

PROFILING ENTREPRENEURIAL VETERANS

A SUMMARY OF RESEARCH FINDINGS

Volume III

Final Report

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TABLE OF CONTENTS

	<u>Page</u>
Section One INTRODUCTION	1
Section Two POLICY RECOMMENDATIONS	2
Section Three PROFILING ENTREPRENURIAL VETERANS	7
Section Four FOCUS GROUP INTERVIEWS WITH REPRESENTATIVES OF THE U.S. SMALL BUSINESS ADMINISTRATION	19
Section Five FOCUS GROUP INTERVIEWS WITH REPRESENTATIVES OF VETERANS' ORGANIZATIONS	25
Section Six DEPTH INTERVIEWS WITH BUSINESS SCHOOL DEANS AND SELECTED FACULTY MEMBERS	31

Section 1

INTRODUCTION

The purpose of the research reported here is to develop a profile of entrepreneurial veteran alumni of business schools and determine whether military service, especially combat service, has any effect on the entrepreneurial-related motivations and behaviors of business school graduates. The research project was divided into three sequential steps. In the first or exploratory research phase, a survey of the literature on entrepreneurship and the effects of military service was undertaken. In addition, focus group interviews were conducted with the alumni from four of the six business schools participating in the study. Focus group interviews were conducted at the College of William and Mary, Ohio State University, Norfolk State University, and the University of Maryland; Texas Christian University and the University of Tennessee also participated in the study.

The results of these two projects served as the foundation for the second stage, a mail survey of a sample of the alumni of the six business schools. The questionnaire addressed respondents' career paths and experiences, entrepreneurial experiences, and personal and demographic characteristics as well as motivational variables and task preferences shown by the literature to be useful in discriminating between entrepreneurs and non-entrepreneurs. A summary of the findings of these two research stages is included in this volume and titled, "Profiling Entrepreneurial Veterans: A Summary of Research Findings". Detailed reports also have been prepared; the exploratory research findings are presented in Volume I and the survey research findings in Volume II of the reports prepared for this project.

The final and third stage of the research project involved the development of policy recommendations based on the findings. In order to accomplish this, input was obtained from three key groups with both expertise and interest in the areas of entrepreneurship and military service: representatives of the U.S. Small Business Administration (SBA), representatives of veterans organizations, and deans and faculty members of university business schools. Separate focus group interviews were conducted with SBA officials and representatives of veterans groups. Individual depth interviews were conducted with the deans of the six participating universities, and the results also were reviewed with selected faculty members at a professional association meeting. Detailed summaries of the focus groups and of the interviews with educators are included in this volume.

This research was performed under contract (SBA-7220-VA-83) to the U.S. Small Business Administration.

Section 2

POLICY RECOMMENDATIONS

Based on the consultants' review of the findings and the suggestions provided by the many individuals interviewed, a series of policy recommendations has been prepared for consideration by the U.S. Small Business Administration. These are not intended to serve as a comprehensive policy statement for the agency or even for its Office of Veterans Affairs. Instead, the recommendations reflect both the narrower focus of the research on the specific group of business school alumni and the concerns and suggestions of the experts interviewed in the policy development process. Further, there clearly are constraints which must operate on the SBA in considering and possibly acting on these recommendations. Among these constraints are the limited financial resources available, the mandate of the SBA to serve a wide variety of groups, and the political environment in which policies and programs are developed and implemented.

1. Entrepreneurial Activity in the Future

- 1.1 In developing programs for the future, it will be necessary to be responsive to the changing nature of entrepreneurs. There is evidence of growing interest among business school students in entrepreneurship as an initial career choice rather than as the more traditional second career. This may require adjustments as the body of entrepreneurs will include more people with extensive business education but with less maturity and experience than the entrepreneurs of today, who tend to be somewhat older and less well educated. (This recommendation was based on interviews with business school deans and faculty members.)
- 1.2 As more and more women and minority group members enroll in business schools, we can expect to see more women and minorities join the ranks of entrepreneurs. To the extent that they face special difficulties in obtaining financing or gaining entry to the "network" of the business community, special efforts may be needed. (This recommendation was based on interviews with business school deans and faculty members.)

2. Awareness and Perception of SBA Programs

- 2.1 There remains among many individuals a perception of the SBA as primarily a provider of loans and loan guarantees. A large share of the public, including business school graduates and veterans, are not aware of other significant activities, including management assistance and training. If potential or current entrepreneurs are not aware of these vital services, they will not take advantage of them. Thus, continued efforts to inform the public of the purpose

and services of the SBA are appropriate. In an awareness campaign it may be helpful to feature small businessmen who have received assistance from the agency. These "endorsements" may be more likely to capture the attention of and have credibility with potential clients. (This recommendation is based on findings of the focus groups and survey of alumni.)

- 2.2 In developing awareness, understanding and credibility among veterans, a partnership between the SBA and veterans organizations may be valuable. The veterans organizations can be a very effective means of reaching the millions of veterans in the country, many of whom, say veterans representatives, are apprehensive about involvement with government programs. (This recommendation is based on the focus group interviews with representatives of the SBA and of veterans organizations and individual interviews with business school deans and faculty members.)
- 2.3 One means of reaching potential veteran entrepreneurs may be to sponsor awareness programs for members of the armed services approaching separation or retirement. This program could not only inform veterans about opportunities in small business ownership but also acquaint them with the training, management assistance, and loan programs of the SBA and other resource organizations. (This recommendation is based on comments made by business school deans and faculty members.)

3. Strategies to Serve Veterans

- 3.1 In order to serve veterans effectively, a consistent policy and concerted effort to reach them will be required. It will be essential that field office staff be knowledgeable about veteran assistance programs and prompt and consistent in responding to inquiries. Streamlined operations offering "one stop shopping" and minimizing the number of visits a client must make and of persons who must be contacted may be especially valuable to disabled veterans and to those who are apprehensive about approaching governmental agencies. (This recommendation is based on the focus group interview with representatives of veterans groups.)
- 3.2 The SBA and veterans organizations could complement one another in an effective partnership to reach out to and serve veterans of interest to both groups. The SBA's programs and expertise and the veterans organizations' access to and credibility with their constituents can be mobilized to develop and implement programs to meet veterans' needs, inform them of and assist them in taking

advantage of these resources, and encourage entrepreneurial activity. (This recommendation is based on the focus group interviews with representatives of the SBA and of veterans groups.)

4. Training Programs for Veterans

- 4.1 Training is of vital importance in enabling potential entrepreneurs to begin their own businesses and in helping existing entrepreneurs to be successful. Many veterans, especially those who have not attended business school, have not had any training in vital planning and management skills, and the SBA is their primary resource for such training. Even those who have attended business school may require additional training; while they may have had extensive education in many areas relevant to entrepreneurship, some will benefit from more pragmatic, "hands-on" approaches to teaching the application of business management principles to the funding and operation of a small business. (This recommendation is based on findings of focus group interviews with alumni and with representatives of the SBA and of veterans groups.)
- 4.2 Training may be most effective if it is extensive and comprehensive. More frequent offerings, including possibly week-long seminars, may reach more veterans and provide training in a structure in which they can concentrate on more in-depth and integrated coverage of issues related to small business management. (This recommendation was made by representatives of veterans organizations.)
- 4.3 Training which is very specific and which offers participants opportunities for "hands on" practice will provide both potential and current entrepreneurs with the experience and skills needed to apply in their own businesses the principles learned. Among the activities which could be included are drafting business plans, doing cash flow analysis, using PERT charts, developing tax and insurance plans, designing marketing plans, and exploring material and inventory management. (This recommendation was made by representatives of veterans organizations.)
- 4.4 Involvement of SCORE volunteers or successful volunteers in training could supplement the professional training staff and provide more individual consultive assistance to participants. These supplemental trainers could work with participants in developing and reviewing the plans they develop in training sessions. (This recommendation is based on findings of focus groups with alumni and with representatives of veterans groups.)
- 4.5 To the extent that many veterans are most comfortable working with other veterans, as suggested by the veterans interviewed, it may be helpful to limit some training sessions to veterans. This may be

especially true of sessions at the early stages of the training sequence. (This recommendation was suggested by representatives of veterans groups.)

