R in regression analysis.

[c] The larger the Lambda (closer to 1.00) the weaker the discriminatory power of the overall function.

Experience with and Perceptions of SBA and Other Institutions

In Section C of this chapter we examined the extent to which veterans use the SBA and other institutions that can play a critical role in assisting entrepreneurs. We also considered their evaluations of these institutions and what the focus of their complaints was. We will now examine the same data for the purpose of understanding whether patterns of use and types of experience vary between successful and unsuccessful entrepreneurs.

When we examine the bivariate data, we find that there is virtually no difference between successful and unsuccessful entrepreneurs in terms of the proportion who have approached SBA for one reason or another. Forty-seven percent of successful and 53% of unsuccessful entrepreneurs have used the services or programs of SBA at least once. However, successful entrepreneurs are more likely to have used private sector institutions including banks, accountants and legal services. Sixty percent of successful and only 34% of unsuccessful veteran entrepreneurs have used these institutions at least once. The primary reason for their contact was to inquire about or apply for a loan. About 75% of all inquiries to both SBA and private institutions were of this nature and this did not vary by type of entrepreneur.

As discussed in Section C, we asked respondents to evaluate their experience with each institution they made contact with. Since some respondents had more than one experience we have coded their responses into one of three categories: all helpful, all not helpful and mixed. The latter category includes only veterans who had at least one helpful and one unhelpful experience with an institution.

In Table 51 we summarize this evaluative data on experiences with the SBA. The data show that 59% of the unsuccessful and 39% of the successful entrepreneurs had only dissatisfying experiences with the SBA. However, when combined with those who had both types of experiences, 84% and 77% respectively had at least one experience they felt dissatisfied with. Thus the difference between the two groups is not as great as might be expected given their differing entrepreneurial experiences. Put another way, successful entrepreneurs as a group are much more critical of the SBA than one would expect.

How did respondents evaluate the performance of private sector institutions? We reported in Section C that veteran entrepreneurs are not as critical of private sector institutions as they are of the SBA. Table 52 presents the data. It shows that the experience of successful entrepreneurs with the private sector is much more positive than with the SBA. Sixty-seven percent report only helpful experiences. Unfortunately cell sizes are too small to draw any conclusion about the unsuccessful entrepreneurs.

TABLE 51

EVALUATION OF EXPERIENCE WITH SBA
BY ENTREPRENEURIAL TYPE

Entrepreneurial Type	Evaluation: All Helpful (%)	Mixed (%)[a]	All Not Helpful (%)	Total (%)
Successful (n=40)	16	45	39	100
Unsuccessful (n=30)	23	18	59	100

[a] Respondents who mentioned at least one helpful and one unhelpful experience.

TABLE 52

EVALUATION OF EXPERIENCE WITH PRIVATE SECTOR INSTITUTIONS
BY ENTREPRENEURIAL TYPE

Entrepreneurial Type	Evaluation: All Helpful (%)	Mixed (%)[a]	All Not Helpful (%)	Total (%)
Successful (n=42)	67	26	7	100
Unsuccessful[b] (n=14)	50	36	14	100

[a] Respondents who mentioned at least one helpful and one unhelpful experience.

[b] Percentages for unsuccessful are based on only fourteen cases and therefore should be treated with caution.

We also asked respondents to explain why they were unhappy with the experience they had with each institution. We left the question open-ended to allow them to express themselves at length and some chose to do so (see Section C). Based on an analysis of the content of their answers we created three categories of reasons why they were unhappy. They are:[69]

- quality of personnel
- bureaucratic procedures
- program limitations

In Table 53 we compare the distribution of these responses for the experiences of successful and unsuccessful entrepreneurs with the SBA. While the number who responded to this question was small, the data we have show that the criticism of SBA by both successful and unsuccessful entrepreneurs is focused more on the quality of personnel and services than either program limitations or bureaucratic procedures. However, unsuccessful entrepreneurs may be the most likely to be unhappy with SBA personnel.[70]

TABLE 53

REASONS WHY SBA WAS NOT HELPFUL

Reason for Dissatisfaction

Type	Quality of Personnel (%)	Program Limitations (%)	Bureaucratic Procedures (%)
Successful (n=17)	59	29	12
Unsuccessful (n=11)	73	18	9

[69] We have given examples of each of these in Section C.

[70] There are not enough cases to analyze differences for the private sector.

Summary and Discussion

The purpose of this section has been to identify those factors that differentiate successful from unsuccessful entrepreneurs and to determine the relative importance of each. In the preceding pages we considered a wide range of military, personal and business experience characteristics. Based on this analysis we can describe successful entrepreneurs relative to the unsuccessful as follows:

- They are less likely to be disabled.
- They are more likely to be able to secure a start-up loan from an institutional source rather than having to rely on personal savings or family and friends.
- They are more likely to have a college degree.
- They are more likely to form corporations and less likely to form sole-proprietorships.
- They are less likely to be members of either Vietnam-era or older veterans' groups.
- They are more likely to own and operate businesses in the manufacturing and finance sectors and less likely than the unsuccessful to be in retail trades, transportation or agriculture.

We can draw on two additional sources of data to help us understand better the role that each of these factors played in the entrepreneurial experience of our respondents. The first consists of open-ended responses on the questionnaire and the second are the in-depth interviews we conducted with veterans. We will look first at the questionnaire data.

For those respondents who left or closed a previous business we asked two questions related to lack of success. They were:

- If your business never really got started, please explain why you think this was the case.
- If you had it to do over again, what would you do differently to ensure the success of the venture?

Fifty-one veterans responded to the first question. The most frequent explanation for why the business did not get started was lack of capital or credit. Fifty-one percent of all those responding mentioned this as a problem. The next most frequent was lack of experience - 25% mentioned this. Twelve percent blamed the SBA, 10% said they (the entrepreneur) lacked interest or commitment and another 10% cited the recession or competition. Only 6% mentioned personal problems including their disability.

A total of 103 veterans responded to the second question concerning what they would do differently the next time. Once again the most frequent response had to do with capital or credit. Forty-two percent said they would make more of an effort to raise capital or establish credit. The next most frequent response was that they would be more serious about business and financial planning and management. Two other types of comments reflect a need for more education, training and experience (17%) and avoiding or more careful selection of partners (15%).

Because our data indicate that disabled veterans run a high risk of failure in small business, it is especially interesting that almost no mention of disability is made when respondents explain why their business did not succeed. We will reserve further discussion of the role that disability plays in entrepreneurial activity until Section E of this chapter which is devoted entirely to an examination of the entrepreneurial interests and experience of the disabled veteran.

The finding that successful entrepreneurs are more likely to have been able to secure a start-up loan from an institutional source such as the SBA, a bank or a credit union should come as no surprise. It is also the case that those who received a start-up loan were much more likely to have received a second loan for their business. Success, it seems, breeds

success. As mentioned earlier, this appears to be a two-way relationship. Securing a loan is a business-related skill. It requires financial planning and market analysis and can be facilitated by good basic inter-personal skills. Thus, veterans who develop these skills are both more adept at getting loans and more successful as entrepreneurs in general. Securing a loan both results from and contributes to success.

The possession of a college degree as well as the educational process by which it is achieved also make an important contribution to entrepreneurial success. The distinction between the credential and the process is probably not a trivial one though our data does not tell us much in this regard. Based on our in-depth interviews with veterans, two themes emerged that shed some light on the contribution that a college education or lack of such an education makes to entrepreneurial success. The first is the development of communication skills in the broadest sense and the added confidence that these skills provide to the veteran, particularly when dealing with institutions and their officials in an effort to place the business on a firm financial basis. The data we presented in Section C showed that veterans without a college education tend to avoid banks and other private institutional sources of assistance. They are more likely to approach the SBA. But even in their experiences with the SBA, they tend to feel overwhelmed and discouraged by the paperwork and put off by the required formalities. As one veteran put it: "I don't think most Nam vets feel comfortable when they go in there (the SBA's field office). It's so formal. The SBA should open store fronts like the VA has and deal with us where we're at." For better or worse, veterans who are college educated have acquired the skills to deal with bureaucratic institutions and feel more at ease than the non-college educated when they seek assistance from them. The feeling on the part of

the college educated officials in those institutions is often reciprocal. They too feel more at ease with their educational peers.

A second theme related to education that emerged from our interviews is the acceptance of planning as an important part of the entrepreneurial process. College educated veterans seem to place more importance on business and financial planning as an essential ingredient of developing a successful business. In our interviews with veterans who were not college educated, several expressed a strong disdain for the planning process and felt just as strongly that banks or the SBA should look at a person's track record and their personal qualities rather than place so much emphasis on paperwork and planning. As one very frustrated loan applicant put it: " ... paper, paper, paper. They went by the paper - by the answers - just like the Army ... paper has nothing to do with the person in business. I'm going into business, not the paper!"

Just as the ability to secure a loan is both an influence on and a result of success, so too is the greater tendency for successful entrepreneurs to form corporations. Based on our questionnaire data and interviews, it appears to be the case that veteran entrepreneurs who have more sophisticated business skills, who feel better prepared as entrepreneurs and who have a stronger commitment to an entrepreneurial career are more likely to form corporations. Once formed, the corporation probably represents a more attractive customer to potential creditors and thus increases the likelihood of success.

Our data also suggest that partnerships are not very stable businesses among veterans. Conflict with partners was one of the more frequently mentioned problems in the questionnaire and also came up several times in the interviews. To some extent this appears to be a reflection of the very human need to blame someone else when things don't

go well. However, it also seems to reflect the fact that there are inherent instabilities in partnerships that make the availability of good legal advice crucial in the business formation stage. In several cases, veterans who were good friends started a business together on the basis of trust and friendship and unfortunately both the business and the friendship were lost.

The finding that unsuccessful entrepreneurs are more likely to be members of veteran organizations is a very interesting one. We do not conclude from this that somehow participation in these groups increases the likelihood that a veteran will not succeed in their business venture. We considered the possibility that these groups might be more likely to recruit the disabled and less educated veteran and, therefore, their members were more likely to be unsuccessful. But the results of this analysis did not confirm our hypothesis. We, therefore, offer an alternative explanation which is strictly hypothetical and cannot be tested with our data.

People join organized groups for many different reasons. Some veterans, no doubt, view these groups as an opportunity to promote their own interests as veterans. The veterans' organization is, in other words, a political pressure group. Others see in these groups an opportunity to serve the larger community of Vietnam veterans, particularly the sick, the incarcerated or the disabled. However, there is another reason for joining an organized group. Our hypothesis is that some veterans join these groups as a way of fulfilling a need to be among people who have had similar experiences in war and the service and who now share similar feelings about being civilians and fitting into the institutional network known as American society. Further, <u>one</u> of the civilian experiences that triggers this need to join the group and be among their understanding and

sympathetic peers is the difficulty in starting or sustaining a career as a small business owner and operator. When a business venture fails, an unemployed vet has time on his hands and the need for emotional support. These groups could provide an opportunity for both using that time and gaining the support. Thus, the result is the higher than expected proportion of their members who have had unsuccessful experiences in business. Whether or not this is an adequate explanation, the fact is that if the SBA wants to target veterans who have had difficulty in starting a business, then these organizations provide an excellent opportunity for cooperative ventures between the SBA and the Vietnam veteran community.

E. Disability and Entrepreneurship

One of the objectives of this study, summarized in Chapter 1, is to suggest any allowances that may be required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment. We have already seen in the preceding sections that disability can have a significant influence on entrepreneurial aspirations and activity. In the present section we will take a closer look at the disabled veteran as entrepreneur and attempt to identify any special interests or needs they may have in this area and what, if anything, the SBA can do to address these needs.

