



## **WRITTEN TESTIMONY OF**

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House Committee on Small Business

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Chairwoman Velázquez, Ranking Member Luetkemeyer, and members of the Committee, I'd like to thank you for the opportunity to testify before you today concerning veteran and military-connected business ownership. More broadly, I would also like to express my appreciation for this Committee's longstanding history of support and innovation positioned to enhance and extend military-connected business ownership in the United States. I have been engaged in the veteran business ownership community for more than fifteen years, and over that time this Committee has been a consistent and thoughtful partner to those of us working to advance opportunity for the women and men pursuing business ownership as a vocational pathway from military to civilian life. Your support on behalf of our servicemembers, veterans, and families has been instrumental to the wellbeing of the veteran business ownership community.

For many, the transition from military to civilian life is extremely challenging. My experience leading Syracuse University's D'Aniello Institute for Veterans and Military Families (IVMF) over the past decade – and specifically given the Institute's work to apply an academic and data-driven lens to understanding the opportunities and challenges associated with the transition from military to civilian life – has driven home to me the critical importance of multiple and robust pathways to post-service jobs and careers for those separating from service. To that end, some will pursue higher education, and others will pursue training positioned to prepare them for a meaningful trade and career. At the same time, it's also the case that a great many veterans, throughout history, have demonstrated a strong desire create their own job – through business ownership – after they take off the uniform.

In fact, data from the U.S. Small Business Administration suggests that in Fiscal Year 2021 more than 20,000 service members participated in small business ownership training, in preparation for their transition to civilian life. Importantly, the pull to business ownership among veterans makes perfect sense.

Where the rubber meets the road, our soldiers, sailors, airmen, and Marines are as entrepreneurial as they come—a fact contrary to the perception that the military is universally rigid and bureaucratic. In fact, our servicemembers are trained to make things happen, often in the face of dynamic and resource constrained environments. This ability stands alone as the foundation for successful business ownership. More so, by its very nature, launching and growing a new venture is the highest form of social and economic service. More than 60 percent of new jobs created each year come from small business, to

include those new jobs now employing the many millions of post-9/11 veterans that have transitioned to civilian life over the past 20 years.

It is for these reasons and many more, that the public and private sectors should continue to collaborate, on behalf of the men and women who answered the nation's call to military service, to expand the opportunity for veterans to serve the nation yet again as America's next generation of business owners and leaders. The foundational logic supporting expanding business ownership opportunities for veterans is intuitive, pragmatic, and compelling.

First consider that since World War II, veteran-business owners have fueled the economic engine of the nation. According to the U.S. Census Bureau, veteran-business owners number more than 2.4 million, employ more than 5.7 million Americans, and contribute approximately \$1.2 trillion annually to our GDP. In this regard, expanding access to business ownership for our veterans just makes good economic sense. Beyond the numbers, it's also true that expanded action to empower veterans as business owners aligns with the ideals of service and citizenship, and the relationship between the role that our veterans played in defending freedom, as well as the role that veterans *can play* in creating economic freedom for themselves, and this nation through business ownership. In other words, who is more deserving of the American Dream of business ownership, than those men and women who put on the uniform and pledged to defend it?

All this is to say that my broad purpose here today is to emphasize our collective opportunity to transform the same leadership and ingenuity that served our military so well on the battlefield, into an engine of new venture creation in America. That opportunity is strong and compelling. And while the resources and supportive services enabling a transition pathway to business ownership for veterans and their families – across both the public and private sectors – are vastly improved relative to a decade ago, there is more work to do if we're to fully realize the potential inherent in the opportunity to leverage business ownership to empower veterans and military spouses as the next generation of business owners and leaders.