- 4.6 The SBA and business schools could work together in developing and presenting training programs for veterans, perhaps through the Small Business Development Center program. (This recommendation is based on findings of focus groups with representatives of the SBA and of veterans organizations.)

5. Veteran Support Organizations and Activities

5.1 Representatives of veterans groups interviewed believe that many veterans tend to be isolated from the network of relationships within which business is conducted and tend to prefer to work with other veterans. The SBA could sponsor support groups in which veterans can meet, develop contacts, and share experiences and ideas with other veterans with similar interests. (This recommendation is based on findings of focus groups with representatives of veterans organizations.)

5.2 Additional sessions like the highly successful Veterans Outreach and Networking Conferences could help meet the need of veterans to contact other veterans. They also could stimulate the development of on-going local and regional support groups and networks, possibly with the assistance of field office Veterans Affairs Officers in forming and sustaining the groups. (This recommendation is based on findings of focus groups with representatives of the SBA and of veterans organizations.)

5.3 The SBA also could perform a vital service by sponsoring sessions or on-going programs in which veterans could meet and develop contacts with members of local business communities and networks. (This recommendation was made by representatives of veterans groups.)

5.4 Programs like the Veteran Business Resource Councils, through which assistance is provided to small businessmen, can serve an important purpose in providing assistance to veteran business owners. If evaluation indicates these groups are useful, expansion to other areas may be appropriate. Similarly, the "incubator concept", in which a number of small businesses share common support resources, also may warrant expansion. (This recommendation was made by representatives of the SBA.)

6. Loan and Procurement Programs

6.1 Those interviewed agreed that lowering standards for veteran small business loans would ultimately be a disservice to recipients. However, it may be appropriate to provide special training and

assistance to veterans to help them compete for existing loan funds. This service could range from training on the general topic of funding small businesses to specific assistance in completing loan application forms. Some veteran representatives also recommended that during the loan review process representatives of funding organizations should be cognizant of the ways in which the time a veteran spent in the service and, in some cases, the consequences of combat service can affect the financial status of applicants, especially disabled applicants. (This recommendation is based on focus group interviews with representatives of the SBA and of veterans groups.)

- 6.2 Veterans representatives also feel that procurement set-asides for veterans are not appropriate. Again, however, veterans may need special assistance and training in order to compete for Federal procurement contracts. (This recommendation was made by representatives of veterans organizations.)
- 6.3 In order to gather information valuable to the SBA, veterans, and Federal agencies, consideration should be given to development of a program to monitor involvement of veteran-owned small businesses in Federal procurement programs. Such a system would require agencies to gather data on the veteran status of bidders and contractors and prepare reports for the SBA. Such a monitoring system could yield valuable information on the types of procurement and specific agencies which offer the most promising opportunities for veteran entrepreneurs. It also could be used to identify situations in which agencies are experiencing difficulty with veteran owned businesses, problems which could potentially be addressed in SBA management assistance and training programs. (This recommendation was made by SBA representatives.)
- 6.4 In addition, the PASS system could be expanded to include data on whether firms receive solicitations and contracts. This information could prove very useful in evaluating the participation of veteran-owned businesses in the procurement process. (This recommendation was made by SBA representatives.)

7. Business Education for Entrepreneurship

- 7.1 In addition to the potential partnership of business schools and the SBA in developing veteran training programs mentioned above, other opportunities exist for the agency and university business schools to work together to encourage entrepreneurship. Possibilities include research projects focusing on veterans' specific problems and needs related to entrepreneurship, development of prototype awareness programs, design and refinement of entrepreneurial business courses and programs, and small business assistance programs targeting veterans. (This recommendation is based on the group interview with SBA representatives.)

Section 3

PROFILING ENTREPRENEURIAL VETERANS

A Summary of Research Findings

The purpose of the research reported here is to determine whether military service, especially combat service, has any effect on the entrepreneurial-related motivations and behaviors of business school graduates. This summary of the research addresses the findings of three component studies; a detailed report on each has been prepared under separate cover. In the exploratory research phase, a survey was undertaken of the literature on entrepreneurship, including identification of variables potentially related to entrepreneurial motivation, the effect of military service on career paths and psychological characteristics, and the relationship between veteran status and entrepreneurship. In addition, focus group interviews were conducted with alumni of four of the six business schools participating in the survey. These two exploratory projects served as the foundation for a mail survey of a sample of the graduates of the six business schools representing a mix of large and small, public and private, and predominantly white and predominantly black institutions. The questionnaire addressed key variables hypothesized to be related to entrepreneurship, including adaptations of motivational and task preference scales shown by the literature search to be useful in discriminating between entrepreneurs and non-entrepreneurs. A total of 5,229 responses were received and included in the analysis, representing 26.1 percent of the 20,000 questionnaires mailed to a random sample of the alumni of the six participating business schools.

DEFINITION OF THE ENTREPRENEUR

The literature includes a wide variety of definitions of entrepreneurs. Some writers in the field have adopted very functional definitions -- entrepreneurs are businessmen who own and operate independently owned and operated businesses. Others have emphasized characteristics of individuals and their activities, focusing on the critical elements of risk-taking or innovation. Several of the dominant figures in the field have restricted the term to individuals who have created their own businesses. Focus group participants displayed similar differences of opinion -- some associated the term with self-employed owners of (usually small) businesses, while others defined entrepreneurs as individuals with strong drives, needs for autonomy, and risk-taking propensities and noted that these characteristics can be present in entrepreneurs employed by corporations as well as in business owners.

In the mail survey, entrepreneurs were defined as those who had had an ownership interest in a business which they managed and to which they made a major commitment of time and effort. Approximately 29.9 percent of the respondents were classified as entrepreneurs according to this criteria. They had been in business for themselves for an average of 10.0 years and had owned an average of 1.6 businesses. Most (70.6 percent) were still self-employed at the time of the survey, usually in small firms organized as corporations. The finding that 75.1 percent had been involved in the creation of at least one owned business suggests that the findings can be compared meaningfully with research which defines entrepreneurs on the basis of business creation as well as that which uses a definition based on ownership and operation.

A MODEL OF ENTREPRENEURSHIP

On the basis of the exploratory research a model of entrepreneurship was developed which served as the guideline for the hypotheses tested in the survey research phase. The model incorporates elements from the work of several researchers in the field, including Brockhaus (1980a and Brockhaus and Nord, 1970), Collins and Moore (1970), Draheim (1972), Liles (1974), Shapero (1975), Stoner and Fry (1982), and Susbauer (1972). The model, illustrated in Figure 1, focuses on the entrepreneurial process at the point at which an individual faces the question of whether or not to go into business for himself or herself. Factors precipitating this "free decision period" include both factors which "push" an individual into entrepreneurship (dissatisfaction with or displacement from a previous job or a hiatus due to separation from the service or graduation from college) as well as those which tend to "pull" into self-employment (inheritance of a family firm or identification of a needed product or market). The central question is why some people facing this decision choose to embark on a new venture while others continue to cope or seek a job in a firm owned by others. The model proposes two types of inputs into the decision. Internal factors include personal and psychological characteristics. External factors include resources and constraints, such as the availability of financing, the extent of family obligations, and the availability of support, including personal emotional support and technical assistance.