Disabilities range from relatively minor scars and physical ailments to paraplegia, amputation and severe psychiatric or nervous disorders. It seems likely that some disabilities of a particular type and degree of seriousness could either pose a barrier to entry into a particular business or, once in operation, could make it more difficult to cope with the risks and pressures of a small business. Where possible in this section, we will extend our analysis in an attempt to determine whether degree or type of disability are relevant factors to consider.[71]

When we described our sample in Chapter 3[72] we noted that 33% report some degree of disability; that 78% of this group have a disability of 40% or less as classified by the VA; and that 69% describe their disability

---

[71] Unfortunately the numbers of disabled veterans operating current businesses (n=53) and previous businesses (n=49) are too few to allow us to test for differences by type and degree of disability except in a few cases.

[72] The reader may wish to refer back to Tables 2 and 3 for data on the disabled veterans in our sample.

general medical or surgical, 17% as psychiatric or neurological, and 14% as both. We also noted that while disabled veterans are, by design, highly overrepresented in our sample (only 7% of the total Vietnam-era veteran population is disabled), that in terms of type and degree of disability they are quite representative.

Apart from their disability, do disabled veterans as a group differ in any important respects from the non-disabled veteran? To answer this question we examined the relationship between disability status and a variety of military, personal and family background variables. The results of this analysis are as follows.

Military Background and Experience

In most respects the disabled veterans in our sample differ little from their non-disabled counterparts. On such military background variables as branch of service, rank, membership in Vietnam veteran groups, service in Vietnam and in combat units and total number of months in Vietnam and in the service there are slight differences but nothing significant. On the other hand, disabled veterans are more likely to belong to the older veterans groups (67% vs. 47%) especially the Disabled American Veterans (DAV) and Paralyzed Veterans of America (PVA).[73]

---

[73] We refer to such groups as the American Legion, Veterans of Foreign Wars (VFW) and AMVETS as well as the DAV and PVA as "older" groups to distinguish them from the groups formed more recently by Vietnam-era veterans.

Personal and Family Background

On most personal and family background variables we also found little difference between disabled and non-disabled veterans. For example, in terms of gender, age, race, marital status, number of dependents, education and business education there is little if any difference at all. However, differences do emerge when we compare the two groups on employment status and income. The median family income of disabled veterans in 1983 was $23,275, substantially less than the $29,051 for the non-disabled. Because the disabled are also more likely to be unemployed and because entrepreneurs who are disabled have slightly fewer dependents, we checked to see if lack of work or smaller family size rather than disability was the primary factor influencing the difference in level of income. We found that even when controlling for employment status and family size, disabled vets still earn substantially less than the non-disabled.

Table 54 presents data comparing the employment status of disabled and non-disabled veterans. It shows that disabled veterans are more likely to describe themselves as unemployed at the time of the survey. Twenty-eight percent of the disabled and only 11.4% of the non-disabled were unemployed.

TABLE 54

EMPLOYMENT STATUS OF DISABLED
AND NON-DISABLED VETERANS

Category	Employment Status: Employed (%)	Unemployed (%)[a]	Total
Disabled (n = 156)	71.9	28.1	100
Non-Disabled (n = 316)	88.6	11.4	100
Total Sample	83.3	16.7	100

[a] The actual reported rate of unemployment was 28.7% for the disabled and 12.1% for the non-disabled. We have adjusted these downward by excluding veterans currently enrolled as students in a degree program. We remind the reader that in Chapter 3, for comparative purposes, we further adjusted the rate for the total sample to exclude those with a disability of 50% or more. This adjusted rate is 13.0%.

Business Experience

What about their business interests and activities? Do disabled veterans differ in terms of level of aspiration or the focus of their interest and activities? Has their experience in business or with the SBA and private sector institutions varied in any significant way from that of the non-disabled veterans?

In the previous sections we learned the following:

- Veterans with disabilities of less than 70% are more likely than the non-disabled to have strong entrepreneurial aspirations but the severely disabled do not express a strong interest in starting a business. (See Table 55)
- Disability status is the strongest predictor of SBA use. Disabled veterans are more likely to have used the SBA than the non-disabled and this is most true of disabled veterans with low incomes.

- Disability status is the strongest predictor of entrepreneurial success. Unsuccessful entrepreneurs are much more likely to be disabled than the successful. Disabled veterans who lack technical experience are especially vulnerable. (See Table 56)

- Disabled veterans are less likely to operate a manufacturing firm and more likely than the non-disabled to be in a service industry.

TABLE 55

LEVEL OF ENTREPRENEURIAL ASPIRATION
BY DISABILITY STATUS

Level	Disability Status: Disabled (%)	Disability Status: Non-Disabled (%)
Weak	18	23
Moderate	52	54
Strong	30	23
	100	100
	(n = 67)	(n = 119)

TABLE 56

SUCCESSFUL AND UNSUCCESSFUL ENTREPRENEURS
BY DISABILITY STATUS

Type	Disability Status: Disabled (%)	Disability Status: Non-Disabled (%)
Successful	38	73
Unsuccessful	62	27
	100	100
	(n = 37)	(n = 88)

We will now look more closely at the characteristics of businesses owned and operated by disabled veterans and whether the degree or type of disability they suffer is related in any significant way to their entrepreneurial interests or experience.

Sixty-three percent of the disabled veterans in our sample report having some entrepreneurial experience and 35% are currently starting or operating their own business. Twenty-eight percent, while currently employed by someone else (or unemployed), were self employed at one time. Table 57 shows the distribution of previous and current operations by how long they were or have been in business.

While a higher percentage of previous businesses operated by disabled veterans (31%) than of the non-disabled (15%) never got started, the overall differences between the groups are not very large. Twenty-eight percent of previous businesses owned and operated by disabled veterans survived for three years or longer while 30% of the non-disabled's did, virtually no difference. There is a moderate difference between the two groups for current operations. Forty-nine percent of businesses owned and

operated by non-disabled veterans have been in operation for three years or longer while the figure for disabled veterans is 36%. Thus disability does seem to increase the likelihood that a business will not get off the ground and it may decrease it's chances of survival beyond three years.

TABLE 57

NUMBER OF YEARS OPERATING PREVIOUS OR CURRENT BUSINESS BY DISABILITY STATUS

Years	Period of Operation			
	Previous Operation		Current	
	Disabled(%)	Non-Dis.(%)	Disabled(%)	Non-Dis.(%)
Still in Start-Up Phase	--	--	32	25
Never Got Started	31	15	--	--
Under 1 Year	12	21	15	14
1 - 2 Years	29	34	17	12
3 - 5 Years	16	17	13	20
Over 5 Years	12	13	23	29
	100	100	100	100
	(n = 49)	(n = 87)	(n = 53)	(n =136)

It is possible that disabled veterans are attracted to certain types of businesses more than non-disabled veterans are. By comparing the two groups on the types of businesses they aspire to start and the types of businesses they own and operate we can determine whether or not this is the case. The data in Table 58 allow us to make this comparison. It shows that there is remarkably little difference in the types of

businesses owned and operated by the two groups. However, disabled veterans are currently somewhat more concentrated in the service and retail industries (65% of total) whereas the non-disabled are more dispersed among services, retail, manufacturing and construction.

There also seems to be little difference in the types of businesses the two groups have closed or left in the past. However, when we compare the current operations for the disabled with those they previously operated, we would have to conclude that they may be more successful in the service industries and somewhat less successful in the retail trades. Apart from this, however, the present data do not suggest that any industries pose a greater risk for disabled veterans who choose to enter them than for the non-disabled.

The first two columns of Table 58 provide data on those members of our sample who have had no entrepreneurial experience. The columns show the percent of each group who would like to open a particular type of business. If we compare the aspirations of the disabled in the first column with the businesses they actually operate in the third column some interesting differences are evident. Apparently many more disabled veterans would prefer to be in the retail trades (40%), manufacturing (17%) and finance, insurance or real estate (12%) than are able to: 18%, 7% and 6% respectively. On the other hand, far fewer aspire to be in the service industries than are actually involved there (24% versus 47%). This suggests that the first three are the sectors where the disabled face the most difficult barriers whether they be financial, educational, experience, physical or psychological. It also suggests that the services may be the easiest for them to start but perhaps less satisfying.

TABLE 58

TYPES OF BUSINESSES OF DISABLED AND NON-DISABLED VETERANS BY PERIOD OF OPERATION

Product or Service	Period of Operation					
	Aspiration (%)[a]		Current (%)		Previous (%)	
	Disabled	Non-Dis.	Disabled	Non-Dis.	Disabled	Non-Dis.
Agriculture, Forestry and Fishing	2	4	6	4	11	9
Mining	0	0	0	1	0	1
Construction	5	6	8	12	10	9
Manufacturing	17	10	7	15	6	9
Transportation	0	3	4	4	8	6
Wholesale Trade	0	4	4	5	2	5
Retail Trade	40	33	18	15	24	24
Finance, Insurance and Real Estate	12	6	6	6	6	2
Services	24	33	47	38	34	35
	100	100	100	100	100	100

[a] Responses given by non-entrepreneurs to question concerning type of product or service they would like to deliver if they were ever to enter business for themselves.

As we discussed in Section B, there are a number of reasons for closing or leaving a business, not all of which can be described in terms of failure or as involuntary. Table 59 summarizes the reasons why members of both groups discontinued their entrepreneurial activity. The contrast is sharp and serves to re-emphasize our findings in Section D. It is clear that disabled veterans are more likely to have left involuntarily under conditions of business failure or personal distress. Eighty-three

percent of the businesses owned by disabled veterans were closed under business or personal circumstances that could be considered involuntary whereas only 49% of those owned by non-disabled veterans fell into these categories.

TABLE 59

REASONS FOR LEAVING ON CLOSING PREVIOUS BUSINESS

Reason	Veteran Group: Disabled (%)	Non-Disabled (%)	Total
Voluntary			
Sold Shares to Partners	5	15	11
Sold to New Owners	0	13	8
Closed for Non-Stressful Personal Reasons[a]	12	23	19
Involuntary			
Closed for Financial Reasons[b]	50	41	44
Declared Bankruptcy	5	1	3
Closed for Stressful Personal Reasons[c]	28	7	15
	100	100	100
	(n = 42)	(n = 75)	(n = 117)

[a] Examples include joining the military, better job offer, and enrolling in school

[b] But did not declare bankruptcy

[c] Examples include illness, marital crises, and psychological stress

Does the type or severity of a veteran's disability affect the likelihood of their leaving a business involuntarily? Our data show that veterans with psychiatric and neurological based disabilities are somewhat more likely to leave a business involuntarily than are those with physical disabilities. They also show that the more severe a disability the more likely a veteran is to leave involuntarily. It seems likely that both factors contribute to the circumstances leading up to business failure.

Part-Time Versus Full-Time Entrepreneurs

As we discussed in Section B, many entrepreneurs operate their business only part-time while working as a full-time employee elsewhere. Often these part-time ventures generate very few jobs and relatively low revenues. Table 60 presents the distribution of disabled and non-disabled veterans by part-time/full-time status.[74] It shows that disabled veterans are more likely to be operating businesses on a part-time basis than are the non-disabled entrepreneurs. Forty-six percent of the businesses operated by disabled veterans are part-time activities while only 36% of those operated by the non-disabled are.

[74] A part-time entrepreneur earns less than 75% of his or her income from self-employment. See pages 70 - 75 of this report for further discussion of this issue.

