

A Primer on Veteran ETA:

WHAT VETERANS NEED TO KNOW ABOUT ENTREPRENEURSHIP THROUGH ACQUISITION

Written by Lisa Forrest

From as far back as World War II, military veterans have launched some of the [most prominent brands of our time](#): Nike, GoDaddy, and FedEx, to name a few. Leveraging their innovation and creativity, military heroes turned veteran entrepreneurs have changed business ownership in unprecedented ways.

But times seem to be changing. In 2016, the [U.S. Bureau of Labor Statistics](#) reported that only 4.5% of those who served in the American military are self-employed, a startling drop from the veterans just a generation before. While unfortunate, this can be reversed.

There is a solid path to veteran business ownership using [entrepreneurship through acquisition](#) (ETA) or search fund approach. At its very basic level, this approach entails would-be CEOs searching for businesses to buy and raising equity capital to help with those acquisitions. There is usually a combination of equity (buyer and, in some cases, seller rollover), senior bank debt and potentially seller financing.

The equity can come from several sources depending on the type of search, including:

- Self-funded/solo-sourced
- Independent sponsor
- Traditional

In a self-funded model, the business buyer generally brings in some or all the equity alone or in combination with friends and family, investors or an outside gap investment. Serial investors specializing in acquiring the smaller, lower middle-market businesses can help provide gap equity if needed in a self-funded search. In a traditional search, serial investors specializing in the larger end of the ETA spectrum generally provide the entire equity check.

Savvy investors and lenders are constantly looking for business buyers with the skills and passion required to become a CEO. Entrepreneurship requires a specific acumen, and military veterans possess these superior qualities, which is why they are highly supported and

sought out by experienced investors and lenders. Often, the business seller is a military veteran, which can be an advantage for a veteran buyer who may be competing with other offers.

Danny Fields, retired U.S. Army Special Forces team leader and president and chairman of Holland Supply Co. shares that "Two major trends are converging, which should be boosting veteran entrepreneurship. First, [Baby Boomers are beginning to retire](#), and as they do, many business owners have no succession plan. Either their children don't hold the interest, or they can't operate a complex business, so owners scramble to find buyers they can trust to carry out the legacy they have built. Combine that with the patriotism found in small businesses and the respect and admiration typically displayed toward veterans, and veteran entrepreneurs have an immediate competitive advantage over other buyers."

The historical precedent of veteran business owners is strong, and it can still very much be restored. That's where [Live Oak Bank's Sponsor Finance team](#) comes in by lending senior debt as part of the acquisition capital structure.

Veterans With Skills

If you're a military veteran, you already know your years in the service have afforded you various valuable skills. Your leadership training begins the moment you enter basic training and is tested repeatedly as you analyze and execute missions. You learn to stay calm and level-headed, facing adversity and approaching barriers with a solutions-oriented mindset. As a result, you can determine the mission-critical elements of the task without losing sight of the bigger picture.

"The ETA model of leadership more closely resembles the military leadership model than any other post-MBA career option," says Donald Gourley, Searcher and Managing Director of Mount Berico Capital as well as a Lieutenant Colonel in the Massachusetts Army National Guard. "In the military, we take command of existing units and do not start them from scratch. The military does not require you to have a 'brilliant new product/service idea,'

and neither does ETA. Military officers have taken over new units multiple times, and no two units are the same. This experience reduces the number one risk factor in an LBO or a SME: the new CEO. Military leaders are trainers and are proficient — improving a team's proficiency is the basics of organizational core competencies."

Supporting your employees and empowering them to maximize their potential while rallying around a common cause is a vital CEO skill — as are so many others born from a veteran's experience. These skills are why veteran entrepreneurs are often precisely the leader's banks look for when evaluating potential CEOs.

Army veteran Andy Rougeot acquired a self-storage systems control design/maintenance company financed by Live Oak Bank. "Being in the military taught me that being a servant is the most important part of being a leader — putting soldiers, and now employees, ahead of myself," says Rougeot.

How to Turn Your Skills Into Business

Having skills doesn't automatically translate to professional success. Veterans usually have superior leadership training but will be hired and compensated for less than they deserve because they lack specific industry experience or contextual expertise (e.g., finance, accounting, etc.). This makes lateral moves to executive positions in finance/general management challenging. An Army officer trying to transfer to the Navy would face the same problem if he didn't know anything about boats. This can be a self-image hit for many, and we often hear that this is why many veterans (mistakenly) think startups are the answer, even if ETA is the optimal solution.

If you're considering leaving the service and transitioning to civilian life as a business owner, take the following steps first:

Build Your Network

Look for military veterans who own businesses, especially those who have chosen entrepreneurship through acquisition. Fellow veteran entrepreneurs are a great resource: they'll go above and beyond for their veteran community. Additionally, they view fellow service people as individuals, not just vets, so they can offer more applicable advice.

"Keep 'pulling the thread,'" says veteran and former Navy Lt. Nathan Bullock. "Talk to anyone you can; ask each person who they would feel comfortable introducing you to and keep going. Of course, some conversations will be more beneficial than others, but each gets you closer to your goal."