The Free Decision Period

The free decision period proposed in the model is similar to the crisis point identified by Collins and Moore (1970) in which previous patterns and roles break down, as when an individual leaves military service, becomes unemployed, or reaches a critical point in a job working for others. In a similar vein, Brockhaus (1980a) factored the decision to enter self-employment into two steps: the decision to leave previous employment due to dissatisfaction and the decision of what step to take based on perceived opportunities for working for others versus self-employment. Liles (1974) proposed a free choice period in which readiness for a move and restraints on making the move balance. Three major factors come into play in determining whether a person in such a period chooses entrepreneurship:

Figure 1

A Model of
Factors Influencing the Entrepreneurial Decision

The following represents a brief outline identifying the factors which have an impact on the entrepreneurial decision.

A. Precipitants of a Free Decision Period

- "Push" - dissatisfaction with previous job
displacement (firing, layoff, separation from service)
- Inheritance of family firm
- Identification of needed product, market, innovation, etc.

B. Internal Factors in the Decision Process

- Childhood experiences
- Exposure to role models
- Demographic characteristics (age, education)
- Psychological traits
 - locus of control
 - need for achievement
 - attitude toward authority
 - risk-taking propensities
 - need for independence

C. External Factors in the Decision Process

- Constraints
 - familial obligations
 - financial limitations
- Resources
 - financing available
 - support of family and others
 - support from programs

declining job satisfaction, identification of a new venture opportunity, and encouragement and support from a spouse or financial or technical resource. Similarly, Shapero (1975) proposed that many entrepreneurs have been "dislodged from some nice, familiar niche and tilted off course," either by negative events such as firing or a lack of promotional opportunities in a previous job or by such internal factors as a desire to change career paths. Brockhaus, too, emphasized the "push" of dissatisfaction, in part on the basis of findings that entrepreneurs tended to want to start their own firms before they had an idea for a product or service. Draheim (1972) and Susbauer (1972) identified dissatisfaction with previous jobs as a major contributor to entrepreneurial motivation, while Stoner and Fry (1982) disagreed that dissatisfaction with a previous job is a critical and necessary motivation underlying entrepreneurial choice.

Results of the mail survey indicate that the "free decision period" is more often precipitated by dissatisfaction with a previous job or by the "pull" of attractive small business opportunities or ideas than by a career hiatus. Relatively few entrepreneurs reported that they were laid off or fired or their jobs eliminated (6.5 percent) or that they had just left the military or been graduated from college or graduate school (6.2 percent and 18.7 percent). In contrast, many were dissatisfied with their previous jobs (17.2 percent with the salary, 16.0 percent with promotional activities, and 26.5 percent with some other aspect of the jobs.) There is considerable evidence for the "pull" theory, as 21.1 percent of the entrepreneurs surveyed reported that they had a good opportunity to buy a small business, and 20.3 percent had a good idea for a small business. Although the literature suggests that exposure to role models of small businessmen (especially parents) could tend to encourage entrepreneurship by demonstrating its credibility, only 9.1 percent of the entrepreneurs surveyed said that working in a small business was a catalyst in their decision to enter self-employment.

Another type of "pull" may come from the perceived characteristics of self-employment. Stoner and Fry (1982) referred to a factor of this type when they noted that the primary motivation for entrepreneurs who had been satisfied with previous jobs was the desire for the challenge, opportunity, and financial promise of self-employment. The finding that survey respondents who were entrepreneurs tend to be more satisfied than non-entrepreneurs with their current positions may suggest that they have found the challenges and work environments they sought. The discussions of focus group participants, both entrepreneurs and non-entrepreneurs, demonstrate the widely held perception of self-employment as providing such opportunities. They identified freedom and independence in both time and task management as one of the primary attractions of self-employment. Working for oneself was perceived as offering opportunities to advance more quickly; entrepreneurs believe that the only obstacles to advancement for a self-employed businessman lie in himself. Self-employment also was seen as a means to gain control of the work environment and to escape the politics and competition seen as endemic in many large organizations. Many of the focus group participants indicated that self-employment offers greater financial rewards (or at least the opportunity to reap for oneself whatever rewards are to be gained from one's effort). While many members suggested

that self-employment is inherently more challenging than working for others as the owner-operator is responsible for all aspects of a business, others stated that similar levels of challenge are available in at least some corporate jobs.

Internal Factors in the Decision Process

Among the internal factors hypothesized to be significant in determining whether an individual in the "free decision period" decides to enter self-employment are childhood experiences and exposure to role models. Collins and Moore (1970) suggested that the childhoods of entrepreneurs tend to have been stormy, deprived and crisis-filled. Faced with a decision point, they choose in favor of self-employment in part because of their skepticism, based on a history of disappointment, that other people or organizations can provide security. The finding in the mail survey that for 9.1 percent of the entrepreneurs working in a small business had been a catalyst of entrepreneurship is consistent with the suggestion made by many researchers that exposure to entrepreneurial role models may lend credibility to self-employment. Focus group participants also identified exposure to family role models of self-employed businessmen as a major antecedent of the entrepreneurial choice.

Personal demographic characteristics also may be associated with the type of choice made at decision points. Most of the entrepreneurs studied by Mancuso (1975) entered self-employment in their early thirties, although he believes the age of entrepreneurial experience is declining. The finding from the mail survey that entrepreneurs tend to be older than non-entrepreneurs (66.4 percent were 35 or older versus 42.6 percent of the non-entrepreneurs) suggests that for most entrepreneurs, self-employment is a "second career". Many researchers have found that entrepreneurs tend to be less well educated than non-entrepreneurs (see Collins and Moore, 1970; Brockhaus and Nord, 1979), and some have suggested that this fact alone may contribute to their perceived lack of opportunities in firms owned by others and to their preference for self-employment as a path offering more promise for advancement. The finding that among the alumni surveyed entrepreneurs tended to be better educated than non-entrepreneurs (41.1 percent of the entrepreneurs pursued their education beyond a bachelor's degree, compared to 34.8 percent of the non-entrepreneurs) probably differs from the findings of other researchers because the survey was limited to business school alumni, who would be expected to differ from the larger population of all business people. The survey findings more closely parallel those of Mancuso (1975), who found that most entrepreneurs in his sample of 300 Northeastern entrepreneurs had a Master's degree and of Cooper (1973), who observed that most entrepreneurs in the new, high-tech firms he studied had at least a B.S. degree. Reflecting the population of business school alumni, sample respondents are overwhelmingly white and male. The finding that entrepreneurial respondents are more likely than the non-entrepreneurs to be white and male may reflect the fact that widespread attendance by women and members of minority groups at business schools is a recent phenomenon, and these alumni are younger and less likely to have entered the age at which the choice of entrepreneurship tends to be made.

The psychological characteristics associated with entrepreneurship have received much attention in the literature. Among the characteristics postulated to be associated with entrepreneurs are a need for independence and autonomy, a high need for achievement, an internal locus of control, and a propensity for taking (at least moderate) risks. The findings of the focus group interviews and the mail survey suggest that these four characteristics are useful in distinguishing entrepreneurs from non-entrepreneurs.

Many researchers have suggested that entrepreneurs may seek self-employment because they are unwilling or unable to work for others. Mancuso (1975), for example, proposed that the primary motivation behind entrepreneurship is the need for independence: entrepreneurs must be their own bosses (see also Shapero, 1975). Collins and Moore (1980) suggested a relationship between this characteristic and a generalized alienation and unwillingness or inability to adjust to authority and to organizations which, in turn, derived from negative childhood experiences. Entrepreneurs, they observed, often are unwilling to submit to authority. In the focus group interviews, both entrepreneurs and non-entrepreneurs believed that the desire to be one's own boss is one of the primary factors underlying self-employment. One entrepreneur observed, "I don't see how people can work for anybody else." The ability to "do it my own way" is a powerful draw toward self-employment. While some members feel that this desire could be related to a resentment of authority and an inability to get along with others, there was no consensus on this point. Others seemed to feel that even for a person who gets along well with authority figures, being one's own boss is inherently attractive. One of the four motivational scales used in the mail survey was a four-item scale of independence and autonomy devised by the authors. Entrepreneurs score significantly higher than non-entrepreneurs on this scale. In addition, entrepreneurs are more likely to rate autonomy as the most important attribute they consider in job choice (33.0 percent of the entrepreneurs ranked it most important, compared to 14.7 percent of the non-entrepreneurs). Entrepreneurs also are more likely to attach great importance to a related attribute, power.

