Make sure you take your DD Form 214, "Certificate of Release or Discharge from Active Duty" (certified copy) with you for your first appointment with the state employment office.

SMALL BUSINESS AND ENTREPRENEURSHIP PROGRAMS

Entrepreneurship and Business Ownership

Small business ownership is a career option worth considering. The skills and strengths arising from military experience, such as leadership, organization, international acumen and the ability to work under pressure, lend themselves naturally to entrepreneurship. Many veterans find themselves attracted to business ownership when they leave the military.

A growing number of resources and programs are available in government at the federal, state, and local level to support successful entrepreneurship by veterans and Service members and their spouses. The SBA manages most Federal small business programs for veterans, and a growing number of American academic institutions are delivering entrepreneurial training programs designed specifically for veterans, Service members, and their spouses or caregivers.

Reasons to Consider Entrepreneurship

» **Being Your Own Boss**
Autonomy is the number-one reason given by new entrepreneurs when making this career choice—both in answering to a boss and in conforming to a set work schedule. Self discipline, a strong sense of responsibility and a willingness to work long hours when necessary are critical prerequisite personal traits.

» **Challenge**
Many successful entrepreneurs say they are motivated by the unique satisfaction that self-actualization provides through business ownership. However, business ownership entails taking risks on a regular basis, which may discourage some people who happen to be "risk averse" from making this career choice.

» **Financial**
Entrepreneurship can be an escape from structured pay charts and minimal growth opportunities. However, despite the potential of big payoffs, entrepreneurs sometimes have to work months—even years—before they begin to see big profits. Oftentimes, entrepreneurs take a pay cut when they start out on their own.

» **Intangible Desire**
Entrepreneurship takes time, energy, and money, but it also takes heart in order to succeed, especially in the face of setbacks.

Skills

Many of the skills needed in entrepreneurship are those gained through military experience, including:

- Leadership
- Ability to get along with and work with all types of people
- Ability to work under pressure and meet deadlines
- Ability to give directions and delegate
- Good planning and organizational skills
- Problem-solving skills
- Familiarity with personnel administration and record keeping
- Flexibility and adaptability
- Self-direction
- Initiative
- Strong work habits
- Standards of quality and a commitment to excellence

Other skills that lead to successful entrepreneurship include financial, high energy level and innovation.

Personality

Like any job, there are certain types of personalities that thrive in entrepreneurship.

- Goal-oriented
- Independent
- Confidence
- Innovative and creative
- Strong commitment
- Highly reliable
- Competitive
- Desire to work hard
- Problem solver
- Good manager
- Organized
- Honest
- Tolerance for failure, but a drive to achieve
- Idea-oriented
- Motivated by challenge
- Calculated risk-taker
- Courageous
- Persistent
- Adaptable
- Positive

Successful entrepreneurs possess a blend of skills and strengths; they don't necessarily possess every one of the skills and traits listed above. They improve on the ones they have and work to overcome the ones they don't have.

Franchise Ownership

When you purchase a franchise, you get a team of support, which includes marketing assistance, HR tools, and training. Having others who are committed to your success as a business owner and who are willing and able to help when you run into problems is one of the many advantages to franchise ownership.