Organizations such as Elite Meet, the Green Beret Foundation, the Navy SEAL Foundation and Bunker Labs have a transition mission bent toward entrepreneurship through startup or business acquisition.

[Searchfunder.com](https://www.searchfunder.com), while not veteran-specific, is a platform dedicated solely to the search process and ecosystem. Reach out and introduce yourself, walk through your story and see what doors open as a result.

"If you are even thinking about ETA, you should be doing two to five informational interviews weekly," says Jordan Selleck, co-founder and board member of Elite Meet. "It's a no-brainer for veterans to succeed in ETA — if they know how to sell themselves and call upon their networks appropriately."

Walk Your Own Path

For some, the decision to take the ETA/CEO-search path is easy. They know that being a CEO and working on that as an immediate transition plan is the exact right thing to do. For others, it might not be so clear.

Many start their transition out of the military by taking time to go to business school after service. This might involve earning a Master of Business Administration or other related degrees — and even potentially [working in a larger corporation](#) while gaining additional experiences to help with acquisition searches. However, it is an individual decision, and the path to CEO can be achieved differently.

"Using my GI Bill to get my MBA was the best decision I've made since leaving the military," says Fields. "Having spent nine years in the Army, I had more leadership roles and experience than my civilian peers, but they had me beat in business acumen. My MBA program gave me the acumen, vocabulary, and network to be able to pursue entrepreneurship through acquisition."

Start Early

Fellow service members recommend that veterans retiring after many years of service should start exploring acquisition early and methodically — preferably about two years before leaving the service.

The early stages of the search may drive you toward a particular industry or location, so starting this process while still in the service can help create a seamless transition with little to no lost time.

Jody Lupo, who retired from the U.S. National Guard with 19 years of active service, transitioned with the self-funded model in mind. "Creating and following a process becomes part of a veteran's character — so does a cycle of plan, execute, analyze, improve/plan," says Lupo. "Because searching for a business with the right fit takes

months, this cycle is what prepares veterans to survive the search and succeed after acquisition.”

The path can be different for veterans potentially giving notice with as little as six to 12 months before leaving active duty. We've heard from many veterans that they wish they'd known about ETA before leaving the service. Veterans usually know whether ETA is right for them around the start of the second semester of business school. However, if they leave the service having assumed that ETA is right for them, they can confirm that assumption soon after starting school.

The key is to optimize veterans' time in business school. Until the core classes are done, most veterans won't have the business knowledge to run a search. The optimal answer is learning about search in the 12 months prior to leaving the service while applying to schools and taking the GMAT.

Basic knowledge of schools that support searchers and the difference between geographic search and nationwide are key when selecting a school. Also, it helps make decisions about how much to spend on an MBA, given the goal to acquire after graduation.

Look For Understanding Bankers

Before you choose to work with someone, be sure the individual understands how valuable a veteran's individual training and unique military experiences can be. Find someone who can anticipate veteran-specific search elements —special challenges and unique skills. Experienced bankers with track records of supporting veterans know that retired service members can succeed at the head of any industry.

Some industries that resonate with veterans (and that Live Oak Bank has had the honor to work with) include drone sales/maintenance, airplane maintenance, security system design/maintenance, roofing repair, industrial supply, component manufacturing, consulting, professional staffing, fire systems design/installation/service, and certain segments of government contracting. Of course, this is just the tip of the iceberg. There are no limits to what a great match for skills and experiences might be.

“Senior lenders aren't just checkbooks; they're partners,” says Fields. “Like any partnership, you want to ensure the person you're working with will be helpful not just in the best of times but, more importantly when things go wrong. No one expects that to happen but choosing the wrong banking partner can be the difference between success and failure. We chose Live Oak Bank because we felt it was the best partner we could have if things went wrong.”

Spin Your Résumé

Some veterans, especially those retiring with long years of military service, may struggle to translate their military experiences and service into terms that civilian sellers, lenders, and M&A professionals can understand.

Most civilian bankers and sellers won't know how to translate military titles and the experience behind roles and responsibilities. Likewise, civilians may not know what common military terms mean or the skills behind the titles and deployment experience. Thus, while you know you have the right skills, draft your résumé in a way that civilians will understand.

Calling All Military Veteran CEOs

If entrepreneurship is your new purpose, these steps and real-world advice from fellow veterans will help. You've served our country; you can continue to lead a mission-filled life by serving employees, customers, or the community — creating jobs and becoming a great business leader. And we're here to help every step of the way.

“ETA offers veterans the best opportunity to continue along the path of organizational leadership immediately,” says Gourley. “For most, it also offers the fastest, most fulfilling way to progress from ‘success to significance’ as they harness hard-learned lessons as warriors and apply them in the field of business. ETA allows veterans to return to civil society via business school and ‘take command’ of a company as CEO. It is through ETA that this generation of veterans can continue to support and defend the same American values we swore to uphold in uniform: by taking their place as leaders of industry and as pillars within their communities.”

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