The association between a high need for achievement and certain characteristics of businessmen was first suggested by McClelland (1961, 1965, and 1966; McClelland and Winter, 1969). Associated with a high need for achievement are a strong need for individual responsibility and a strong success orientation. The antecedents of achievement motivation lie in childhood experiences with warm, encouraging, non-authoritarian parents who set moderately high goals for their children. Empirical tests of the relationship between need for achievement and entrepreneurship have yielded mixed results. While Komives (1972) found that entrepreneurs have high needs for achievement; Borland (1975) and Hull, Bosley and Udell (1980) found achievement motivation to be a weak or ineffectual predictor of stated entrepreneurial intentions. In the mail survey the need for achievement scale used by Hull, Bosely and Udell and derived from the work of Lynn (1973) was used, and entrepreneurs were found to exhibit higher need for achievement than non-entrepreneurs. However, as might be predicted given the high educational levels of all respondents, the need for achievement scores for both groups are high, and the differences between the two groups, while statistically significant, are not large.

Locus of control has emerged in the literature as having somewhat greater potential as a means of distinguishing between entrepreneurs and non-entrepreneurs. The concept of locus of control is based largely on the work of Rotter (1966), who identified a generalized expectation for internal or external control of reinforcement. Individuals with an external locus of control tend to believe that reinforcement is not contingent on their own actions but is unpredictable, at the mercy of chance or the control of powerful others. Those with an internal locus of control tend to believe that their actions control the outcomes (reinforcements) in their lives. Their belief in their ability to control their lives leads them to be more alert to their environments, to be more likely to take steps to influence their environments, and to place more emphasis on ability or skill, which they see as directly related to the outcomes of their lives. Locus of control tends to be associated with socio-economic status -- those whose social positions provide access to opportunity are more likely to believe their efforts can yield success. Childhood experiences also are critical: an internal locus of control tends to develop in environments which are fair, responsive, and nurturing.

Brockhaus (1975) and Borland (1975) found that business students who intended to enter self-employment tended to exhibit more internal locus of control than those who did not. Hull, Bosley, and Udell (1980) found no relation between internality and entrepreneurial intentions or experience in a study of University of Oregon students, and Brockhaus and Nord (1979) did not find differences between entrepreneurs and managers who transferred or were promoted. The scale used by Hull, Bosley, and Udell was adapted for use in the mail survey phase of the research, and entrepreneurs were found to be more internal in their locus of control than non-entrepreneurs; again, however, the differences are small. As might be expected with a sample of business school alumni, most respondents exhibit a tendency toward internality.

Self-employment is perceived by many people as inherently risky: the business owner must assume the risk personally, while an employee can avoid the risk assumed by his employer. The model of entrepreneurship developed by Liles (1974) identified four types of risk associated with the entrepreneurial choice: financial, career, familial, and psychic. He proposed that an individual in a free choice period who chooses self-employment assesses the risk as manageable. Participants in the focus group interviews conducted in conjunction with the present study generally felt that self-employment is inherently more risky than working for someone else; they tended to define that risk as financial. Support for Liles can be found in the reports by entrepreneurial participants that when they entered self-employment, they did not believe they were assuming unmanageable risks. Several noted, however, that in retrospect they believe they did not fully appreciate the risks at the time; assessing the risks from their current perspective, they noted, makes them "feel sick". Several self-employed members demonstrated a philosophical attitude toward the risk they assume: experience has taught them that the risks, crises, and set-backs they encounter can be weathered and survived.

Much of the literature on risk-taking propensities has focused on the relationship with need for achievement. McClelland (1961) and Atkinson (1957) proposed that a high need for achievement tends to be associated with a preference for moderate degrees of risk. When the probability of success is moderate, the value of skill is most important in the outcome and the feeling of achievement following success is likely to be greatest. There is some evidence that entrepreneurs prefer moderate degrees of risk, but so do people in general. Mancuso (1975) found that established entrepreneurs tend to be moderate risk-takers, but Brockhaus (1980b) did not find entrepreneurs different from two groups of managers. The lack of any difference, he suggested, may be due to the fact that a preference for moderate risk is a component of any managerial job. Hull, Bosley and Udell (1980) found that a scale related to risk was the most useful in differentiating between entrepreneurs and non-entrepreneurs (whether the distinction was based on involvement in creation of a business or simply on ownership) and in predicting entrepreneurial intentions. The creativity/risk scale developed by Hull, Bosley and Udell was adapted for use in the mail survey, and entrepreneurs were found to exhibit slightly higher propensities for risk and creativity than non-entrepreneurs.

Some focus group participants summed up in layman's terms the internal factors which may be associated with the decision to enter self-employment. The traits that make an entrepreneur, they said, are an "inherent part" of one's personality, a combination of drive, inquisitiveness, "guts", a willingness to take risks, and an inclination for "wheeling and dealing". Several members felt that these characteristics are not limited to the self-employed but also are found in entrepreneurs employed by others or in large organizations.

External Factors in the Decision Process

External factors are those outside the individual which have an impact on the choice made during the free decision period. They include both negative factors -- constraints which create impediments to the choice of entrepreneurship -- and positive factors -- those which facilitate the transition to self-employment. Three major types of factors can be identified: familial, financial, and other resources.

The wishes of the immediate family may be a major consideration to a person considering self-employment. The willingness of family members, especially the spouse, to accept the financial risks, the potentially long period before financial rewards are realized, and the significant demands placed on time and energy by self-employment may weigh heavily in the decision. In the focus group interviews, the importance of a supportive spouse to the success of a choice for self-employment was stressed by several members. The participants, largely men, emphasized that wives not only must be willing to deal with the increased work demands and financial risks but also must be actively supportive of the venture. This supports Mancuso's (1975) finding that most successful entrepreneurs had supportive spouses. Most entrepreneurs who responded to the mail survey believe that their families were emotionally supportive of self-employment. While entrepreneurs were significantly more likely than non-entrepreneurs to

voice such beliefs, the finding that most non-entrepreneurs also believed their families would be supportive suggests that for many potential entrepreneurs this issue would not be a major constraint. The finding that entrepreneurs are more likely than non-entrepreneurs to be married (79.1 percent versus 65.2 percent) may be an artifact of age differences.

Financial resources are essential to any entrepreneurial venture. The literature surveyed suggests that an individual in the free decision period may consider self-employment only if adequate financial resources are perceived to be available. In the focus groups, non-entrepreneurs were much more likely than entrepreneurs to see the availability of capital as problematic. Some of the self-employed members believe that money is generally available for those who want to start businesses. The U.S. Small Business Administration was mentioned as a primary source of funds. In order to improve the financial state of small businesses and to avoid the many failures traceable to under-capitalization, some members suggested that loan amounts be greater, that disbursement be periodic, and that repayment be delayed until a business has had time to become established. The results of the mail survey suggest that most entrepreneurs feel that adequate financial resources are available, while non-entrepreneurs are less likely to share this belief. In addition, those entrepreneurs who had left self-employment were much more likely to have done so for personal reasons than because of an inability to obtain adequate financing.

A third type of external factor is the availability of non-financial support from sources other than the family; this can take the form of encouragement or technical assistance and can come from sources as diverse as government programs, universities, and groups of entrepreneurs. While the availability of such aid may be a facilitator of the choice of self-employment, it seems reasonable that the lack of such aid does not act as a significant constraint. Liles (1974) identified such support and encouragement from government programs, bankers, and potential partners as well as from spouses as a precipitant of entrepreneurial choice in the free decision period. In the focus groups, some participants described university programs, on-going groups of entrepreneurs, and SCORE as resources, but for none had such groups apparently been a major factor in the decision to enter self-employment. The entrepreneurs in the group had had very little experience with Federal programs. Some participants recommended that small business programs would be more effective if they provided more assistance with the management and planning tasks faced by small businesses in addition to providing funding. The entrepreneurs surveyed by mail tended not to see Federal government small business programs as useful to them, and only 8.2 percent had had any experience with such programs.