Each year, the Institute for Veterans and Military Families conducts a study called the *National Survey of Military-Affiliated Entrepreneurs* (NSMAE). This survey is the largest, primary data collection effort representing the veteran business ownership community outside the federal government, and the first private-sector initiative designed to annually apply a data-driven research focus on military-affiliated entrepreneurship. The intent of the NSMAE project is to confer enhanced insight and understanding of military-affiliated entrepreneurship, and to specifically identify the economic, political, and socio-cultural factors that serve as barriers to business ownership for military-affiliated individuals. The 2022 *National Survey of Military-Affiliated Entrepreneurs* was just recently published, and I would like to leverage this hearing as an opportunity to highlight to the Committee three of the most compelling and actionable findings from this research.

### **Access to Capital is a Top Challenge for Veteran Entrepreneurs**

The search for capital to support small businesses is a challenge for all potential entrepreneurs, regardless of veteran status. In a recent study, they found that both veterans and nonveterans predominantly use personal savings or assets to start/acquire their own businesses, though veterans are more likely to have issues with their own personal credit history than nonveterans -- nearly 3.5 times more likely than nonveterans to be precise. The results also indicated that veterans exhibit a higher percentage of being

turn downed for a request made for credit, 24 percent, compared to nonveteran respondents at 18 percent.

The credit history of some veterans may be more a reflection of having to relocate themselves and/or their families on multiple occasions over their military tenure. Another possible impact is that the military is often targeted for credit cards and credit history maybe more of a reflection of predatory lending practices. This credit history limitation can take time to overcome or can continually prohibit a potentially successful entrepreneur from entering private business, both short-term and long-term.

In recent years, there have been attempts to address this issue through various programs and funding initiatives, and although helpful to some veteran entrepreneurs, this solution may not be the right fit for every business owner. The degree to which an influx of capital is useful to a small business depends almost entirely on whether the business is both in a position to accept it as well as equipped to put that capital to its best use. There are still some nuances to the issue of access to capital, and the concept of capital readiness needs to be further explored through research so that solutions can be designed and implemented that will better prepare veteran entrepreneurs.

### **Navigation of Local Resources is Difficult**

Nearly half (44%) of veteran entrepreneurs report difficulty navigating resources in their local communities. Research indicates that veteran entrepreneurs experience an array of barriers to include access to capital, difficulty navigating resources, certification process hurdles, and lack of assistance from medical and disability service providers. Success or failure does not depend on one, but rather on multiple factors related to barriers and challenges veteran entrepreneurs experience while also navigating the complex and disintegrated veteran entrepreneurship ecosystem.

Navigating the various intake and onboarding procedures of different organizations can be a significant and daunting task and as a result many veterans and their families easily fall through the cracks and lack social support, training, and resources. The current veteran entrepreneurship resource landscape is fragmented and siloed. Many veteran entrepreneurs reported experiencing the most help through SBA resources and college or university academic programs, but over 45 percent of veteran entrepreneurs indicated that navigating the resources in their local community was not easy. This navigational challenge can lead to a lack of knowledge and access to local resources as well as feeling unsupported by both government and local communities.

### **The Diversity of the Community Equates to Disparate Barriers and Challenges**

The veteran population is very diverse, and in some cases more diverse than the civilian population. For example, 17 percent of post 9/11 veterans are Black and African American (this is higher compared to the 13% of nonveteran counterparts 18 and over). There are over 2.4 million Black and African American veterans, over 1.4 million Hispanic and Latino veterans, and over 1.9 million women veterans in the U.S. today. When we expand our definitions of diversity, there are over 4.9 million disabled veterans. Moreover, post 9/11 veterans with disabilities have a higher average number of disabilities: nearly six disabilities per person. In addition, most veterans (over 73%) have served outside of the U.S.0 operating across different cultures, nations, and regions offering worldwide perspective.

The motivations, needs, and challenges may differ for various individuals. For example, access to capital was higher for women veteran entrepreneurs and Black veteran entrepreneurs compared to white, non-

Hispanic male counterparts. Women veteran entrepreneurs and Black veteran entrepreneurs were more likely to cite “Opportunity to be financially independent/increase personal income” as a motivation to entrepreneurship compared to white, non-Hispanic male counterparts. Women veteran entrepreneurs and black veteran entrepreneurs are pursuing entrepreneurship to become financially independent but access to capital is impacting them more so than other veteran entrepreneurs. Understanding the diverse challenges and resource needs for various individuals (including the industries that they are in) will allow us to have more robust discussion about the support mechanisms needed to help these veteran entrepreneurs.