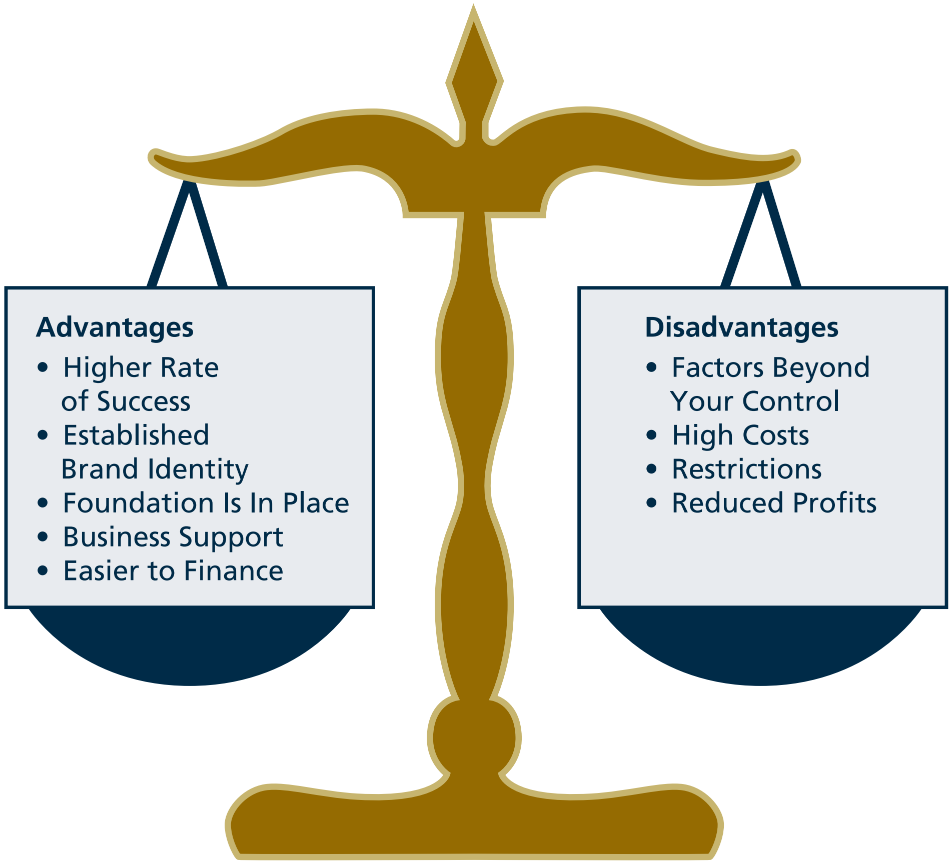

FIGURE 4. WEIGHING FRANCHISE OWNERSHIP

Advantages of Franchises

» **A Higher Rate of Success**
Franchise success rate is the top reason why people buy franchises. According to the U.S. Department of Commerce, 95% of franchises are still in business after five years. Franchisors (the companies who sell or grant franchises to individuals) evaluate each prospective franchisee (individual franchise owners) and invest in those they think will thrive as franchise owners for their companies. They assess skills, experience, motivation, and financial capacity and select those applicants who can afford the franchise and execute the business model.

» **Established Brand Identity**
One of the key advantages of operating a franchise is the ability to give consumers a brand they know, quality they trust, and a consistency they have come to expect. Purchasing a franchise means purchasing the reputation of the brand, an established customer base, and a set of products or services that have been successfully tested in communities.

» **Foundation Is in Place**
In a franchise system, the work has already been done to develop a product or service, identify and reach a target market, build a reputation, and create a replicable business model. While many new business owners spend the first year (or longer) testing

products, sales tactics and marketing avenues, franchise owners already know what works and how to effectively reach their target audience.

» **Business Support**
While some individuals may thrive in the multiple roles business owners must take on, others need support in some or all of the aspects of business ownership. Franchisees get the support they need in the form of training and even on-site assistance. Most franchisors provide human resources tools, specialized software, marketing materials, and other valuable resources that independent business owners must find or develop for themselves.

» **Easier to Finance**
Prospective franchisees applying for a business loan have the advantage of a tested product or service, a successful business model, and a core of support from the franchisor. Banks know that franchises have a higher likelihood of success than other new businesses; as a result, it is often easier to secure a business loan for a franchise than for a business start-up.

Disadvantages of Franchises

» **Factors Beyond Your Control**
The centerpiece of a franchise is the value of the brand. If the brand's reputation becomes damaged on account of the parent company or a branch franchise, the effects on your business may not be good. Most franchise agreements are long term; getting out of one may be difficult.