In the focus groups and mail survey the issue of the relevance of business school education to entrepreneurship was explored. Focus group members generally felt that the conceptual and logical skills learned in business school are very useful in all types of careers, including self-employment. Generally, however, participants believed that business school curricula focus on large corporations and do not specifically prepare students for self-employment. There was no indication that they feel

business school should specifically prepare future entrepreneurs, given the perceived role of the schools to teach general business and conceptual skills. Some respondents, however, felt that schools may discourage entrepreneurship by failing to recognize explicitly the alternative of small business careers. In the mail survey, both entrepreneurs and non-entrepreneurs believed that the skills they learned in business school would be useful in self-employment.

VETERAN STATUS AND ENTREPRENEURSHIP

The search of the literature uncovered no research examining the issue of entrepreneurship among veterans. An area of some interest is the relationship between military service and subsequent attitudes. Generally, researchers have found little relationship between military service and attitudes on non-military issues. Focus group participants addressed the relationship between military service and subsequent career choices. Many of those who had served in the armed forces believe that their service made a real contribution to their business success. The exposure to skilled leader role models, the experience of working with other types of people, and the maturity, self-confidence, discipline, sense of responsibility, and organizational skills learned in the military helped in their careers. Those who served during World War II were more likely than those who served only during peace to credit their service with such contributions. Only one group suggested that military service specifically affects the decision of whether or not to enter self-employment. Members of this group believe that military service may encourage entrepreneurship among enlisted men by helping them develop self-confidence, managerial skills, and experience in a craft or trade. Such an effect is less common, they felt, for officers; apparently group members associated self-employment with craft or trade activities rather than with the general managerial skills they saw as the domain of officers.

In the mail survey the relationship between veteran status and entrepreneurship was a key topic. Approximately 31.7 percent of those surveyed were veterans; of these 35.8 percent served in World War II, 21.9 percent in the Korean War, and 37.5 percent in the Vietnam War. About three-fourths enlisted, and almost half served in the Army. Slightly less than half saw combat, most in World War II. Almost one-third left the service as commissioned officers, and another one-third were discharged as non-commissioned officers.

Veterans are more likely than non-veterans to be male (among those surveyed 98.6 percent of the veterans and 65.9 percent of the non-veterans are men). Veterans also are older (64.1 percent are 45 or older, compared to 12.6 percent of the non-veterans), which is not surprising since a large number of business school alumni graduated in recent periods of relative peace. Business school enrollment has escalated rapidly in the last fifteen years. Those who graduated during this relatively peaceful period are less likely to be veterans, resulting in a distribution of alumni dominated by

young non-veterans. Probably associated with this age difference is the greater likelihood of veterans to be married and better educated (45.9 percent of the veterans and 35.6 percent of the non-veterans have at least some graduate level credit) and to have higher incomes (41.1 percent of the veterans earn \$50,000 or more per year, compared with 18.1 percent of the non-veterans).

Military service also is associated with differences in job-related attitudes. Veterans tend to value autonomy and power more in considering jobs, while non-veterans place more emphasis on promotional opportunities, flexibility, and location. Veterans are more satisfied with their jobs. In terms of beliefs related to entrepreneurship, veterans are more likely to believe that if they were to go into business for themselves, financial support would be available and skills learned in business school would be useful. Non-veterans, however, view Federal small business programs as somewhat more useful.

One of the major findings of the mail survey is that veterans are more likely than non-veterans to be entrepreneurs -- 41.5 percent of the veterans have owned and operated a business, compared to 24.5 percent of the non-veterans. This association, however, is explained not by some factor related to military service which stimulates entrepreneurship but to the demographic differences between veterans and non-veterans -- the tendency of veterans to be older and better educated and their greater likelihood of being male (this conclusion is based on an extensive log-linear analysis of veteran status and entrepreneurship when controlling for the demographic variables). Those who served in World War II are most likely to be self-employed, probably because they are older -- 49.3 percent of the World War II veterans, 42.0 percent of the Korean War veterans, 33.3 percent of Vietnam era veterans and 40.6 percent of those who served during peacetime are entrepreneurs. Officers are no more likely than non-officers to be entrepreneurs.

Veteran entrepreneurs differ from non-veteran entrepreneurs in that they are more likely to own a business currently and to own firms organized as corporations rather than as partnerships or sole proprietorships. Among those no longer in business for themselves, veterans are more likely to have left because of insufficient profit and less likely to have left for personal reasons. Veteran entrepreneurs do not differ from their non-veteran counterparts in the frequency of involvement in the creation of their businesses or their use of Federal assistance programs. Vietnam-era veterans are more likely than those of other cohorts to use Federal small business programs and also tend to be better educated.

CONCLUSIONS

Two issues are critical in assessing the findings of this research project. The first is whether there is a relationship between veteran status and entrepreneurship, and the second is the reason for any observed

relationship. In response to the first issue, the results of the exploratory and survey research phase of this project suggest that there is an apparent relationship between veteran status and entrepreneurship, as veterans are more likely than non-veterans to be entrepreneurs; however, it is very important that no causal relationship be inferred. The observed relationship is due primarily to differences in the demographic characteristics of the two groups and not to any aspect of military service per se which stimulates entrepreneurship. This explanation, however, does not negate the finding that veterans are more likely to seek self-employment or the appropriateness of policies and programs targeting veterans as a group with a high priority for Federal assistance programs.

Salient to the development of policies are these major findings regarding alumni of business schools:

1. Veterans tend to be older and better educated than non-veterans.
2. Veterans do differ from non-veterans; alumni who have sought self-employment tend to be older and better educated, to earn more and to be more satisfied with their work.
3. Entrepreneurs and non-entrepreneurs alike tend to believe that their families would be supportive of self-employment and that skills learned in business school would be useful, despite the fact that curricula generally do not address specifically the career alternative of self-employment.
4. Both entrepreneurs or non-entrepreneurs have doubts about the usefulness of Federal small business programs.
5. While business school alumni generally exhibit high levels of need for achievement and autonomy, a generalized belief in their ability to control the outcomes of their lives, and a propensity for risk-taking, entrepreneurs tend to have higher levels of these entrepreneurial-related needs and beliefs than non-entrepreneurs.
6. Entrepreneurs who served during the Vietnam War tend to be better educated than those who served in previous wars and are more likely to use Federal programs to aid small businessmen.

Section 4

FOCUS GROUP INTERVIEW WITH REPRESENTATIVES
OF THE U.S. SMALL BUSINESS ADMINISTRATION

A group interview was conducted with representatives of the U.S. Small Business Administration (SBA) in order to gather input into the development of recommendations for policies and programs to encourage and facilitate entrepreneurship among veterans. The recommendations were the culmination of a research project studying the relationship between veteran status and entrepreneurship. The representatives of the SBA observed that because of the nature of the group studied in the project reported here -- alumni of business schools -- findings may differ from those of other studies dealing with the population as a whole. For example, other studies have found that Vietnam era veterans may be less likely than non-veterans of the same cohort or veterans of other eras to become entrepreneurs. Representatives generally agreed the veterans do not face problems significantly different from those of non-veterans in establishing their own businesses; special policies and programs, however, are warranted in view of the nation's obligation to its veterans and the lack of other business assistance resources available to veterans. Among the policies and programs to aid veterans discussed by participants are more extensive management training, continuation of existing coordination with business schools, continued facilitation of local veterans support groups and resource networks, maintenance of current policies for loan programs, and monitoring of the extent of involvement of veteran-owned small businesses in federal procurement contracts.