TABLE 60

PERCENT OF CURRENT VETERAN OWNED BUSINESSES
OPERATED ON A FULL AND PART-TIME BASIS BY DISABILITY STATUS

	Disability Status	
	Disabled (%)	Non-Disabled (%)
Full-Time [a]	54	64
Part-Time [b]	46	36
	100	100
	(n = 45)	(n =132)

[a] Earns 75% or more of personal income from self-employment

[b] Earns less than 75% of personal income from self-employment

Size of Business

We can also compare disabled and non-disabled veteran-owned businesses according to the number of people they employ and their annual receipts or revenues. Table 61 presents data for both groups on the median number of employees and median annual revenues for current businesses broken down by full and part-time operations. It shows that overall and for both full and part-time entrepreneurs, the disabled have fewer employees and lower revenues. However, the differences between disabled and non-disabled are not as great for part-time entrepreneurs. It also shows that for both the disabled and non-disabled, there is a great difference between part and full-time operations in terms of performance in generating employment and revenues.

TABLE 61

MEDIAN NUMBER OF EMPLOYEES AND MEDIAN ANNUAL RECEIPTS FOR CURRENT VETERAN-OWNED BUSINESSES BY DISABILITY STATUS AND FULL AND PART-TIME OPERATION

Status	Employees: Median Employees	Receipts[a]: Median Receipts[b]
Full-time		
Disabled	.8	41,000
Non-Disabled	3.1	125,116
Part-time		
Disabled	.2	10,000
Non-Disabled	.7	12,000
Total		
Disabled	.5	25,000
Non-Disabled	2.5	90,000

[a] The medians were calculated only for businesses beyond the start-up phase.

[b] Estimated by respondent for 1983

Structure of Ownership

In Section B we noted that 51% of current veteran-owned businesses are sole-proprietorships while 32% are corporations and 17% partnerships. In Table 62 we present this data broken down by disability status. It shows that the disabled veteran entrepreneur is more likely to form a sole proprietorship and less likely to form partnerships and corporations than is the non-disabled veteran. Sixty-nine percent of disabled veteran-owned businesses and only 46% of those owned by the non-disabled are sole-proprietorships.

This is consistent with the finding of greater instability among the businesses owned and operated by disabled veterans. As we learned in Section B, the chances of survival over time of corporations and partnerships are greater than are those of sole-proprietorships. Perhaps the risks and the stress are easier to handle when they are not concentrated on one individual or when there is legal protection. When we check for differences by type of disability, we find that veterans suffering from psychiatric or neurological disorders operate sole-proprietorships almost exclusively while a third of those with physical disabilities form partnerships or corporations.

TABLE 62

OWNERSHIP STRUCTURE OF CURRENT VETERAN-OWNED BUSINESSES BY DISABILITY STATUS

Ownership Structure	Status of Owner: Disabled (%)	Status of Owner: Non-Disabled (%)
Sole-Proprietorship	69	46
Corporation	21	35
Partnership	10	19
	100	100
	(n = 50)	(n =136)

Involvement of Family and Other Veterans

In Section B we found that about one-third of all veteran-owned businesses have other family members involved as either owners or

employees. When we control for disability status we find no significant difference in family involvement between businesses owned by disabled veterans and those owned by the non-disabled.

We also found in Section B that there is a tendency, though not strong, for Vietnam-era veterans to invite their comrades to join them as owners or employees in small businesses. Once again we found no difference between disabled and non-disabled veterans in this regard.

Preparation for Success

In Section B we discussed the four objective indicators that are often used to determine how well prepared a person is to succeed in business: general business experience,[75] technical experience in their trade, field or profession, general education and business education. In Table 63 we compare the level of preparation of disabled and non-disabled veterans on each of these indicators. The data show that in terms of formal education there is no difference between the two groups. However, in three of four cases, the disabled veteran reports fewer years of experience though the differences are not very large. As we learned in Section D, general education appears to be the most important of these in contributing to entrepreneurial success.

---

[75] General business experience includes skills and knowledge in such areas as accounting, sales and marketing, business planning and personnel management.

TABLE 63

COMPARISON OF DISABLED AND NON-DISABLED VETERAN ENTREPRENEURS ON FOUR OBJECTIVE INDICATORS OF PREPARATION

Indicators	Disability Status: Disabled	Disability Status: Non-Disabled
Median Years - General Business Experience		
Current Business	3.2	4.0
Previous Business	2.8	1.7
Median Years - Technical Experience		
Current Business	3.9	4.7
Previous Business	1.8	2.3
General Education		
College Degree (%)[a]	29	30
No College Degree (%)	71	70
Business Education		
College Degree (%)[b]	14	16
No College Degree (%)	86	84

[a] Bachelor's degree or graduate degree

[b] Bachelor's degree or graduate degree in a business related field

While formal education and on-the-job training are often crucial to the development of entrepreneurial skills, it is also true as we noted in Section B, that some people seem to have a "knack" for succeeding in business. With this in mind we asked our respondents for their self-evaluations of how well prepared they felt they were when they started their businesses. Their responses are summarized in Table 64. The data show a tendency for disabled veterans to have less confidence in their entrepreneurial abilities. However the differences between groups

are modest. Thirty-two percent of the disabled feel they were poorly prepared and 34% well prepared when they started their current business while the corresponding percentages for non-disabled veterans is 15% and 41%. Even the retrospective evaluations for previous operations do not show very large differences between the two groups though the direction of the difference is the same.

Our data also show that type of disability is related to level of preparation. Veteran entrepreneurs who suffer from psychiatric or neurological disorders are more likely to describe themselves as poorly prepared than are those with physical disabilities.

TABLE 64

SELF-EVALUATION OF LEVEL OF PREPARATION OF VETERANS
WHEN BUSINESS WAS STARTED
BY PERIOD OF OPERATION AND DISABILITY STATUS

Level	Period of Operation			
	Previous Business		Current Business	
	Disabled(%)	Non-Dis.(%)	Disabled(%)	Non-Dis.(%)
Very Well Prepared	5	11	8	14
Well Prepared	22	21	26	27
Somewhat Prepared	33	35	34	44
Poorly Prepared	22	21	19	9
Very Poorly Prepared	18	12	13	6
	100	100	100	100
	(n = 45)	(n = 81)	(n = 47)	(n =124)

Access to Capital/Credit

In Section B, we discussed access to capital and credit as a basic prerequisite for the successful start-up and operation of a small business. In Section E, we found that disability status does affect the source of start-up funds. We will now examine these differences more closely. Table 65 presents data on source of initial financing for previous and current businesses by disability status. The data show that disabled veteran-entrepreneurs are less likely to depend on family and friends and, for current operations, are less likely to rely on bank loans for start-up. Apart from this, the differences between the two groups are minimal. Both groups rely most heavily on individual or family savings.

TABLE 65

SOURCE OF INITIAL FINANCING FOR PREVIOUS AND CURRENT OPERATIONS BY DISABILITY STATUS

Source	Period of Operation			
	Previous Business[a]		Current Business	
	Disabled (%)	Non-Dis. (%)	Disabled (%)	Non-Dis. (%)
Family/Friends	14	24	9	22
Savings	65	66	70	61
Government	2	5	5	3
Venture Capital	0	0	0	0
Former Owner	7	5	2	5
Commercial Bank	19	18	12	23
Other[b]	5	14	16	11

[a] Percentages total more than 100 since some respondents mentioned more than one source.

[b] "Other" included credit unions and insurance sources.

We learned in Section E that disability status does not influence whether or not a veteran-entrepreneur receives a post-start-up loan. We also checked to see whether the source of post-start-up loans to current businesses varied by disability status and found that it does not.[76] Both disabled (80%) and non-disabled veteran-entrepreneurs (71%) are most likely to have received post-start-up loans from banks while 13% and 12% respectively received government loans.

---

[76] The number of loans to previous businesses was too few for statistical analysis.

Summary and Discussion

In this section we have reviewed our earlier findings on disability and entrepreneurship and extended our analysis to help us determine whether any special allowances are required to ensure that disabled veterans have the same opportunities for self-employment that the non-disabled do. Our findings tend to support the assumption implicit in the study objective that some special consideration for the disabled, beyond what already exists, is in order. In the remainder of this section we will summarize and discuss the implications of these findings for SBA policy and programs. Our major finding is that unsuccessful entrepreneurs are more likely to be disabled than are the successful and that disability status is the single best predictor of entrepreneurial success. Other findings, listed below, show that disabled veterans are:

- more likely to be unemployed and to have lower family incomes than the non-disabled.
- more likely to have strong entrepreneurial aspirations, except that those with a disability of 70% or more express little interest in starting their own business.
- more likely to operate small businesses on a part-time basis than the non-disabled.
- most likely to operate businesses in the service sector but express more of an interest in being in manufacturing, retail or finance than they in fact are.
- more likely than the non-disabled to form sole-proprietorships and less likely to form partnerships or corporations. This is particularly true of disabled veterans with psychiatric and neurological disorders who form sole-proprietorships almost exclusively.
- less experienced in their field and less likely to feel well prepared than the non-disabled.
- less likely to get a start-up loan from a bank and more likely to use the services of the SBA than the non-disabled.

- less likely to get beyond the start-up phase and, if they do, less likely to sustain a business beyond three years.
- more likely to leave or close a business for involuntary reasons. This is especially true of veteran entrepreneurs with severe disabilities and with psychiatric or neurological disorders.

The evidence, summarized above, clearly indicates that disabled veterans require some form of special consideration if they are to compete effectively as entrepreneurs with their non-disabled peers. We used both the open-ended responses on the questionnaire and our in-depth interviews to help us understand what types of special allowances are required.

The questionnaire included a question that gave disabled respondents an opportunity to link their disability in some way to any difficulties they might have had in starting or operating a business. The question was: "If your business never really got started, please explain why you think this was the case." Only 7% of the disabled entrepreneurs who responded to this question mentioned their disability as a decisive factor. This suggests that the vast majority do not feel the need to use their disability as an excuse, yet, unless our data is seriously misleading, it clearly is a factor in their business experience.

In our in-depth interview sample we included 15 veterans who suffered from some degree of disability. We asked each of them whether, and if so, how their disability interfered with their entrepreneurial activity. In the case of aspirants, we inquired whether they anticipated that it would interfere and, if so, how. Based on these interviews and what we have already learned from the questionnaire data we draw the following

conclusions concerning why disability has such an impact on the entrepreneurial activities of Vietnam-era veterans.

- While veterans with a severe disability are less likely than other disabled veterans to express a strong interest in starting their own business, this is in part a function of the VA system of medical evaluation and determination of benefit level.

- Physical disability has more of an impact on the choice of what type of business to enter than it does on success or failure during start-up or operation. It may also affect the decision whether to have a partner and the particular responsibilities the veteran will have.

- The motivation for a veteran with a psychiatric or neurological disorder to become self-employed is often a product of bad experiences working for others. They feel that they cannot or do not want to work for someone else.

- The presence of a psychiatric or neurological disability does have a direct and profound effect on the veterans ability to both start and sustain a small business.

We will discuss each of these statements in turn.