» **High Costs**
Franchise fees, capital requirements, marketing fees, royalties and other fees add up. In fact, one of the reasons that new franchises fail is insufficient funding and a lack of working capital. However, there are hundreds of reputable, low-cost franchises for those who can make controlling costs a top priority.

» **Restrictions**
Franchises are based on previously-developed, successfully-tested business models and plans. Most franchisors have strict regulations on how individual franchises may operate, and they rarely allow deviations. For example, a franchise owner must sell a specific product or service and advertise with specific marketing materials and slogans. While this may appeal to a business owner who wants structure and support, others may find these mandates too restrictive.

» **Reduced Profits**

A franchise owner's hard work will normally result in higher profits for the business, but most franchisors will require continuous monthly royalty payments equaling 5–10% of profits.

The Business Plan

The importance of a good business plan cannot be overstated; it can make the difference in whether or not you receive a loan or whether someone invests in your company. Although all business plans vary slightly, there are six primary sections that should be included in all plans.

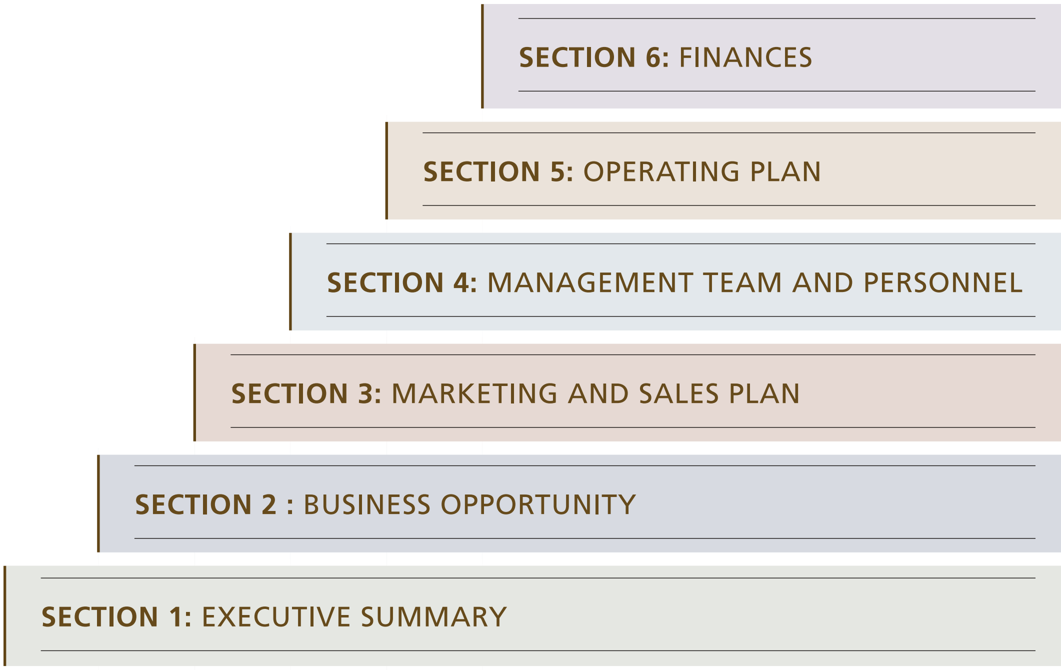

FIGURE 5. BUSINESS PLAN SECTIONS

SECTION 1

EXECUTIVE SUMMARY

The executive summary is perhaps the most critical part of your business plan. The executive summary, which should be no more than a couple of pages, should describe your business and highlight the key points from each section of your business plan. For example, it would mention how your product differs from others on the market but would not include an exhaustive list of competitors and their products. If a lender or investor likes what is written in the executive summary, he or she will continue reading; otherwise, you may not get another chance to impress them with your ideas.