RESEARCH DESIGN AND OBJECTIVES

On October 10, 1985, a group interview was conducted with representatives of the U.S. Small Business Administration as part of a research project examining the relationship between veteran status and entrepreneurship undertaken by Mid-Atlantic Research, Inc., under contract to the SBA. The purpose of the meeting was to elicit the expertise of the SBA staff members in the development of recommendations based on the findings of the research project.

Among the objectives established for the meeting were the following:

1. To take advantage of the unique expertise, perspective, and experience of the SBA in reviewing the research findings and assessing their relationship to those of other related studies.
2. To explore the implications of the findings for services targeted at veterans.
3. To develop specific recommendations for policies and programs aimed at encouraging entrepreneurship among veterans.

Participating in the meeting were representatives of the Office of Economic Analysis, the Office of Veterans Affairs, and the Office of Advocacy. Group members were selected by the Office of Veterans Affairs. The group was conducted at the offices of the SBA in Washington, D.C.

EXPERT REVIEW OF FINDINGS

Before the session group members received copies of interim reports presenting the findings of both the exploratory research phases and the survey of business school alumni as well as a summary report integrating the findings of the project. The meeting began with a brief review of the methodology and results of the study, and discussion of the findings was initiated. Most of the discussion focused on Vietnam-era veterans, as they are now at the age at which entrepreneurial ventures are most likely to be undertaken and are a special target group of concern to the SBA.

Veteran Status and Entrepreneurship.

As part of a project "To provide research and development assistance to the Office of Advocacy and the Office of Veterans Affairs", twelve research studies were undertaken. Group members observed that differences in the populations addressed in the studies create difficulties in integrating their findings. For example, while the research reported here yielded the finding that veterans are more likely than non-veterans to be entrepreneurs, other studies have found that among Vietnam and post-Vietnam era cohorts, veteran status is negatively associated with entrepreneurship even when controlling for variables such as age and educational level (Stephen Lustgarten and Associates, "Financial Success and Business Ownership Among Vietnam and Other Veterans," 1986; CERA Economic Consultants, "Entrepreneurial Choice and Success", 1985). A study utilizing the Dun and Bradstreet database, on the other hand, has found that Vietnam era veterans are about as likely as non-veterans or veterans of other eras to go into business for themselves and suggests that any observed differences are minor (David Rothenberg, Inductive Inference, Inc., "Differences Between Veteran and Non-Veteran Owned Businesses", 1985).

Findings for the research reported here may differ slightly from those of other studies, suggested members, because it surveyed business school graduates. These alumni, they observed, probably are more confident than those who have not attended business school and believe that their education has prepared them for managing their own businesses. This could both encourage them to act on entrepreneurial aspirations and make it easier for them to obtain funding. Alumni are able to demonstrate that they have the management skills and training that bank officers look for in evaluating business loan applications. In substantiating the hypothesis that alumni are better prepared than the general population for self-employment, a member reported findings of another study indicating that for men education is positively associated with success in self-employment (with success measured in terms of income), although education is not related to the rate of entry into self-employment (CERA Economic Consultants, "Entrepreneurial Choice and Success", 1985).

Differences Between Veterans and Non-Veterans

Members generally agreed that the experience of veterans who decide to go into business for themselves is not significantly different from that of non-veterans. The only difference may be due to the residual psychological problems associated with combat, but one member felt that Vietnam veterans "as a group" were not traumatized, and another observed that such problems have decreased in recent years as public acceptance of Vietnam veterans has increased. Offered in substantiation of the observation that veterans do not experience greater difficulty in self-employment were the results of the study based on the Dun and Bradstreet database, which found that while the businesses owned by Vietnam veterans tend to be somewhat smaller and distributed differently among the SIC codes, they do not differ significantly from non-veterans in terms of their financial success (David Rothenberg, Inductive Inference, Inc., "Differences Between Veteran and non-Veteran Owned Businesses", 1985).

Although members do not feel that veterans differ significantly from non-veterans in their experiences in establishing small businesses, it still is appropriate for the Small Business Administration to target veterans as a special group for service. They have earned distinctive treatment, argued one member, through their sacrifice and commitment, and specialized benefits from government agencies is part of "what the country owes them". Additionally, if further research should indicate that Vietnam era veterans are, in fact, less likely than non-veterans to enter self-employment, special programs will be warranted to promote self-employment. If these differences are, as suspected, negligible, special treatment still is consistent with the SBA's mission of helping "to get people into small business" and demonstrating that self-employment is a career option. The veterans group includes many people who need the management assistance services provided by the SBA.

RECOMMENDATIONS FOR POLICIES AND PROGRAMS

One of the objectives of the session was to develop recommendations for policies and programs which may be appropriate in light of the findings of the research study. Group members identified many policies and programs which might be considered, although specific recommendations regarding many of them were not made explicit. Among the topics discussed were management training, business education, support and resource groups, loans, and procurement.

1. Continuation and Expansion of Management Training Programs: One of the most important services of the SBA is the provision of management training to people who are considering self-employment. As evidence for the need for such training, members offered the fact that most small businesses fail or do not reach their profit potential due to the owners' inadequate management skills or lack of skills in obtaining and using capital. Many people who want to start a business or are already in business have no training, and the

emphasis at the SBA has been on offering the "bare essentials they need to make an intelligent decision", including pre-business workshops and training on financing, developing business plans, record-keeping, insurance, and marketing. A member recommended that training should be "fairly straight forward . . . not too complicated". There is a great demand for such training among veterans; for most of those who have attended, the SBA sessions have been their first formal business training. The size of the Vietnam veteran cohort -- eight million -- suggests that there are several million veterans of this era who may want and need such training. A member raised the question of whether special training should be provided for veterans -- whether the SBA should distinguish between veterans and non-veterans in its educational programs. Another responded that while the informational needs of the two groups do not differ, the issue is one of government policy of "doing something special for these people who did contribute to the country . . . and who, by contributing, conceivably were put at a competitive disadvantage with their peers." Their recommendations regarding business training, members feel, do not apply to the business school alumni who were the focus of the research, as this group does not need the basic level training which is the focus of the SBA.

2. Continued Coordination with Business Schools: Group members believe that business schools increasingly are providing education in small business management and presenting small business ownership as a career option. They cited an extensive listing developed by the SBA of special courses offered in this area. Much such training, they noted, is offered in community colleges and extension courses, and most is on the undergraduate level. Members seemed to doubt that expanding small business management training on the graduate level would be appropriate, as they see graduate education leading to an MBA as essential for the purpose of providing the specialized skills and credentials necessary for success in large corporations.

Identified as an example of the SBA's on-going involvement in business education was the Small Business Development Center (SBDC) program, which takes advantage of university resources to provide small business training. Business schools, noted one member, are working with the SBDC's in developing and providing courses. Members seem generally to see current SBA programs to stimulate small business education in colleges and universities as adequate.

3. Encouragement of Local Veterans Support Groups: Described as very important to the SBA were its programs to "develop networks of volunteers at the local level who are veterans and who also are successful in business . . . who are willing to donate some of their time" to small business owners and potential entrepreneurs referred to them for consultation and assistance. The Veterans Business Resource Councils (VBRC's) developed under this program serve as resources to SBA district veterans affairs officers. About ten such councils are currently in existence with the function of providing specific, one-to-one assistance to small business owners. The SBA

has been mandated to investigate the status of the VBRC's and business-oriented voluntary veterans groups around the country. Members also discussed the "incubator" concept in which a number of small businesses are brought together to take advantage of common resources such as accounting, clerical support, and management assistance. In developing these programs SBA field offices have received assistance from large corporations.