Our finding based on the questionnaire data that veterans with a severe disability do not express an interest in starting their own business must be qualified as a result of what we learned from the in-depth interviews. The interview data suggests that some veterans with moderate to severe disabilities feel that they face a difficult choice when it comes to self-employment. Almost all of these men and women receive disability payments from the Veterans Administration. This allows them some economic freedom to choose whether and to what extent they will work to earn additional income. Many would prefer to work on their own, often out of their home. Yet if they do this and report the income they will probably have their disability status reviewed, possibly revised and thus their benefits reduced by the VA. In fact, these veterans believe (we do not know how accurate their perceptions are) that the VA personnel who do the evaluation and rating have a great deal of discretionary power in their case and thus it is the <u>uncertainty</u> as to what might happen that

is especially troubling to them and often stifles their entrepreneurial interest. As one veteran with a 70% rating put it, "They like to play games with us. You don't know what will happen. They might reduce me to 40%, they might do nothing." If they were more certain of the consequences their choice would be easier. Many would probably be willing to accept the trade-off between a fixed portion of their disability payment and additional income from self-employment. A second concern, however, is what happens if the business fails and they decide they're really not meant to follow an entrepreneurial career. They then face the prospect of reapplying to have their status reviewed, etc. This prospect prompted one veteran to propose that instead of an immediate reduction in benefits, that the VA allow the beginning entrepreneur a period of time to establish the business on a solid financial basis before reducing his benefits. Needless to say this system discourages some from ever making a serious effort to act on their entrepreneurial interest.

We found no evidence in our in-depth interviews that physical disability is a serious problem for the active entrepreneur. Rather, we believe that physical disability, when it is a factor, tends to channel veterans into particular types of businesses and away from others. Our questionnaire data indicates that disabled veterans are most likely to want to start some type of retail business yet they end up primarily in services. It also shows they have a greater preference for manufacturing and finance, insurance and real estate than their actual behavior would suggest. It is likely that capital requirements for start-up are greater in retail and manufacturing industries and this is no doubt also a problem for the non-disabled. However, it is probably also true that the physical demands of construction, agriculture or manufacturing pose a barrier that discourage some. This situation may tend to encourage partnerships or

joint ownership and a special division of labor. Our questionnaire data show that about one-third of those with a physical disability do have partners or co-owners. However, we learned nothing from our interviews to either substantiate or disprove this notion.

Our interview data suggest that suffering from a psychiatric or neurological disorder and especially those with a diagnosis of Post-Traumatic Stress Syndrome (PTSD) choose self-employment as a way of avoiding having to work for and/or with others. We heard frequent negative references to "bosses" and the "need to be my own boss." One veteran who had his PTSD claim pending with the VA described his feelings before leaving his last job and starting his own TV repair shop. "I had to get out from under that son-of-a-bitch. He was driving me nuts. No respect for my ability, you know? I guess I'm just not cut out for working for others."

This need for independence not only pushes the veteran toward self-employment but, when combined with the disability, seems to predispose them to work both without partners and without employees. Our questionnaire data show that practically all of these veterans work alone.

Our interviews with victims of PTSD also revealed that this disorder creates serious problems for them in their efforts to sustain a successful operation. When asked why he left his restaurant business one respondent said: "Simple. It was my illness. I just walked away from it." Another told us that his PTSD initially drove him to use alcohol as a means of coping with the anxiety. "I'd get an attack in the morning and I just wouldn't open up the shop. Stay home. Have a few shots. Get it under control and go in around noon." A third described his emotional reaction as "irritability." "I'd just feel irritable and not like dealing with customers." But he would still open up his shop. In fact, this

- Review the performance of the HAL-2 program. Determine whether there are any distinct patterns of use by degree and type of disability.

- Consider modifying for veterans the HAL-2 requirement that the business be 100% owned by handicapped individuals.

- Familiarize HAL-2 administrators with the nature of PTSD and the problems it can generate. Make a special effort to welcome participation of applicants with PTSD and to avoid excluding veterans with a VA rating of 30% or below.

- Increase efforts to advertise the HAL-2 program especially through veterans organizations.

- Explore with the VA the possibility of locating on a six month trial/pilot basis, a loan officer and SCORE representative one day a week (or every other week) in selected VA vet centers around the country. Evaluate this effort in terms of level of response and quality of results.

- Propose to the Congress that disabled veterans (rather than all Vietnam-era veterans) be defined as a group suffering from "social and economic disadvantage" in order that they might qualify for participation in the 8 (a) Minority Business Development and Procurement Assistance program, the 7 (j) Management and Technical Assistance Program and other programs limited to persons or businesses so defined.

- Review the performance of the HAL-2 program. Determine whether there are any distinct patterns of use by degree and type of disability.

- Consider modifying for veterans the HAL-2 requirement that the business be 100% owned by handicapped individuals.

- Familiarize HAL-2 administrators with the nature of PTSD and the problems it can generate. Make a special effort to welcome participation of applicants with PTSD and to avoid excluding veterans with a VA rating of 30% or below.

- Increase efforts to advertise the HAL-2 program especially through veterans organizations.

- Explore with the VA the possibility of locating on a six month trial/pilot basis, a loan officer and SCORE representative one day a week (or every other week) in selected VA vet centers around the country. Evaluate this effort in terms of level of response and quality of results.

- Propose to the Congress that disabled veterans (rather than all Vietnam-era veterans) be defined as a group suffering from "social and economic disadvantage" in order that they might qualify for participation in the 8 (a) Minority Business Development and Procurement Assistance program, the 7 (j) Management and Technical Assistance Program and other programs limited to persons or businesses so defined.

11. Senate Committee Print No. 7, A Study of the Problems Facing Vietnam Era Veterans on Their Readjustment to Civilian Life, 92 Cong., 2nd Session, January 31, 1972.

12. Senate Committee Print No. 26, Source material on the Vietnam Era Veteran, 93rd Cong., 2nd Session, February 12, 1974.

13. The Vietnam Veteran In Contemporary Society, Department of Medicine and Surgery, Veterans Administration, Washington, D.C.: U.S. Government Printing Office, (1B 11.22) May, 1972.

14. Senate Committee Print No. 18, 93rd Cong. 1st Session, Final Report on Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills, Washington, D.C.: U.S. Government Printing Office, September 20, 1973.

15. Starr, Paul, The Discarded Army: Veterans After Vietnam, New York: Charterhouse, 1973.

16. Taussig, Michael K., Those Who Served, Report of the Twentieth Century Fund Task Force on Policies Toward Veterans, New York: The Twentieth-Century Fund, 1974.

17. Wagonseller, James M. "Every Veteran Has A Stake in System", The Massachusetts Legionnaire, Vol. I No. I, Boston, April, 1975.

18. Wilson, John P., The Forgotten Warrior Project. Part I: Identity, Ideology and Crisis: The Vietnam Veteran in Transition, Part II, Psychological Attributes of the Veteran Beyond Identity: Patterns of Adjustment and Future Implications, Cleveland: Cleveland State University Press, 1978.

11. Senate Committee Print No. 7, A Study of the Problems Facing Vietnam Era Veterans on Their Readjustment to Civilian Life, 92 Cong., 2nd Session, January 31, 1972.

12. Senate Committee Print No. 26, Source material on the Vietnam Era Veteran, 93rd Cong., 2nd Session, February 12, 1974.

13. The Vietnam Veteran In Contemporary Society, Department of Medicine and Surgery, Veterans Administration, Washington, D.C.: U.S. Government Printing Office, (1B 11.22) May, 1972.

14. Senate Committee Print No. 18, 93rd Cong. 1st Session, Final Report on Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills, Washington, D.C.: U.S. Government Printing Office, September 20, 1973.

15. Starr, Paul, The Discarded Army: Veterans After Vietnam, New York: Charterhouse, 1973.

16. Taussig, Michael K., Those Who Served, Report of the Twentieth Century Fund Task Force on Policies Toward Veterans, New York: The Twentieth-Century Fund, 1974.

17. Wagonseller, James M. "Every Veteran Has A Stake in System", The Massachusetts Legionnaire, Vol. I No. I, Boston, April, 1975.

18. Wilson, John P., The Forgotten Warrior Project. Part I: Identity, Ideology and Crisis: The Vietnam Veteran in Transition, Part II, Psychological Attributes of the Veteran Beyond Identity: Patterns of Adjustment and Future Implications, Cleveland: Cleveland State University Press, 1978.

ATTACHMENT A

PECHIN STUDY

RECOMMENDATIONS

The Center for Community Economics is required, on page two of contract SBA-4869-ADA/P-80, to submit a series of recommendations which will allow the Small Business Administration to effectively implement SBA regulations in subpart 116, the result of the passage of the Small Business Act of 1974 (P.L. 93-237). This section of the report also makes recommendations about certain SBA policies or practices which are not included in subpart 116 but which do affect the level of services which the Small Business Administration provides to veterans.

The recommendations are based upon:

- In-depth interviews with SBA policy, program and field staff;
- Meetings and discussions with veterans' organizations; and
- In-depth interviews with policy and program staff of federal agencies and departments other than SBA.

The recommendations are not listed in order of importance.

1. SBA develop and implement a long range plan for monitoring and reporting business loan, management assistance and other services to veterans.

2. SBA submit quarterly reports to the Senate and House Committees on Veterans' Affairs, including the participation levels of veterans in all SBA programs and services.

3. SBA Field Offices develop annual goals and timetables for providing services to veterans.

4. SBA amend the District Office monthly reporting form to include services which are provided to veterans.

5. SBA administratively designate Vietnam veterans and disabled veterans "socially disadvantaged" in order for such veterans to qualify, as a group, in the 8(a) program, or, SBA designate Vietnam and disabled veterans for group eligibility in the 8(d) mini-certification program.

6. Following the designation of Vietnam and disabled veterans for group 8(a) eligibility, SBA make such veterans, as a group, eligible for the 8(d) contracts, the 7(i) loan program and the 7(j) management and technical assistance program.

7. SBA develop and implement a system to link veterans who receive 7(i), 7(j) and 8(d) assistance with the Procurement Automated Source System.

8. SBA take administrative action to ensure that Veterans Affairs Officers are employed exclusively to provide services to veterans, their dependents and survivors.

ATTACHMENT A

PECHIN STUDY

RECOMMENDATIONS

The Center for Community Economics is required, on page two of contract SBA-4369-ADA/P-80, to submit a series of recommendations which will allow the Small Business Administration to effectively implement SBA regulations in subpart 116, the result of the passage of the Small Business Act of 1974 (P.L. 93-237). This section of the report also makes recommendations about certain SBA policies or practices which are not included in subpart 116 but which do affect the level of services which the Small Business Administration provides to veterans.

The recommendations are based upon:

- In-depth interviews with SBA policy, program and field staff;
- Meetings and discussions with veterans' organizations; and
- In-depth interviews with policy and program staff of federal agencies and departments other than SBA.

The recommendations are not listed in order of importance.

1. SBA develop and implement a long range plan for monitoring and reporting business loan, management assistance and other services to veterans.

2. SBA submit quarterly reports to the Senate and House Committees on Veterans' Affairs, including the participation levels of veterans in all SBA programs and services.

3. SBA Field Offices develop annual goals and timetables for providing services to veterans.

4. SBA amend the District Office monthly reporting form to include services which are provided to veterans.

5. SBA administratively designate Vietnam veterans and disabled veterans "socially disadvantaged" in order for such veterans to qualify, as a group, in the 8(a) program, or, SBA designate Vietnam and disabled veterans for group eligibility in the 8(d) mini-certification program.

6. Following the designation of Vietnam and disabled veterans for group 8(a) eligibility, SBA make such veterans, as a group, eligible for the 8(d) contracts, the 7(i) loan program and the 7(j) management and technical assistance program.

7. SBA develop and implement a system to link veterans who receive 7(i), 7(j) and 8(d) assistance with the Procurement Automated Source System.

8. SBA take administrative action to ensure that Veterans Affairs Officers are employed exclusively to provide services to veterans, their dependents and survivors.

