



SMALL BUSINESS RESEARCH SUMMARY

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Evaluating Veteran Business Owner Data

An Advocacy Research Report (2004, 64 pages)

Purpose

Veteran business owners as a group have received increasing attention in recent years, particularly since enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999, P.L. 106-50. This legislation included provisions calling for the development of more information about businesses owned by veterans and by service-disabled veterans and about the role they play in the Nation's economy. Unfortunately, data available for these groups of entrepreneurs are limited. The last authoritative Census Bureau data on veteran-owned firms dates from 1992. Currently, there are some lists of businesses that include veteran status; however, their information is thought to be incomplete, and at best they include data on only a small fraction of all veteran-owned businesses.

The purpose of this study is to examine currently available data sources on veteran business ownership, to compare the quality of major data sources, to review existing literature on veteran business ownership, and to make recommendations. Policymakers need good data in order to make informed decisions on how best to serve veteran entrepreneurs. This study attempts to advance this purpose.

Overall Findings

- At the macroeconomic level, the Census Bureau's 1992 Characteristics of Business Owners (CBO) is the most authoritative source available on veteran-owned firms, although it is now seriously dated.
- The Bureau's pending 2002 Survey of Business Owners and Self-Employed-Persons (SBO) will

provide a fresh and comprehensive picture of veteran-owned businesses and veteran business owners. It will also provide important first-time data on firms owned by service-disabled veterans. SBO data is expected in 2005.

- At the microeconomic level, among private-sector business listing databases, those maintained by Dun & Bradstreet (D&B) and Austin-Tetra, Inc. included the largest number of veteran-owned businesses.
- Most veteran-owned businesses are so small that they do not appear in any listing or directory.
- Most veteran-owned businesses are self-declared. Since FY 2001, there have been markers in the Federal Procurement Data System to identify contracts to firms owned by veterans and by service-disabled veterans. However, the reported data is spotty and is probably inaccurate.
- Efforts need to be made to improve the data quality on identified veteran-owned businesses (especially verification that they are in fact veteran-owned) and to capture true veteran-owned businesses that are not yet identified in any source.
- Veteran-owned businesses must do a better job of identifying their status as veteran-owned or service-disabled veteran-owned.
- More publicity, education, and incentives may be required to encourage veteran-owned businesses to identify themselves as such.
- Business surveys conducted by both government agencies and private sector organizations should include identifiers for veteran status and service-disabled veteran status in their survey instruments.

Highlights

- The number of veteran-owned businesses identified in various business listing databases (about 100,000 in the largest of these) was much lower than commonly used estimates of the actual number of veteran-owned businesses based on Census Bureau data (from 4.2 to 5.5 million).

- The share of firms identified as veteran-owned among all U.S. firms in the 2004 D&B database, 0.53 percent, was much lower than the 1992 Census estimate of 24.2 percent veteran ownership.

- Reasons for this disparity may have included the exclusion of certain classes of firms from one dataset or the other, methodological differences in how the data was collected, purpose and use-related biases in the D&B database, the age differential in the underlying datasets, and other causes.

- Comparison of veteran business data in the Census and D&B datasets is of limited value. Macroeconomic analysis is not the purpose of the D&B dataset; conclusions on the characteristics of all veteran-owned firms should not be inferred from its data.

Scope and Methodology

This project includes detailed analyses of 1992 Census data, including distributions by ethnicity and gender of all firm owners and veteran, non-veteran, Vietnam-veteran and disabled-veteran owners. Additional analyses compare data on all firms with data on veteran-owned firms in both the Census and D&B datasets by: 1) major industry group; 2) firm size by receipts; 3) firm size by number of employees; and 4) firm organization type. An identification, crossmatch and distribution analysis was also conducted of veteran-owned firms registered in the Federal Procurement Data System, the DoD's Central Contract Registration (CCR) System, SBA's PRO-Net database, and the D&B dataset.

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 or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration's Office of Advocacy are available at www.sba.gov/advo/research. Copies are also available from:

National Technical Information Service
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