4. Maintaining Existing Standards and Interest Rates for Veterans in SBA Loan Programs: Members generally believe that eligibility standards for loan programs should not be lowered for veterans, as it would be a disservice to facilitate the failure of marginal firms. Interest rates should not be lowered for veterans as this would give them a competitive advantage over other firms. In the area of financing, the "special consideration" given to veterans should take the form of assistance and advice. One member observed that very often regular bank financing is preferable to loans provided under SBA programs as the collateral requirements of regular loans may be less onerous and the interest rates no higher. SBA loans, he observed, are appropriate in cases where bank loans are unavailable due to bank policies or the inexperience of the applicant.
5. Monitoring of Federal Procurement from Veteran-Owned Businesses: Under consideration at the SBA is the possibility of developing a program to monitor the involvement of veteran-owned small businesses in Federal procurement programs. The purpose of the monitoring would not be to try to ensure that procurement from such firms meets any criterion level but rather to gather information valuable to the SBA, veterans' organizations, and the public. A member explained that if a low level of procurement from an agency were discovered, it might be possible to investigate to determine if the agency has experienced problems with veteran-owned firms. This analysis could help in identification of special training or assistance programs needed by these businesses. Such a monitoring system would require that all agencies gather data on the veteran status of contractors and provide reports to the SBA. The group discussed the fact that the Department of Defense currently does not include this data in its system; while doing so would require changes to forms and databases, apparently it is possible for Defense to gather this information. Members also noted that the PASS system could provide additional information if it were expanded to include data on whether listed firms receive solicitations and contracts.

In discussing possible mechanisms for including veteran-owned small businesses in the Federal procurement process, some members described set-asides as a possible tactic. A set-aside program, which would require that firms compete with similar businesses, was described as preferable to designation of veterans as a "disadvantaged minority" for inclusion under the SA program. The latter, members noted, can operate to the long-term disadvantage of participating firms. Legislation would be required for a set-aside program.

Members also discussed the possibility of contacting the Office of Small and Disadvantaged Business Utilization (OSDBU) Officers in federal agencies in a government-wide program to monitor use of veteran-owned firms.

Section 5

FOCUS GROUP INTERVIEW WITH
REPRESENTATIVES OF VETERANS ORGANIZATIONS

A focus group interview was conducted with representatives of national veterans organizations to gather input into the development of policy recommendations as part of a research project studying the relationship between veteran status and entrepreneurship. Despite the findings of the survey that military service per se does not stimulate entrepreneurship, members feel that service, especially in combat, does make veterans more likely to become entrepreneurs because it develops a need for independence and autonomy, an ability to cope well with stress and crises, and greater tolerance for risk. Members also believe that veterans differ significantly from non-veterans because of the permanent effects of military, and especially combat service; veterans, they feel, are most comfortable dealing with other veterans and tend to be isolated from civilians. It was felt by the group that these differences, combined with the obligation owed by the country to its veterans, justify the development of special programs and policies to address the needs of veterans seeking to enter self-employment or already self-employed. Their recommendations are for more comprehensive training, more effective coordination and program operation within the SBA and its field offices, greater coordination between the SBA and veterans' groups, and more training and assistance to help veterans compete for existing loan funds and procurement contracts. They stressed the need to work through veterans to reach other veterans, to sponsor special programs for veterans to overcome their apprehensions about dealing with government agencies before trying to "mainstream" them into general programs, and to help them develop the contacts with other veterans and with the established business community which they tend to lack because of their isolation.

RESEARCH DESIGN AND OBJECTIVES

On October 10, 1985, a focus group interview was held with representatives of veterans organizations as part of a research project undertaken by Mid-Atlantic Research, Inc., examining the relationship between veteran status and entrepreneurship. The purpose of the session was to obtain the input of representatives of veterans' groups into the development of recommendations for policies to support entrepreneurship among veterans.

Specific informational objectives of the session included:

1. To enlist the expertise of veterans group representatives by involving them in a review of the research findings.
2. To assess the implications of the findings for entrepreneurship among veterans.
3. To develop recommendations for use of the research findings by the Small Business Administration.

The participants in the group were representatives of the Retired Enlisted Association, the Paralyzed Veterans of America, the Vietnam Veterans of America, and the International Federation of Independent Businesses. Group members were recruited by Mid-Atlantic Research, Inc., from a list supplied by the Office of Veterans Affairs of the U.S. Small Business Administration. The group was held at the Capital Hilton in Washington, D.C., and conducted by Carol Capo' of Mid-Atlantic Research, Inc.

EXPERT REVIEW OF FINDINGS

Prior to the session group members received the summary of findings contained in this report; all apparently had read it carefully, and one member had followed up by discussing the findings with some veteran entrepreneurs. The meeting began with a brief review of the objectives, methodology, and findings of the research project, and these findings were the focus of the initial discussion.

Veteran Status and Entrepreneurship

Despite the research findings to the contrary, members believe that military service does tend to stimulate entrepreneurship and to create a greater likelihood of success in self-employment. The training of service members imparts discipline; a need for independence, autonomy, and power; and a greater tolerance for risk-taking. The effects of combat service are especially conducive to entrepreneurship. Members believe that combat produces significant and permanent, albeit subtle changes in veterans, producing a "distinct difference in attitudes" between those who have and those who have not been in combat. "That kind of experience", said one veteran, "has to translate into a psychological attitude, and that attitude is what a veteran has going for him that a non-veteran does not." The effects salient to entrepreneurship include greater aggressiveness, a need "to control as much of one's life as possible", greater ability to handle stress and crises, an action-oriented outlook, and a more "whole-hearted commitment" to undertakings.

Differences Between Veterans and Non-Veterans

In addition to addressing how military service may stimulate entrepreneurship, participants discussed the ways in which veterans differ from non-veterans that may affect their ability to establish successful businesses and to use Federal small business assistance programs. These differences serve as the basis for their arguments for special policies and programs for veterans; the Federal government has an obligation to serve veterans, they maintain, because of the nation's debt to those who have served in her defense, and veterans must be treated somewhat differently and in special programs because of the characteristics which differentiate them from non-veterans.

The primary effect of military service relevant to assistance programs is the tendency of veterans to be isolated. Two causes underlie this tendency. First, veterans, especially those who served in Vietnam, are discriminated against socially and in employment because of the public's fear of the psychiatric disturbances commonly perceived as associated with post-traumatic stress syndrome. The media's portrayal of Vietnam veterans as prone to outbursts of violence has heightened fear of these veterans. As a result, Vietnam veterans tend to maintain a "low profile" and often hide the fact of their service. Second, veterans tend to prefer to be with other veterans, who understand the reality of what has happened to them. This "brotherhood" provides an outlet for veterans, for "everything in society mitigates against" opportunities for them to talk about their experiences, which is what they need in order to deal with their effects. While discussed largely in terms of Vietnam veterans, this isolation was observed to be true also for retirees, who tend to segregate into their own "communities", and for disabled veterans.

One of the effects of this segregation is that veterans tend to be isolated from the "network of interpersonal contacts" which are an essential part of "the way business is conducted in America". Because of their experiences in having once "joined" the military, they are, maintain members, much less likely than non-veterans to join any organizations, including fraternal groups and Chambers of Commerce and, thus, do not come in contact with other businessmen and business leaders. These contacts are essential to gaining loans, sales, and contracts.

Veterans also tend to be "suspicious" of government programs. One member described the "misapprehension, misconceptions, mistrust, and skepticism" with which veterans view agencies, including the Small Business Administration. They find it difficult to approach such agencies, and if their initial contact is not met with courtesy and an immediate response, they will not attempt another contact. However, if shown that "the service promised is a reality", they will respond, with word spreading quickly throughout the veteran community. Offered as evidence of this phenomenon were the "tremendous" turnout for the Veterans Outreach and Networking Conferences and the enrollment of Vietnam veterans in special employment programs.