5. SBA develop and implement a comprehensive plan to improve the participation of catastrophically disabled veterans in the HAL-1 and HAL-2 programs.

16. SBA systematically review the loan principal-to-collateral ratio to ensure that veteran loan applications are not being denied because of excessive collateral requirements.

17. SBA develop goals, timetables and methodology to improve its hiring performance under the Veterans Readjustment Appointment program.

18. SBA develop goals, timetables and methodology to improve its performance in the Noncompetitive Appointments for Compensably Disabled Veterans program.

19. SBA improve the working relationship with the Veterans Administration by taking the following steps:

- VA and SBA design and implement a media campaign to inform veterans, especially disabled and Vietnam veterans, of benefits and services provided by both agencies with respect to small business development.

- VA and SBA arrange for the systematic participation of SBA Veterans Affairs Officers on local VA Civic Councils and Federal Executive Boards.

- SBA and VA systematically provide comprehensive information seminars on SBA programs and services for VA Veterans Benefits Counselors in the 58 VA Regional Offices.

- SBA request and VA provide, through "Operation Outreach Vet Center" personnel, sensitivity training about veterans, particularly Vietnam and disabled veterans, to SBA employees in District and Field Offices.

- SBA remove the "Veterans Administration Guaranteed Loan" provision from its Standard Operating Procedures Manual (i.e., revision 1-A, page 289, effective December 14, 1979). The Veterans Administration Guaranteed Loan does not now exist.

- SBA field offices develop goals, timetables and methodologies for establishing viable working relationships and substantive linkages with the VA's Operation Outreach Vet Centers.

20. SBA develop a videotape to be used as a component in future training sessions for Veterans Affairs Officers. The purpose of the videotape will be to provide an operational definition of "special consideration." The script for the proposed videotape can be found in Task IX of the Final Report of the SBA Veterans Project.

21. SBA implement the operational definition of "special consideration" as contained in Task VII of the Final Report of the SBA Veterans Project. This comprehensive definition should be included in the Veterans Affairs Handbook which the SBA has produced as a training aid.

22. SBA should enhance veterans' participation in government programs through the following initiatives. (See Task III of the Final Report of the SBA Veterans Project.):

15. SBA develop and implement a comprehensive plan to improve the participation of catastrophically disabled veterans in the HAL-1 and HAL-2 programs.

16. SBA systematically review the loan principal-to-collateral ratio to ensure that veteran loan applications are not being denied because of excessive collateral requirements.

17. SBA develop goals, timetables and methodology to improve its hiring performance under the Veterans Readjustment Appointment program.

18. SBA develop goals, timetables and methodology to improve its performance in the Noncompetitive Appointments for Compensably Disabled Veterans program.

19. SBA improve the working relationship with the Veterans Administration by taking the following steps:

- VA and SBA design and implement a media campaign to inform veterans, especially disabled and Vietnam veterans, of benefits and services provided by both agencies with respect to small business development.

- VA and SBA arrange for the systematic participation of SBA Veterans Affairs Officers on local VA Civic Councils and Federal Executive Boards.

- SBA and VA systematically provide comprehensive information seminars on SBA programs and services for VA Veterans Benefits Counselors in the 58 VA Regional Offices.

- SBA request and VA provide, through "Operation Outreach Vet Center" personnel, sensitivity training about veterans, particularly Vietnam and disabled veterans, to SBA employees in District and Field Offices.

- SBA remove the "Veterans Administration Guaranteed Loan" provision from its Standard Operating Procedures Manual (i.e., revision 1-A, page 289, effective December 14, 1979). The Veterans Administration Guaranteed Loan does not now exist.

- SBA field offices develop goals, timetables and methodologies for establishing viable working relationships and substantive linkages with the VA's Operation Outreach Vet Centers.

20. SBA develop a videotape to be used as a component in future training sessions for Veterans Affairs Officers. The purpose of the videotape will be to provide an operational definition of "special consideration." The script for the proposed videotape can be found in Task IX of the Final Report of the SBA Veterans Project.

21. SBA implement the operational definition of "special consideration" as contained in Task VII of the Final Report of the SBA Veterans Project. This comprehensive definition should be included in the Veterans Affairs Handbook which the SBA has produced as a training aid.

22. SBA should enhance veterans' participation in government programs through the following initiatives. (See Task III of the Final Report of the SBA Veterans Project.):

• Modify their regulations to enable a veteran-owned business to voluntarily request a Certificate of Competency in advance of a contract bid or response to a Request for Proposal. This could increase the incidence of contracting between veteran-owned business and government.

26. SBA should take the following action to improve the accessing of government bid lists by veteran-owned businesses. They should:

• Disseminate government bidding information to veteran-owned businesses through mailings and information seminars. Information should be provided about Commerce Business Daily, Standard Form 129 (Bidders Mailing List Application), Bidders Mailing List Application Supplement (DD-Form 558-1), U.S. Government Purchasing and Sales Directory, Small Business Subcontractors Directory, "Selling to the Military" (DOD), and "Doing Business with the Government" (GSA).

• Revise Bidders Mailing List Application (Form 129) to reflect veteran status.

• Develop and implement an innovative program to systematically inform veteran-owned businesses of procurement information available through Regional Procurement Centers and SBA Procurement Representatives in procurement centers.

• Establish a set-aside for Vietnam and disabled veterans in government procurement contracts, particularly in the Veterans Administration.

27. SBA develop and implement an outreach plan to systematically inform prospective veteran business owners of the Program Logic Automated Training Orientation (PLATO). PLATO is a program of self-instruction on "building your own business."

28. SBA develop and implement an outreach plan to inform veterans who are eligible for the 7(i) program of business counseling, management training, legal and related services available to them.

29. SBA develop a methodology to systematically inform minority veterans of the opportunities available to them under the 8(a) contracting program and the 7(j) program.

30. SBA develop and implement a plan to systematically inform potential veteran business owners of loans available under the 7(a) program.

31. SBA inform veterans, especially Vietnam veterans, of the advantages (i.e. lower equity requirements) of applying for a guaranteed loan under the Economic Opportunity Loan (7(i)) program.

• Modify their regulations to enable a veteran-owned business to voluntarily request a Certificate of Competency in advance of a contract bid or response to a Request for Proposal. This could increase the incidence of contracting between veteran-owned business and government.

26. SBA should take the following action to improve the accessing of government bid lists by veteran-owned businesses. They should:

• Disseminate government bidding information to veteran-owned businesses through mailings and information seminars. Information should be provided about Commerce Business Daily, Standard Form 129 (Bidders Mailing List Application), Bidders Mailing List Application Supplement (DD-Form 558-1), U.S. Government Purchasing and Sales Directory, Small Business Subcontractors Directory, "Selling to the Military" (DOD), and "Doing Business with the Government" (GSA).

• Revise Bidders Mailing List Application (Form 129) to reflect veteran status.

• Develop and implement an innovative program to systematically inform veteran-owned businesses of procurement information available through Regional Procurement Centers and SBA Procurement Representatives in procurement centers.

• Establish a set-aside for Vietnam and disabled veterans in government procurement contracts, particularly in the Veterans Administration.

27. SBA develop and implement an outreach plan to systematically inform prospective veteran business owners of the Program Logic Automated Training Orientation (PLATO). PLATO is a program of self-instruction on "building your own business."

28. SBA develop and implement an outreach plan to inform veterans who are eligible for the 7(i) program of business counseling, management training, legal and related services available to them.

29. SBA develop a methodology to systematically inform minority veterans of the opportunities available to them under the 8(a) contracting program and the 7(j) program.

30. SBA develop and implement a plan to systematically inform potential veteran business owners of loans available under the 7(a) program.

31. SBA inform veterans, especially Vietnam veterans, of the advantages (i.e. lower equity requirements) of applying for a guaranteed loan under the Economic Opportunity Loan (7(i)) program.

ATTACHMENT B

RECOMMENDATIONS

TASK FORCE ON SPECIAL CONSIDERATION FOR VETERANS

1. Applications submitted by veterans should receive priority both in processing and funding ahead of applications received from non-veterans.

2. In its guaranteed loan program, the SBA will emphasize its policy of "special consideration" for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.

3. The SBA should explore the possibility of providing packaging assistance to veterans.

4. SBA should modify Part 116 of its Rules and Regulations consistent with the recommendations of this Task Force.

5. All current and newly appointed field Veterans Affairs Officers (VAOs) should receive extensive training to inform and orientate them on the Agency's organization, mission and commitment to "special consideration" for veterans.

6. Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.

7. Management Assistance Division will implement a demonstration project in no less than four different geographic locations of "Special Business Management Training for Veterans."

8. No less than five state SBDC's (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.

9. The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.

ATTACHMENT B

RECOMMENDATIONS

TASK FORCE ON SPECIAL CONSIDERATION FOR VETERANS

1. Applications submitted by veterans should receive priority both in processing and funding ahead of applications received from non-veterans.

2. In its guaranteed loan program, the SBA will emphasize its policy of "special consideration" for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.

3. The SBA should explore the possibility of providing packaging assistance to veterans.

4. SBA should modify Part 116 of its Rules and Regulations consistent with the recommendations of this Task Force.

5. All current and newly appointed field Veterans Affairs Officers (VAOs) should receive extensive training to inform and orientate them on the Agency's organization, mission and commitment to "special consideration" for veterans.

6. Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.

7. Management Assistance Division will implement a demonstration project in no less than four different geographic locations of "Special Business Management Training for Veterans."

8. No less than five state SBDC's (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.

9. The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.

RECOMMENDATIONS con't

18. Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations to accomplish the following:

19. Direct the Agency to initiate systematic measures to implement recommendations contained in the "Pechin Report" consistent with the programs and policies of the Administration.

20. Establish a fair proportion of SBA and Advocacy research funds, (grants and contracts) for the purpose of specifically examining and reporting on veteran-owned enterprise or opportunities.

21. Assure that in SBA regulations, SOP's, and policy directives, veterans are placed ahead of all other applicants when establishing priorities for assistance of any type.

22. Include in all SBA Agency operating plans, Regional Operating Plans, goals and objectives appropriate recognition and goals for Veterans-in-Business; and include veterans-in-business in the annual Congressional reports of SBA and Chief Counsel for Advocacy.

23. Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional office responsible for assuring that veterans receive "special consideration" in all regional and district level programs.

24. Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.

25. Direct the Office of Advocacy to review the need for an Executive Order related to a national veterans enterprise policy, particularly for those programs and activities affecting veteran interests which involve interagency jurisdictions, functions, and cooperation.

RECOMMENDATIONS con't

18. Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations to accomplish the following:

19. Direct the Agency to initiate systematic measures to implement recommendations contained in the "Pechin Report" consistent with the programs and policies of the Administration.

20. Establish a fair proportion of SBA and Advocacy research funds, (grants and contracts) for the purpose of specifically examining and reporting on veteran-owned enterprise or opportunities.

21. Assure that in SBA regulations, SOP's, and policy directives, veterans are placed ahead of all other applicants when establishing priorities for assistance of any type.

22. Include in all SBA Agency operating plans, Regional Operating Plans, goals and objectives appropriate recognition and goals for Veterans-in-Business; and include veterans-in-business in the annual Congressional reports of SBA and Chief Counsel for Advocacy.

23. Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional office responsible for assuring that veterans receive "special consideration" in all regional and district level programs.

24. Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.

25. Direct the Office of Advocacy to review the need for an Executive Order related to a national veterans enterprise policy, particularly for those programs and activities affecting veteran interests which involve interagency jurisdictions, functions, and cooperation.