SECTION 2

BUSINESS OPPORTUNITY

This section should first define the simple vision for your company. Provide an overview of your business, including its history, progress to date, and vision for the future. Second, the business opportunity must address your product, including why it is different, why customers will buy your product, whether or not your product is already developed, and whether you hold or plan to hold any patents, copyrights, or trademarks.

SECTION 3

MARKETING AND SALES PLAN

First, define your business and the product or service you are going to sell and provide an overview of your market area. Identify your competition and the products or services they offer, what you can offer that the competition does not, and how you will attract customers away from the competition. Explain how you can offer your product for less money or how you plan to attract customers despite a higher price. Finally, give an overview of how you will sell your product or service (online, face-to-face, etc.) and how that relates to the competition's sales methods.

Next, describe your customers, including their demographics, needs, patterns, and preferences. Describe the size of your target market and what they will find attractive about your product.

Third, outline your marketing strategy by identifying the methods you will use to market your product.

Last, create your marketing budget. For example, if you plan to rent a billboard on the main interstate for three months, find out exactly how much it costs. Do not guess on marketing costs. If costs seem too high, eliminate high-cost options or look for different marketing strategies.

SECTION 4

MANAGEMENT TEAM AND PERSONNEL

This section of your business plan should outline the structure and key skills of your staff.

Define positions, roles and a summary of each person's background, experience, and qualifications. Include the status of each individual (e.g., full-time and part-time); also include descriptions and qualifications for consultants and partners. If you have not begun hiring employees, include the structure and key skills of staff you plan to hire, a timeline for hiring, and the salaries assigned to each position. Identify recruitment and training procedures, timelines, and the costs of employee training.

SECTION 5

OPERATING PLAN

This section should include office space and location, production facilities, and IT infrastructure. Include the costs associated with this location, the benefits and disadvantages to being housed in that location, and whether you rent or own the space. If you have plans for upgrading your space or relocating, include those too.

SECTION 6

FINANCES

The purpose of this section is to inform lenders and investors of how much capital you need, how secure their loans or investments are, how you plan to repay the loans, and what your projected sources of revenue and income will be. Include detailed financial projections by month for the first year and by quarter for years two and three, as well as the assumptions upon which your projections were made, including the breakdown of anticipated costs and revenues for all three years. You should also include cash flow statements, loan applications, capital equipment and supply lists, and profit and loss statements.

Financing Options

Every entrepreneur must take two costs into account: start-up costs and recurring costs. Start-up costs are all of the one-time costs required to start a business, such as a security deposit on office space, furniture and equipment purchase, signage, etc. Recurring costs are all of the costs encountered monthly, such as salary and benefit expenses, insurance fees, monthly rent, etc. If you need to borrow money to start your business, there are several different funding options to consider. Each funding source brings with it a series of pros and cons that should be weighed in order to find a lender to meet your start-up needs.

FIGURE 6. OPTIONS FOR FINANCING SMALL BUSINESSES

OPTION 1

BANKS, CREDIT UNIONS, OTHER FINANCIAL INSTITUTIONS, SBA, STATES AND LOCAL GOVERNMENTS

Banks offer a variety of loans and can advise you as to which type of loan would be best for your needs. Some loans, for example, require you to make set payments of both the principal and interest, whereas others require you to pay back only the interest with a lump payment of the entire principal at the end.

The advantage of approaching banks for loans is that banks are designed for just that purpose. The downside is that if you have a bad credit history or have accumulated debt, loan approval can be difficult. Determine whether bank loans are appropriate for your needs by performing research. Locate the banks in your region, find out what types of loans they offer, and learn what their requirements are.

OPTION 1

CONTINUED

Credit Unions, other financial institutions, SBA Loan Guaranteed programs, and state and local governments all offer a variety of loan products, ranging from micro-loans with mandatory business counseling to SBA 7a, 504 and Small Business Investment Company (SBIC) loan providers for purchase, operations, infrastructure, growth and other needs. Increasing numbers of State Governments are providing special State Linked Deposit loan programs targeted to veterans and Reserve Component members. SBA employees and counselors can provide localized guidance to available resources and cooperating lenders.