Another effect of military service is the tendency of veterans to be less advanced in their careers than non-veterans. First, they have lost time due to military service. Second, many have been "discriminated against" in employment, promotion and retention. Third, the time and effort devoted to readjustment often result in "checkered work histories", producing lower salaries, savings, and credit ratings than non-veterans and less demonstrable evidence of stability. These effects can be destructive when veterans apply for small business funding. Finally, one member feels veterans tend to marry and start families at a younger age than non-veterans and thus have more financial obligations, which also affect their ability to save and to obtain funding. Retirees, too, may suffer when applying for loans from their failure to have saved and to have developed credit ratings, which was described as the consequence of having always used cash when shopping at military facilities and of having grown up with the "anti-credit ethic of the 1940's".

RECOMMENDATIONS FOR POLICIES AND PROCEDURES

Based on their assessments of the distinctive characteristics and needs of veterans, members developed a series of recommendations for policies and programs to aid veterans in entering and succeeding in self-employment. Their recommendations, they said, do not require significant appropriations of funds but focus, instead, on how current programs are operated. Among their recommendations are the following:

1. More extensive training programs: In many ways, training is seen as the key to aiding veterans, and members emphasized that the SBA is the primary resource through which veterans can develop the skills necessary to succeed in business. Current SBA training programs were described as very good but limited. Members recommend that training be more extensive, with regular week-long seminars offered throughout the year. These longer seminars are seen as more effective because they allow the veteran to gain a more comprehensive education and because they enable him to set aside a block of time for the training rather than trying to integrate it with his regular daily responsibilities. Training also should be more specific and offer "hands on" experience in such areas as drafting business plans, cash flow analysis, tax planning, developing and using PERT charts, and materiel management. A member suggested that seminars be structured so participants have opportunities, for example, to draft their own business plans and consult with SCORE counselors to refine them. A comprehensive curriculum which assumes that participants "know nothing" and incorporates opportunities to work individually with experts was recommended. In order to overcome the misapprehensions of veterans and to respond to their preference for working with other veterans, these seminars should be limited to veterans. Members suggested that one or two such seminars may be required before veterans are sufficiently comfortable to be "mainstreamed" into other programs not specific to veterans.

2. The development of small business support groups for veterans. As noted above, members believe veterans tend to be isolated from the network of relationships within which business is conducted and also are most comfortable dealing with other veterans. For this reason, members feel that a high priority should be the development of support groups which will introduce veterans to other veterans in business. For many participants, the highly successful Veterans Outreach and Networking Conferences were the first chance they had had to talk with other veterans with similar interests, and one of the most important aspects of the conferences was the opportunity to exchange business cards and develop contacts. While most veterans will feel more comfortable initially with support groups composed of other veterans, the SBA also can perform a vital service by sponsoring sessions in which they can meet members of groups such

as "the JayCeas, the Chamber of Commerce, and Downtown Business Clubs" which they otherwise would not come in contact with because "they do not belong to the right clubs". Finally, the suggestion was made that stimulating partnerships between disabled and non-disabled veterans may be successful, as their different orientations and experiences would tend to complement one another.

3. More effective coordination of programs within the Small Business Administration. Members strongly recommended that the Small Business Administration adopt a "consistent and concerted" policy toward veterans in an effort both to "get the word out" to veterans and to effect consistent, effective response to veterans in the field offices in implementing Public Law 93-237. They described situations in which veterans contacting field offices sometimes do not receive responses or accurate information. Because of their misapprehension about government agencies, it is critical that mechanisms be in place to assure receptivity by field staff and ease of access to programs. Participants proposed that services be organized so that veterans can take advantage of "one stop shopping" without being "shuttled" from one office and one staff member to another. Getting to offices is especially difficult for the disabled, and policies designed to reduce the number of times they must come in would be welcome.
4. Coordination between the Small Business Administration and veterans organizations. The representatives of veterans groups voiced a desire to work closely in "partnership" with the SBA to serve veterans. They observed that each has distinctive resources required for success -- the SBA has access to business schools, Small Business Development Centers and Small Business Institutes, while veterans organizations can mobilize at little or no cost resources such as facilities and catering needed to support frequent seminars and conferences. Additionally, while most veterans do not belong to veterans groups, these organizations are the most effective at accessing the "grapevine" through which news of worthwhile programs can be spread to veterans. Veterans groups also can communicate to veterans about what they realistically can expect from the SBA, overcoming their widespread misconception of the agency as primarily a source of funds and emphasizing the more available and more important resources of training and management assistance.
5. Programs to assist veterans in competing for loans and procurement contracts. Group members generally opposed loan and procurement program set-asides or "quotas" for veterans. Veterans, they noted, are "not looking for a hand-out" but rather for the opportunity to develop the skills necessary to compete for the loan funds and contracts available. Lowering standards for veteran loans would do them a disservice, they said, by facilitating failure; what members would prefer would be for funding officers to "take a second look" at veterans' loan applications and take into account the special problems which may have affected the financial status of veterans, especially those who are disabled. Veterans would be able to compete

for funds if given training and management assistance in preparing loan applications. Rather than procurement set-asides for veterans, members recommended action to make the PASS system work more effectively and regular workshops to train veterans in how to access the Federal procurement system and obtain contracts.

Section 6

DEPTH INTERVIEWS WITH BUSINESS SCHOOL DEANS
AND SELECTED FACULTY MEMBERS

Following the exploratory research and mail survey stages of the research project, the results were shared with selected business school administrators for the purpose of obtaining their input into the development of policy recommendations. Copies of the summary report presented in this volume entitled "Profiling Entrepreneurial Veterans: A Summary of Research Findings" were mailed to the Deans of the Business Schools of the six universities participating in the study (The College of William and Mary, Ohio State University, Norfolk State University, Texas Christian University, the University of Maryland, and the University of Tennessee), and in-depth interviews were conducted with each of the deans. In addition, the results were discussed with selected business school faculty members at the November, 1985 meeting of the American Institute for Decision Sciences in Las Vegas. The observations related to the survey results and policy implications are summarized below.

1. While traditionally entrepreneurial activity has been a second career, this pattern may be changing. Some deans noted the growing interest in courses related to entrepreneurship at both the undergraduate and graduate levels. Students show considerable interest in projects focusing on the evaluation of new business activities. The deans commented that the current entrepreneurial courses should not be confused with small business management courses; the former focus more on the underlying concepts associated with entrepreneurial activity and the latter tend to emphasize the "how to" of small business management.
2. Those surveyed anticipated that as the enrollment patterns in business school change, there are likely to be more minority group representatives and women among the entrepreneurs of the future.
3. While traditionally studies have tended to show that the educational levels of entrepreneurs are somewhat lower than those of non-entrepreneurs, this pattern may change as the business environment becomes more complex from the standpoint of marketing, finance, and information management. Entrepreneurs may require more education in order to compete in the future.
4. The deans and faculty members voiced strong support for veteran educational benefits. The educational opportunities available to veterans, they feel, represent an important factor associated with entrepreneurial success. In general, they noted, educational benefit programs offer significant returns for society.

5. Awareness programs sponsored by the U.S. Small Business Administration aimed at individuals in the military close to retirement or separation from the service may serve to make these individuals aware of the support activities and programs of the agency.
6. Veteran awareness of SBA assistance programs and educational opportunities could be increased through promotional efforts coordinated with existing veterans groups.
7. One dean suggested that the SBA might consider sponsoring a competition among business schools for the development of an awareness program aimed at informing veterans of SBA support activities. Many corporations, he said, sponsor similar activities to the mutual benefit of the corporations and the schools.
8. The deans and faculty members interviewed supported expanding SBA sponsored programs in the business schools.
9. The SBA sponsored small business assistance programs conducted in several business schools were described by some participants as more useful to the students providing the assistance than to some of the small businessmen receiving aid. The major difficulty for many of the firms involved was the severe financial or market problems which could not be overcome by the types of assistance available. Yet the programs clearly provide valuable experience for the students involved. To the extent that veterans participate in the programs they, like other students, will benefit.