ATTACHMENT C

SBA POLICY STATEMENT

ON

SPECIAL CONSIDERATION FOR VETERANS

ATTACHMENT C

SBA POLICY STATEMENT

ON

SPECIAL CONSIDERATION FOR VETERANS

ATTACHMENT D

GUIDELINES FOR VETERANS BUSINESS PROGRAM

AND

VETERANS BUSINESS RESOURCE COUNCILS

ATTACHMENT D

GUIDELINES FOR VETERANS BUSINESS PROGRAM

AND

VETERANS BUSINESS RESOURCE COUNCILS

ATTACHMENT D

SBA VETERANS PROGRAM

Regions & Districts

The SBA Veterans Program is a statutorily mandated approach to the administration of the traditional SBA programs with "special consideration" for those who have served in the Armed Forces of the United States.

This special consideration requires each Regional Administrator and District Director to conduct a veterans program that takes extra measures to focus on veterans, especially Vietnam and disabled veterans;

- By maximum outreach activities to veterans.
- By specialized business training in innovative, high tech, and emerging industries and business opportunities in preparation for going into business.
- By assuring that each program and activity of the District reflects sensitivity to veterans and ready access to all forms of assistance.
- Veterans shall receive intensified management and business training and counselling assistance in business planning and operations.
- Veterans shall receive higher priority in the processing and funding of their loan applications in all categories of financial assistance for which they qualify.
- Veteran business owners shall receive full opportunity to participate in each of SBA's programs for which they are eligible and special efforts shall be made to identify and respond to the needs and interests of this business group.
- Special attention shall be given to existing veteran loans in the SBA portfolio and maximum flexibility and assistance shall be given in servicing these accounts, wherever practicable.

Consistent with these goals, each District Director is also responsible for:

- Effectiveness of the veterans business program in their District.

ATTACHMENT D

SBA VETERANS PROGRAM

Regions & Districts

The SBA Veterans Program is a statutorily mandated approach to the administration of the traditional SBA programs with "special consideration" for those who have served in the Armed Forces of the United States.

This special consideration requires each Regional Administrator and District Director to conduct a veterans program that takes extra measures to focus on veterans, especially Vietnam and disabled veterans;

- By maximum outreach activities to veterans.
- By specialized business training in innovative, high tech, and emerging industries and business opportunities in preparation for going into business.
- By assuring that each program and activity of the District reflects sensitivity to veterans and ready access to all forms of assistance.
- Veterans shall receive intensified management and business training and counselling assistance in business planning and operations.
- Veterans shall receive higher priority in the processing and funding of their loan applications in all categories of financial assistance for which they qualify.
- Veteran business owners shall receive full opportunity to participate in each of SBA's programs for which they are eligible and special efforts shall be made to identify and respond to the needs and interests of this business group.
- Special attention shall be given to existing veteran loans in the SBA portfolio and maximum flexibility and assistance shall be given in servicing these accounts, wherever practicable.

Consistent with these goals, each District Director is also responsible for:

- Effectiveness of the veterans business program in their District.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

ATTACHMENT D

INTERIM GUIDELINES FOR ESTABLISHING A VETERANS BUSINESS RESOURCE COUNCIL

FOR IMMEDIATE IMPLEMENTATION

MARCH 1983

Office of Veterans Business Affairs
Washington, D. C.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

ATTACHMENT D

INTERIM GUIDELINES FOR ESTABLISHING A VETERANS BUSINESS RESOURCE COUNCIL

FOR IMMEDIATE IMPLEMENTATION

MARCH 1983

Office of Veterans Business Affairs
Washington, D. C.

ATTACHMENT E

QUESTIONNAIRE

ATTACHMENT E

QUESTIONNAIRE

ATTACHMENT E

INTRODUCTION

Please read this page carefully before continuing

This study is sponsored by the Small Business Administration (SBA). The results will be used by the SBA to design programs and services responsive to the needs of veterans, particularly Vietnam-era and disabled veterans. If the SBA is to serve you well, it must have your ideas and an understanding of your experience. This questionnaire provides one opportunity for you to share your ideas and experience with the SBA.

Some of you completing this questionnaire will have little or no interest in going into business for yourself. Please keep in mind that your opinions are also very important to the SBA since they will enable us to compare and understand the differences between business oriented and non-business oriented veterans.

This questionnaire is divided into 4 sections. Some will apply to you and others will not, so please read the instructions at the beginning of each section carefully before continuing.

We would appreciate your trying to answer every question that applies to you since that will make the information more valuable to everyone concerned. However, since your participation in this study is completely voluntary, you have the right to refuse to answer any question you choose.

Do not write your name on the front of this questionnaire and rest assured that other steps have been taken to ensure that your answers will be treated confidentially.

DEFINITIONS

The terms "self-employed" and "small business" are used a great deal throughout this questionnaire. For the purposes of this study they are used to describe the same experience. Please assume the following definition when you find these terms in a question:

To be self-employed or engaged in small business means to derive some portion of your income from your own independently owned and operated business, professional practice or trade with fewer than 500 employees.

REMINDER

If you are completing this questionnaire without a member of the study team present and you have any doubts about the meaning of a question or whether a question applies to you, call Jerry Boren at (617) 965-7775.

ATTACHMENT E

INTRODUCTION

Please read this page carefully before continuing

This study is sponsored by the Small Business Administration (SBA). The results will be used by the SBA to design programs and services responsive to the needs of veterans, particularly Vietnam-era and disabled veterans. If the SBA is to serve you well, it must have your ideas and an understanding of your experience. This questionnaire provides one opportunity for you to share your ideas and experience with the SBA.

Some of you completing this questionnaire will have little or no interest in going into business for yourself. Please keep in mind that your opinions are also very important to the SBA since they will enable us to compare and understand the differences between business oriented and non-business oriented veterans.

This questionnaire is divided into 4 sections. Some will apply to you and others will not, so please read the instructions at the beginning of each section carefully before continuing.

We would appreciate your trying to answer every question that applies to you since that will make the information more valuable to everyone concerned. However, since your participation in this study is completely voluntary, you have the right to refuse to answer any question you choose.

Do not write your name on the front of this questionnaire and rest assured that other steps have been taken to ensure that your answers will be treated confidentially.

DEFINITIONS

The terms "self-employed" and "small business" are used a great deal throughout this questionnaire. For the purposes of this study they are used to describe the same experience. Please assume the following definition when you find these terms in a question:

To be self-employed or engaged in small business means to derive some portion of your income from your own independently owned and operated business, professional practice or trade with fewer than 500 employees.

REMINDER

If you are completing this questionnaire without a member of the study team present and you have any doubts about the meaning of a question or whether a question applies to you, call Jerry Boren at (617) 965-7775.

ATTACHMENT E

ALL RESPONDENTS SHOULD COMPLETE THIS SECTION

Section I: Military Background

Please circle the number representing the correct answer.

Q 1. What branch of service were you in?

1 Air Force
2 Army
3 Coast Guard
4 Marine Corps
5 Navy

Q 2. When did you enter the service? _____ month _____ year

Q 3. What is your discharge date? _____ month _____ year

Q 4. What was the highest rank you achieved?

1 E1 to E3
2 E4 to E5
3 E6 to E9
4 Warrant Officer
5 Officer (_____ Rank)

Q 5. What was your Military Occupational Specialty (MOS)? (If more than one, please mention all of them and estimate the length of time you had each. If you can't recall the number, just give the name.)

_____ MOS _____ Length of time

Q 6. Are you disabled?

1 Yes
2 No (PLEASE SKIP TO QUESTION 10 BELOW)

Q 7. If you answered "yes" to question 6, is your disability service connected?

1 Yes
2 No (PLEASE SKIP TO QUESTION 9 BELOW)

ATTACHMENT E

ALL RESPONDENTS SHOULD COMPLETE THIS SECTION

Section I: Military Background

Please circle the number representing the correct answer.

Q 1. What branch of service were you in?

1 Air Force
2 Army
3 Coast Guard
4 Marine Corps
5 Navy

Q 2. When did you enter the service? _____ month _____ year

Q 3. What is your discharge date? _____ month _____ year

Q 4. What was the highest rank you achieved?

1 E1 to E3
2 E4 to E5
3 E6 to E9
4 Warrant Officer
5 Officer (_____ Rank)

Q 5. What was your Military Occupational Specialty (MOS)? (If more than one, please mention all of them and estimate the length of time you had each. If you can't recall the number, just give the name.)

_____ MOS _____ Length of time

Q 6. Are you disabled?

1 Yes
2 No (PLEASE SKIP TO QUESTION 10 BELOW)

Q 7. If you answered "yes" to question 6, is your disability service connected?

1 Yes
2 No (PLEASE SKIP TO QUESTION 9 BELOW)

SECTION II

Interests and Aspirations

Only those respondents who answered "no" to question 10 should complete this section. Those who answered "yes" should skip this section and go on to question 24 on page 10.

SECTION II

Interests and Aspirations

Only those respondents who answered "no" to question 10 should complete this section. Those who answered "yes" should skip this section and go on to question 24 on page 10.

Q14. How interested would you be in entering into a small business if it were possible?

1 Very
2 Moderately
3 Slightly
4 Not interested (SKIP TO QUESTION 76 ON PAGE 23)

Q15. How seriously have you considered the possibility of entering into a small business?

1 Very
2 Moderately
3 Slightly
4 Not seriously

Q16. How likely is it that you will eventually start your own small business within the next three years?

1. Almost certain
2 Very likely
3 Somewhat likely
4 Not likely (PLEASE SKIP TO QUESTION 22 ON THE NEXT PAGE)

Q17. Are you considering plans now to start your own small business in the near future?

1 Yes
2 No

Q18. Have you taken any steps at all to prepare yourself to start a small business? (For example, exploring ideas with friends or family, reading books or pamphlets, or identifying sources of assistance.)

1 Yes (Please specify)
2 No

Q19. What type of small business are you interested in entering? (Be specific as to the products or services you would like to deliver, e.g. "restaurant specializing in Mexican food" or "retail shop specializing in children's clothing".)

Q14. How interested would you be in entering into a small business if it were possible?

1 Very

2 Moderately

3 Slightly

4 Not interested (SKIP TO QUESTION 76 ON PAGE 23)

Q15. How seriously have you considered the possibility of entering into a small business?

1 Very

2 Moderately

3 Slightly

4 Not seriously

Q16. How likely is it that you will eventually start your own small business within the next three years?

1. Almost certain

2 Very likely

3 Somewhat likely

4 Not likely (PLEASE SKIP TO QUESTION 22 ON THE NEXT PAGE)

Q17. Are you considering plans now to start your own small business in the near future?

1 Yes

2 No

Q18. Have you taken any steps at all to prepare yourself to start a small business? (For example, exploring ideas with friends or family, reading books or pamphlets, or identifying sources of assistance.)

1 Yes (Please specify)

2 No

Q19. What type of small business are you interested in entering? (Be specific as to the products or services you would like to deliver, e.g. "restaurant specializing in Mexican food" or "retail shop specializing in children's clothing".)

SECTION III

Business Experience

Only those respondents who answered "yes" to question 10 should complete this section

Q29. What is (or will be) the legal form of your present business?

1 None
2 Sole-proprietorship
3 Partnership (Number of partners including yourself _____)
4 Corporation
5 Other (Please specify)

Q30. How many people do you currently employ? (Include yourself and any other partners or owners)

_____
No. Employees

Q31. Are any of the other partners or owners veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 There are no other partners or owners in my business

Q32. Are any of your employees veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 I have no other employees

Q33. How did you (or will you) acquire ownership of the business?

