

## An Exploration of Veteran Business Creation and Management using the Census Bureau's Survey of Income and Program Participation

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### Purpose

Veterans of our armed services form a vital part of the nation's population, labor force, and business sector. Their economic success on re-entering the civilian economy is a national priority. While many veterans have gained important skills and leadership abilities from their active duty and reserve service that are directly relevant to business ownership, some veterans may have difficulty in starting and growing a business, especially during an economic downturn and slow recovery. Previous studies have found veterans very active in firm creation and management, but these studies have not provided a complete picture of their activities or compared the entrepreneurial experience of veterans and non-veterans. The researchers in this study explore 20 years of U.S. Census Bureau data (1984 to 2004) to describe in greater detail the level and nature of veteran involvement in business creation and ownership. A key purpose of this study is to provide important information about any differences in the experience of veterans and non-veterans in business creation and management and to assess whether such differences have changed over time.

### Background

Business populations in dynamic, growing economies are constantly changing. No business lasts forever, and firm creation and termination are common events. Veterans and non-veterans may exhibit different patterns of business creation and management, and comparing these patterns could identify unique challenges veterans may confront in starting a business and over the lifespan of their business.

The authors of this report identify such differences over the 20 years from 1984 to 2004—a period that included two national recessions.

### Overall Findings

The most striking finding of this study is the high level of firm creation and business management among veterans, which is comparable to their non-veteran age peers. Also of note is the stability of the major patterns relating to these firms over the 20-year period examined. In addition, the researchers find that veterans involved in business creation and management are in better financial condition compared to wage- and salary-earning veterans. However, younger veterans who manage firms have reduced levels of employment, personal business income, and profits than their non-veteran peers. Other findings include:

- Male veterans of all ages, when taken together, appear to have a slightly higher rate of firm ownership and management than their non-veteran peers, but this difference was not statistically significant. Male veterans between 25 and 54 years old appear to be significantly less involved in firm ownership and management than their age peers, but this difference is offset by the large number of veterans aged 55 or older when all age groups are aggregated.
- Women veterans appear less likely to be involved as firm owner-managers than their non-veteran peers, and these differences are statistically significant for the all-age comparison, for those 18-24 years old, and for those 35-44 years old. There is no statistically significant difference in firm ownership

between veterans and non-veterans among women age 25-34 or over age 45.

- The rate of new business creation by male veterans is slightly lower than that of non-veterans when all age groups were combined. This difference is statistically significant. The rate of such new business creation appears to be slightly lower for each of the four veteran age cohorts between 25 and 64 years of age, although none of these individual differences was statistically significant.

- In all but one age category (65-74 years of age), female veterans appear to have lower rates of business creation than non-veteran peers. However, because of the small number of female veterans, the difference is statistically significant in only one category, 55-64 years of age.

- There is very little difference in the age distribution of the owners of the firms in terms of industry and occupation, whether veteran or non-veteran.

- Veteran-managed firms are slightly less likely to be organized as corporations; they are slightly more likely to be sole proprietorships.

- Performance (in terms of employment, monthly business income, monthly profits, or expected sales) is very similar for firms managed by both older veterans and non-veterans (age 55-74).

- Compared to their non-veteran age peers, monthly business income and firm profits are slightly lower for firms managed by veterans aged 18-34 and 35-54. Employment is also somewhat lower for the 18-34 group.

- In the 28-month period during which the businesses were monitored, firms managed by veterans over 34 years old have survival patterns comparable to firms managed by non-veterans. Those managed by younger veterans aged 18-34 have a slightly shorter duration than those managed by their age peers (about one month).

- Veterans involved in firm creation and management are associated with higher household incomes and higher personal incomes, and veterans who own businesses are much more likely to report the highest levels of income.

## Policy Implications

Because the economic welfare of veterans is an ongoing concern of policymakers, various programs have been designed to help support aspiring veteran entrepreneurs and business owners. These efforts include financial assistance from SBA and

its resource partners, as well as business development programs managed by SBA in cooperation with other federal agencies, such as Operation Boots to Business. SBA has also supported other efforts initiated by private-sector sponsors, nongovernment organizations or universities. Among these is a nationwide network of 16 Veteran Business Outreach Centers, the Entrepreneurship Boot Camp for Veterans with Disabilities (EBV) sponsored by Syracuse University and seven other business schools, and Women Veterans Igniting the Spirit of Entrepreneurship (V-WISE). Congress has also enacted legislation establishing government-wide goals for federal procurement dollars going to service-disabled veterans, as well as special contracting tools to help agencies meet these goals.

The findings of this study suggest:

- Younger veterans may be at some relative disadvantage compared to their age peers in launching and managing a business after leaving military service.

- As more women become veterans, there will be a need to provide special technical assistance and training to help them create, sustain, and manage their businesses.

## Scope and Methodology

The researchers explore the U.S. Census Bureau's ongoing Survey of Income and Program Participation (SIPP) to address major veteran business research issues. These data, collected over 20 years (1984 to 2004), were analyzed to determine whether they could portray the level and nature of veteran involvement in business creation and ownership. The researchers developed 11 panels (each a representative sample of U.S. adults) from 1984 to 2004 that track individual workforce activity for at least 28 months. As less than 2 percent of veterans in the sample were women, the assessment focused on men, with controls for age. Cross-sectional analyses of veterans and non-veterans were used to analyze business creation and management, types of firms managed, differences in employment/sales, and financial well-being. In addition, longitudinal data was extracted from SIPP which provided data across time for each specific business venture. This data included details about each venture, including the first mention of a business activity by a respondent. Information on interview wave completion dates made it possible to identify ventures described in the

initial interview as well as those ventures described for the first time a year following the first interview. The former were designated “established” firms and the latter “new” firms. Differences between veterans and non-veterans were considered statistically significant at the 0.05 level.

This report was peer reviewed consistent with Advocacy’s data quality guidelines. More information on this process can be obtained by contacting the director of economic research at [advocacy@sba.gov](mailto:advocacy@sba.gov) or (202) 205-6533.

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