Finally, in this regard I would like to focus specifically on women veterans and military spouses. Today, women are pursuing military service in unprecedented numbers. Currently, women make up [17 percent](#) of the U.S. military, and their service often equips them with vocational skills in high demand across the civilian labor market, including in fields such as data analytics, cyber security and a variety of STEM occupations. Moreover, women veterans possess tested leadership ability, are resilient and demonstrate calm and confidence in high-pressure environments. However, despite these compelling strengths, many female veterans cite persistent barriers to educational and networking resources necessary to bridge military-learned skills and experiences to business ownership.

At the same time, 93 percent of the nation’s [military spouses](#) are women. Despite being highly educated, military spouses are unemployed at a rate nearly three times higher than their nonmilitary spouse peers. Those who do manage to find work typically earn, on average, 38 percent less than their civilian peers. Like most American families, the majority of military families depend on two incomes to make ends meet. Consequently, the chronic unemployment and under-employment experienced by military spouses puts their families at great risk, and directly undercuts military retention and readiness.

If there is an upside to this otherwise troubling commentary, it’s this: given the barriers military-connected individuals often encounter in pursuit of *traditional* jobs and careers, a great many have opted to create their own job, by starting and growing a business. Small business ownership enables military-connected women to pursue a professional career, in the face of unique caregiving responsibilities and frequent relocations often typical of a military-connected lifestyle. Consequently, collective action to create inclusive pathways to business ownership for military-connected women should be a national priority.

Specifically, public and private sector funding should be allocated for this purpose and target not only adding scale to existing business ownership programs and pipelines serving military-connected women, but also deployed to seed and scale new and innovative pathways to business ownership for military-connected women. Acting on this opportunity will simultaneously strengthen our military families, our economy and our nation’s defense.

As a first step, we must raise broader awareness of the supportive resources that already exist. One example is the *Veteran Women Igniting the Spirit of Entrepreneurship* ([V-WISE](#)) initiative, currently offered by the Institute for Veterans and Military Families (IVMF) at Syracuse University. This program, a partnership between Syracuse University and the U.S. Small Business Administration, includes online coursework, a 3-day, in-person training experience and ongoing mentorship for female veterans and military spouses interested in business ownership. Similarly, the IVMF also provides – through a program called [Onward to Opportunity](#) – a cost-free opportunity for military-connected women to earn vocational certificates and credentials that are in high-demand across the labor market and aligned with business ownership.

It's also critical that we act on specific opportunities to create more access to start-up and growth capital for military-connected women. Recent research published in the journal [Small Business Economics](#) finds that female STEM networks consistently lack access to capital. A recent [Fortune](#) analysis found that of all U.S. venture capital funding deployed in 2018, an absurdly low 2.2 percent was directed to firms founded by women. This is concerning given the role that entrepreneurship plays as the nation's [job creation engine](#). Over the past several years, a number of venture funds have been created to exclusively support businesses founded by women. Those funds, as well as banks, Community Development Financial Institutions (CDFIs), angel investors and others should specifically prioritize access to capital for military-connected women. Over the past 20 years of conflict, military-connected women have traveled to far-away places to defend our freedoms. It's time we act with purpose to help them create and defend economic freedom at home through business ownership.

In summary, I will conclude by restating the central theme of my testimony: a great many of social, wellness, and economic challenges that veterans face later in life have their origin in the preparedness of the veteran to successfully navigate the transition from the military to civilian life. Consequently – as we emerge from the COVID health emergency – the first, best use of our resources should be to ensure that those making the transition from military to civilian life are prepared, supported, and proactively connected to the communities where they will live, work, and raise their families. Based on research and practical experience, I have suggested here that expanded support for military-connected business ownership resources and training programs is positioned to advance that objective.

Thank you for the opportunity to participate in your deliberations related to this important topic.