1 Original founder
2 Purchased business or shares
3 Inherited business
4 Acquired without compensation (e.g., gift or marriage)
5 Other (Please specify)

Q29. What is (or will be) the legal form of your present business?

1 None
2 Sole-proprietorship
3 Partnership (Number of partners including yourself _____)
4 Corporation
5 Other (Please specify)

Q30. How many people do you currently employ? (Include yourself and any other partners or owners)

_____
No. Employees

Q31. Are any of the other partners or owners veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 There are no other partners or owners in my business

Q32. Are any of your employees veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 I have no other employees

Q33. How did you (or will you) acquire ownership of the business?

1 Original founder
2 Purchased business or shares
3 Inherited business
4 Acquired without compensation (e.g., gift or marriage)
5 Other (Please specify)

Q41. How many years of general business experience did you have when you started your current business? (General business experience includes experience in such areas as business administration and management, sales, purchasing, accounting, etc.)

_____ years

Q42. How many years of relevant experience in the field, trade or profession you are currently involved in did you have when you started this business?

_____ years

Q43. When you look back now, how prepared to succeed in this business do you think you were when you started it?

1 Very well prepared

2 Well prepared

3 Somewhat prepared

4 Poorly prepared

5 Very poorly prepared

Q44. If you had it to do over again, what would you do differently to ensure the success of your venture?

This is the end of the questions on your current business operation. The next set of questions apply to you only if you have been self-employed prior to your current situation. If you have not had another business experience then please skip to Part B of this section beginning with question 68 on page 18.

Q45. Prior to your current employment situation, were you ever self-employed or did you ever make an effort to start your own business?

1 Yes

2 No (PLEASE SKIP TO PART B BEGINNING WITH QUESTION 68)

Q41. How many years of general business experience did you have when you started your current business? (General business experience includes experience in such areas as business administration and management, sales, purchasing, accounting, etc.)

_____ years

Q42. How many years of relevant experience in the field, trade or profession you are currently involved in did you have when you started this business?

_____ years

Q43. When you look back now, how prepared to succeed in this business do you think you were when you started it?

1 Very well prepared

2 Well prepared

3 Somewhat prepared

4 Poorly prepared

5 Very poorly prepared

Q44. If you had it to do over again, what would you do differently to ensure the success of your venture?

This is the end of the questions on your current business operation. The next set of questions apply to you only if you have been self-employed prior to your current situation. If you have not had another business experience then please skip to Part B of this section beginning with question 68 on page 18.

Q45. Prior to your current employment situation, were you ever self-employed or did you ever make an effort to start your own business?

1 Yes

2 No (PLEASE SKIP TO PART B BEGINNING WITH QUESTION 68)

Q52. What was the legal form of this previous business?

1 None
2 Sole-proprietorship
3 Partnership (Number of partners including yourself _____)
4 Corporation
5 Other (Please specify)

Q53. How many people did you employ? (Include yourself and any other partners or owners)

_____ No. employees

Q54. Were any of the other partners or owners veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 There were no other partners or owners

Q55. Were any of your employees veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 I had no other employees

Q56. How did you acquire ownership of this previous business?

1 Original founder
2 Purchased business or shares
3 Inherited business
4 Acquired without compensation (e.g., gift or marriage)
5 Other (Please specify)

Q57. Please specify the relationship of any other family members involved in the business to yourself. Also, indicate if they were owners and what their percentage share of the business was.

Q52. What was the legal form of this previous business?

1 None
2 Sole-proprietorship
3 Partnership (Number of partners including yourself _____)
4 Corporation
5 Other (Please specify) .

Q53. How many people did you employ? (Include yourself and any other partners or owners)

_____
No. Employees

Q54. Were any of the other partners or owners veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 There were no other partners or owners

Q55. Were any of your employees veterans?

1 Yes, Vietnam-era veterans
2 Yes, veterans from other eras
3 Yes, both Vietnam and other eras
4 No
5 I had no other employees

Q56. How did you acquire ownership of this previous business?

1 Original founder
2 Purchased business or shares
3 Inherited business
4 Acquired without compensation (e.g., gift or marriage)
5 Other (Please specify)

Q57. Please specify the relationship of any other family members involved in the business to yourself. Also, indicate if they were owners and what their percentage share of the business was.

Q64. How many years of relevant experience in the field, trade or profession did you have when you started this previous business?

_____ years

Q65. When you look back now, how prepared to succeed in this previous business do you think you were when you started it?

1 Very well prepared

2 Well prepared

3 Somewhat prepared

4 Poorly prepared

5 Very poorly prepared

Q66. If your business never really got started, please explain why you think this was the case.

Q67. If you had it to do over again, what would you do differently to ensure the success of that venture?

Q64. How many years of relevant experience in the field, trade or profession did you have when you started this previous business?

_____ years

Q65. When you look back now, how prepared to succeed in this previous business do you think you were when you started it?

1 Very well prepared

2 Well prepared

3 Somewhat prepared

4 Poorly prepared

5 Very poorly prepared

Q66. If your business never really got started, please explain why you think this was the case.

Q67. If you had it to do over again, what would you do differently to ensure the success of that venture?

Q75. Based on your experiences with private and non-profit institutions described on page 21, what suggestions do you have for improving their services to veterans in these areas?

WHEN YOU HAVE COMPLETED THIS SECTION TURN TO PAGE 23

Q75. Based on your experiences with private and non-profit institutions described on page 21, what suggestions do you have for improving their services to veterans in these areas?

WHEN YOU HAVE COMPLETED THIS SECTION TURN TO PAGE 23

Summary of Experience with ATTACHMENT E

Private Financial or Professional Service Firms and Individuals

stitution or pe of Service*	Nature of Request**	Result of Request	Your Evaluation of the Experience
		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
3.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
4.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
5.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
6.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet

* Be specific, for example commercial loan department of local savings and loan, or CPA firm.

** See footnote on previous page

AFTER COMPLETING THIS PAGE, RETURN TO QUESTION 74 PAGE 18

Summary of Experience with ATTACHMENT E

Private Financial or Professional Service Firms and Individuals

nstitution or ype of Service*	Nature of Request**	Result of Request	Your Evaluation of the Experience
.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
2.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
3.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
4.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
5.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet
6.		1 Successful 2 Unsuccessful 3 Request pending 4 Will make request soon 5 Other (specify)	1 Very helpful 2 Somewhat helpful 3 Not very helpful 4 Not helpful 5 Don't know yet

* Be specific, for example commercial loan department of local savings and loan, or CPA firm.

** See footnote on previous page

AFTER COMPLETING THIS PAGE, RETURN TO QUESTION 74 PAGE 18

ATTACHMENT E

Section IV: Other Personal, Family and Military Background

Q76. What is your sex?

1 Male

2 Female

Q77. What is your date of birth? _____ month _____ year

Q78. What is your race?

1 White

2 Black

3 American Indian, Aleutian, Eskimo

4 Asian or Pacific Islander

5 Other (Please specify)

Q79. Are you of Spanish/Hispanic origin?

1 Yes

2 No

Q80. Which of the following categories most accurately describes your marital status?

1 Married

2 Single (Never married)

3 Widowed

4 Separated

5 Divorced

6 Other (Please specify)

Q81. How many dependents do you currently have including your spouse? (Don't include yourself)

_____ number dependents

Q82. What is your regular occupation? (Please give job title and describe the work you normally do in one or two sentences)

Q83. Are you currently employed?

1 Yes

Section IV: Other Personal, Family and Military Background

Q76. What is your sex?

1 Male
2 Female

Q77. What is your date of birth? _____ month _____ year

Q78. What is your race?

1 White
2 Black
3 American Indian, Aleutian, Eskimo
4 Asian or Pacific Islander
5 Other (Please specify)

Q79. Are you of Spanish/Hispanic origin?

1 Yes
2 No

Q80. Which of the following categories most accurately describes your marital status?

1 Married
2 Single (Never married)
3 Widowed
4 Separated
5 Divorced
6 Other (Please specify)

Q81. How many dependents do you currently have including your spouse? (Don't include yourself)

_____ dependents
number

Q82. What is your regular occupation? (Please give job title and describe the work you normally do in one or two sentences)

Q83. Are you currently employed?

1 Yes

ATTACHMENT E

What was your total family income last year before taxes were taken out?

1 0 - 4,999
2 5,000 - 9,999
3 10,000 - 14,999
4 15,000 - 19,999
5 20,000 - 24,999
6 25,000 - 29,999
7 30,000 - 34,999
8 35,000 - 39,999
9 40,000 - 44,999
10 45,000 or over

If you are currently earning a portion of your income from self-employment and a portion from being employed by others, please estimate the proportion of income you receive from each of these sources. (Do not include your spouse's income)

Income from self-employment _____ %

Income from other employment _____ %

What was your father's principal occupation when you were growing up? (Please give his job title and describe the work he did in one or two sentences)

What was your mother's principal occupation when you were growing up? (Please give her job title and describe the work she did in one or two sentences. If she was primarily a housewife, then indicate that.)

Q90. What was your total family income last year before taxes were taken out?

1 0 - 4,999
2 5,000 - 9,999
3 10,000 - 14,999
4 15,000 - 19,999
5 20,000 - 24,999
6 25,000 - 29,999
7 30,000 - 34,999
8 35,000 - 39,999
9 40,000 - 44,999
10 45,000 or over

Q91. If you are currently earning a portion of your income from self-employment and a portion from being employed by others, please estimate the proportion of income you receive from each of these sources. (Do not include your spouse's income)

Income from self-employment _____ %

Income from other employment _____ %

Q92. What was your father's principal occupation when you were growing up? (Please give his job title and describe the work he did in one or two sentences)

Q93. What was your mother's principal occupation when you were growing up? (Please give her job title and describe the work she did in one or two sentences. If she was primarily a housewife, then indicate that.)

Q99. If you served more than one tour in Vietnam, what month and year did you begin your second tour?

_____ month _____ year

Q100. What month and year did you end your second Vietnam tour?

_____ month _____ year

Q101. What is the total number of months you served in Vietnam?

_____ months

Q102. What type of unit were you assigned to in Vietnam? (Check more than one if necessary)

1 Helicopters
2 Infantry
3 Mortars/artillery
4 Other (Please specify)

Q103. Were any of your units assigned to combat duty?

1 Yes
2 No

Q104. What type of discharge did you receive?

1 Honorable
2 General
3 Medical
4 Other

Q99. If you served more than one tour in Vietnam, what month and year did you begin your second tour?

_____ month _____ year

Q100. What month and year did you end your second Vietnam tour?

_____ month _____ year

Q101. What is the total number of months you served in Vietnam?

_____ months

Q102. What type of unit were you assigned to in Vietnam? (Check more than one if necessary)

1 Helicopters
2 Infantry
3 Mortars/artillery
4 Other (Please specify)

Q103. Were any of your units assigned to combat duty?

1 Yes
2 No

Q104. What type of discharge did you receive?

1 Honorable
2 General
3 Medical
4 Other

Because we will treat the information you provide with the strictest confidence, we ask that you not write your name on the inside of this questionnaire. This page provides space for your name, address and phone number. When you turn your completed questionnaire over to the representative of the study team, this page will be removed from the questionnaire and filed separately. This information will be used only by the study team and will not be made available to any other person or agency. It will be used to contact you in case they have trouble interpreting your answers or in case you skipped some questions without meaning to. It will also be used to schedule a follow-up interview if necessary.