OPTION 2

VENTURE CAPITAL FIRMS

Venture capital firms invest in small companies in return for equity. They look for companies with the potential for high-growth and high-profitability. Although some venture capitalists will invest in companies that are just beginning, they generally seek to fund companies that have been in business for some amount of time, in order to assess progress, growth, and earned revenues. For that reason, acquiring start-up funding from venture capitalists can be very difficult. Also, the earlier the stage of investment, the more equity venture capital firms require. If you are serious about acquiring venture capital funds, look for firms that specifically cater to business in the start-up phase. A good business plan and strong management team will increase the odds of securing venture capital funding.

OPTION 3

ANGEL INVESTORS

Angel investors are individuals who invest their own money in entrepreneurial ventures in return for equity. Angel investors can be persons you know or persons you don't know, and can work as an individual or be part of an Angel group. Angel investors generally invest smaller amounts of money in companies than do venture capitalists. Consider Angel investors for funding when you have exhausted funding from your friends and family but aren't ready to approach a venture capital firm.

OPTION 4

PARTNERS

In some cases, funding can be secured by current or potential partners seeking a share of the business. The advantages to partner financing are that partners considering investment are already knowledgeable about the business idea and have confidence in its future. The approval process may be easier than with a bank or lending firm. The downside is that you are giving up a portion of your control in exchange for this funding.

OPTION 5

FRIENDS AND FAMILY

There are benefits to acquiring loans this way, and it is a popular source of funding for small businesses. Friends and family already know you, your character, and your history of credit, debt, and financial management, but they should still review your business plan. The terms on which you must pay back loans from friends and family will likely be more relaxed, and they may not demand interest on the repayment of the loan. The downside to borrowing from friends and family is the potential inability to repay the loan, damaging not only your finances but their finances and the relationships you share with them.

OPTION 6

SELF-FINANCING

Self-financing is the most popular form of financing for small business owners, and it can beneficial when you approach other lenders. Investing your own money demonstrates your faith that your business will succeed. Forms of self-financing include borrowing against your retirement fund, taking out personal lines of credit, and utilizing a home equity loan. The disadvantage to financing your business this way is that if your business flounders and you are unable to repay the money, you can lose a lot more than your business. Carefully consider whether self-financing is the right option for you.

SBA
U.S. Small Business Administration

U.S. SBA Programs

Since 1953, the SBA has helped veterans start, manage, and grow small businesses. Today, the SBA provides specific programs for veterans, service-disabled veterans, and reserve and national guard members, and they offer a full range of entrepreneurial support programs to every American, including veterans.

On August 17, 1999, Congress passed Public Law 106-50, The Veterans Entrepreneurship and Small Business Development Act of 1999. This law established the SBA Office of Veterans Business Development (OVBD), under the guidance and direction of the *Associate Administrator for Veterans Business Development,* to conduct comprehensive outreach, to be the source of policy and program development, initiation and implementation for the Administration, and to act as an Ombudsman for full consideration of veterans within the Administration. OVBD manages the Veteran Business Outreach Center (VBOC) program, the Entrepreneurship Boot camp for Veterans with Disabilities (EBV) program, the Veterans as Woman Igniting the Spirit of Entrepreneurship (V-WISE) program specifically for women veterans, and the Operation Endure and Grow (OE&G) program specifically for Reserve Component members and their families.

In addition, Public Law 106-50 created the National Veterans Business Development Corporation, set goals for federal procurement for service-disabled veterans and veterans, established the Military Reservists Economic Injury Disaster Loan (MREIDL), initiated new research into the success of veterans in small business, and brought focus to veterans in the full range of SBA Capital, Entrepreneurial, and Government Contracting programs.