Name: _____

Address: _____

_____

_____

Phone: ( ) _____
Area Code

THIS IS THE END OF THE SURVEY. THANK YOU VERY MUCH FOR YOUR COOPERATION. IN THE NEAR FUTURE WE WILL BE CONTACTING A FEW OF YOU TO SEE IF YOU WOULD BE WILLING TO PARTICIPATE IN AN IN-DEPTH INTERVIEW TO DISCUSS YOUR EXPERIENCES IN MORE DETAIL. PLEASE CHECK THE SPACE BELOW IF YOU WOULD BE WILLING TO DO THIS.

Yes, I would be willing to discuss my experience with you in an in-depth interview. I understand that this would be scheduled at a time and place convenient to me and would require about one and one half hours.

_____

ATTACHMENT E

Because we will treat the information you provide with the strictest confidence, we ask that you not write your name on the inside of this questionnaire. This page provides space for your name, address and phone number. When you turn your completed questionnaire over to the representative of the study team, this page will be removed from the questionnaire and filed separately. This information will be used only by the study team and will not be made available to any other person or agency. It will be used to contact you in case they have trouble interpreting your answers or in case you skipped some questions without meaning to. It will also be used to schedule a follow-up interview if necessary.

Name: _____

Address: _____

_____

_____

Phone: ( ) _____
Area Code

THIS IS THE END OF THE SURVEY. THANK YOU VERY MUCH FOR YOUR COOPERATION. IN THE NEAR FUTURE WE WILL BE CONTACTING A FEW OF YOU TO SEE IF YOU WOULD BE WILLING TO PARTICIPATE IN AN IN-DEPTH INTERVIEW TO DISCUSS YOUR EXPERIENCES IN MORE DETAIL. PLEASE CHECK THE SPACE BELOW IF YOU WOULD BE WILLING TO DO THIS.

Yes, I would be willing to discuss my experience with you in an in-depth interview. I understand that this would be scheduled at a time and place convenient to me and would require about one and one half hours.

_____

Attachment F

Interviews with Decision Makers

The central focus of this study has been on the interests, experience and attitudes of Vietnam-era veterans. However, we thought it would also be of interest to learn something about the perceptions that policy makers and service providers have of veterans and of the adequacy of current programs and services. These "decision makers" include Congressional staff aides, SBA headquarters and field office personnel, SCORE and SBDC representatives and officials of commercial banks.

We conducted a total of 26 interviews with decision makers in four states[1] and Washington, D.C. We found representatives from all agencies and institutions extremely cooperative and willing to share their knowledge, opinions and ideas with us. The results of these interviews are summarized below.

SBA Personnel

Personnel in SBA field offices believe strongly that their responsibility is to provide business-related services to qualified individuals regardless of veteran status. They accept the concept and policy of "special consideration" for veterans and believe that it has

---

[1] These were the states from which we selected our sample: Massachusetts, New York, Ohio, and Texas.

Attachment F

Interviews with Decision Makers

The central focus of this study has been on the interests, experience and attitudes of Vietnam-era veterans. However, we thought it would also be of interest to learn something about the perceptions that policy makers and service providers have of veterans and of the adequacy of current programs and services. These "decision makers" include Congressional staff aides, SBA headquarters and field office personnel, SCORE and SBDC representatives and officials of commercial banks.

We conducted a total of 26 interviews with decision makers in four states[1] and Washington, D.C. We found representatives from all agencies and institutions extremely cooperative and willing to share their knowledge, opinions and ideas with us. The results of these interviews are summarized below.

SBA Personnel

Personnel in SBA field offices believe strongly that their responsibility is to provide business-related services to qualified individuals regardless of veteran status. They accept the concept and policy of "special consideration" for veterans and believe that it has

---

[1] These were the states from which we selected our sample: Massachusetts, New York, Ohio, and Texas.

that are unsound risks. In this regard, it is interesting that one veteran we interviewed complained that SBA field office staff had a "deal-killer mentality."

When we compare the perceptions that SBA personnel have of Vietnam veterans with the perceptions that veterans have of SBA and its personnel, there is clear evidence of differing views of the Agency's proper role. Veterans feel the SBA should be more actively engaged in trying to serve people with special needs. In effect, they are asking that SBA assist veterans in using the assistance available. SBA staff feel they are not a welfare agency; they don't have the staff to "hold the hand" of the beginner; and they are simply trying to operate a system of business services for the serious and qualified applicant.

Bank Personnel

We conducted eight interviews with loan officers in banks that actively participate in SBA's 7(a) and Certified Lenders Program. Without exception we found that banks are not aware of an applicant's veteran status unless the veteran makes an issue of it and, according to our interviewees, this almost never occurs. Most felt that banks should treat Vietnam veterans just like any other applicant, however, three officials said they did feel that these veterans deserved some special consideration and felt that when a decision was a border-line case they might give the veteran the benefit of the doubt. Based on our inquiries it does not appear that bank officers operate with any particular image of Vietnam veterans.

Most bank officials had no suggestions for extending or improving services to veterans, however, one proposed that alternatives be

that are unsound risks. In this regard, it is interesting that one veteran we interviewed complained that SBA field office staff had a "deal-killer mentality."

When we compare the perceptions that SBA personnel have of Vietnam veterans with the perceptions that veterans have of SBA and its personnel, there is clear evidence of differing views of the Agency's proper role. Veterans feel the SBA should be more actively engaged in trying to serve people with special needs. In effect, they are asking that SBA assist veterans in using the assistance available. SBA staff feel they are not a welfare agency; they don't have the staff to "hold the hand" of the beginner; and they are simply trying to operate a system of business services for the serious and qualified applicant.

Bank Personnel

We conducted eight interviews with loan officers in banks that actively participate in SBA's 7(a) and Certified Lenders Program. Without exception we found that banks are not aware of an applicant's veteran status unless the veteran makes an issue of it and, according to our interviewees, this almost never occurs. Most felt that banks should treat Vietnam veterans just like any other applicant, however, three officials said they did feel that these veterans deserved some special consideration and felt that when a decision was a border-line case they might give the veteran the benefit of the doubt. Based on our inquiries it does not appear that bank officers operate with any particular image of Vietnam veterans.

Most bank officials had no suggestions for extending or improving services to veterans, however, one proposed that alternatives be

ATTACHMENT G

ASPIRATION SCALE

ATTACHMENT G

ASPIRATION SCALE

Recoding

In order to have an additive scale, it is necessary to standardize as much as possible the answers to each question. This requires some recoding. In Question 11 the categories "4 - Fully employed by others in a small business" and "5 - Fully employed by others in a large business or other type of organization, e.g., government or non-profit agency" were combined to a single category "4." In addition, the categories "2 - No" and "9 - missing answer" in Question 18 were transformed into a singular category "4." These recoding procedures insure that the variables that form the basis of the scale are more comparable in structure.

Continuous Additive Scale

The first index for measuring the aspiration level of the respondents is a continuous additive scale. The five questions are already comparable in structure as a result of the recoding. Each has values from one to four, so that a maximum score of twenty is possible. To facilitate the interpretation of the findings in later stages, we reversed the direction of the categories so that high scores will coincide with high aspiration level and low scores will represent a low level of aspiration. The continuous scale is a simple additive combination of these five variables. If a respondent selects answers 1, 3, 2, 2 and 1 on the five questions, the additive score is 9.

Recoding

In order to have an additive scale, it is necessary to standardize as much as possible the answers to each question. This requires some recoding. In Question 11 the categories "4 - Fully employed by others in a small business" and "5 - Fully employed by others in a large business or other type of organization, e.g., government or non-profit agency" were combined to a single category "4." In addition, the categories "2 - No" and "9 - missing answer" in Question 18 were transformed into a singular category "4." These recoding procedures insure that the variables that form the basis of the scale are more comparable in structure.

Continuous Additive Scale

The first index for measuring the aspiration level of the respondents is a continuous additive scale. The five questions are already comparable in structure as a result of the recoding. Each has values from one to four, so that a maximum score of twenty is possible. To facilitate the interpretation of the findings in later stages, we reversed the direction of the categories so that high scores will coincide with high aspiration level and low scores will represent a low level of aspiration. The continuous scale is a simple additive combination of these five variables. If a respondent selects answers 1, 3, 2, 2 and 1 on the five questions, the additive score is 9.

ATTACHMENT H

PROCEDURE FOR ESTIMATING ASPIRATION

ATTACHMENT H

PROCEDURE FOR ESTIMATING ASPIRATION

Attachment H

Procedure for Estimating Extent of Entrepreneurial Aspiration in Vietnam-Era Veteran Population

The procedure used in Section 4A for developing estimates for the upper and lower limits on the extent of interest in entrepreneurship in the Vietnam-era veteran population is described below.

Step	Procedure
1	Selected 7 variables which were either associated with aspiration and/or represented characteristics that were over or underrepresented in our sample. The variables were disability status, employment status, minority status, marital status, education, income and whether or not they served in Vietnam.
2	Used the known distribution of these traits in the general population to adjust the degree of aspiration in our sample - 24% (see Table H1). In effect, this is a weighting procedure that adjusts for sampling bias. It results in a calculation of seven different estimates, one for each variable.
3	Calculated the mean for the resulting seven estimates. This figure (25.1%) represents the percent of strong aspirants in our sample adjusted for bias due to sampling.
4	Made two different assumptions concerning the extent to which our sample of non-entrepreneurs is more business oriented than the general population. One for calculating an estimate for the upper limit and one for the lower limit. Assumption for lower limit = population is one-third as likely to have strong aspirations. Assumption for upper limit = population is one-half as likely to have strong aspirations.
5	Calculated the upper and lower limits by applying the assumptions (33% and 50%) to the adjusted percent of strong aspirants in our sample (25.1%).

Procedure

Applied the resulting percentages (8.4% and 12.6%) to the total number of Vietnam-era veterans in the U.S. (8,238,000).[1]

The resulting estimates are:

Lower limit = 691,992

Upper limit = 1,037,988

---

1 Strictly speaking we should apply these percentages to the number of Vietnam-era veterans in the U.S. who have had no entrepreneurial experience (8.2 million minus those in business for themselves and those who have tried but failed.) However, we do not know the actual size of this group so we have applied the percentages to the total. In fact, the vast majority of those with entrepreneurial experience could probably be described as having strong aspirations thus this procedure actually has a conservative effect on the total as an estimate of potential users of SBA programs and service.

TABLE H1

WEIGHTING PROCEDURE USED FOR DEVELOPING
ESTIMATES OF EXTENT OF ASPIRATION IN GENERAL POPULATION

	Column 1	x Column 2	= Column 3	= Column 4
	% With Strong Aspiration in Sample	% Distribution in Population	% After Weighting	Sum of Weighted % for Each Variable
Disability Status				
Disabled	30	7	2.1	23.5
Non-Disabled	23	93	21.4	
Minority Status				
White	24	87	20.9	25.6
Minority	36	13	4.7	
Marital Status				
Married	24	74	17.8	25.3
Single	23	13	3.0	
Separated	100	3	3.0	
Divorced	17	9	1.5	
Employment Status				
Employed	20	92	18.5	22.0
Unemployed	47	8	3.5	
Education				
No College	32	51	16.3	27.3
Some College	25	27	6.8	
College Degree	19	22	4.2	
Income				
0 - $14,999	43	14	6.0	24.0
$15 - 29,999	22	40	8.8	
$30,000 +	20	46	9.2	
Served in Nam				
Yes	24	32	7.7	28.1
No	30	68	20.4	

Adjusted sample percent with strong aspirations (sum of column 4 ÷ 7) = 25.1