



Proving Veteran Business Owners Have Necessary Managerial Experience

Issue:

This brief explains the verification requirement that Veteran business owners possess the necessary managerial experience to the extent and complexity needed to run the applicant.

(For purposes of this brief, the regulations when referring to Service-Disabled Veteran applies equally to Veterans; applicant refers to the business entity applying for verification; and participant refers to a business entity that has already been verified.)

The Regulation:

13 CFR § 125.11 provides:

Veteran owned small business concern means a small business concern:

(1) Not less than 51 percent of which is owned by one or more veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by one or more veterans; and

(2) The management and daily business operations of which are controlled by one or more veterans. All of the provisions of subpart B of this part apply for purposes of determining ownership and control.

According to **13 CFR 125.13(b)**, “[a] service-disabled veteran (or in the case of a service-disabled veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran) must hold the highest officer position in the concern (usually President or Chief Executive Officer) and must have managerial experience of the extent and complexity needed to run the concern. The service-disabled veteran manager (or in the

case of a veteran with permanent and severe disability, the spouse or permanent caregiver of such veteran) need not have the technical expertise or possess the required license to be found to control the concern if the service-disabled veteran can demonstrate that he or she has ultimate managerial and supervisory control over those who possess the required licenses or technical expertise.”

What This Means:

Subpart B as referred to in 13 CFR § 125.11 is saying that anywhere in the regulations where the term Service-Disabled Veteran is used, it is equally applicable to Veterans for purposes of determining eligibility.

The Center for Verification and Evaluation (CVE) determines whether a Veteran meets the necessary managerial experience requirement by evaluating the applicant’s website, résumés, capability narratives, contracts, marketing materials, and NAICS Codes to determine the primary line of work.

In evaluating managerial experience of Veterans, CVE considers military service, civilian work experience, and educational background.

The evaluation is often straight forward when the Veteran has military and/or work experience in the concern’s primary business industry.

Example: A Veteran who served in the U.S. Army Corps of Engineers and then worked for many years for a civilian general construction company as a project manager before owning his/her own construction company will usually be found to have the managerial experience necessary to run the concern.

In many cases, Veterans need not have direct experience in the particular industry if the applicant's submission includes other information supporting ultimate managerial and supervisory control. For example, the Veteran operates a staffing agency and has a Master's degree in Business Administration. CVE may find through the nature of the Veteran's educational background that he or she maintains ultimate managerial control over the concern's employees.

In applications where the Veteran's résumé does not reflect prior managerial experience, whether generally or in the applicant's primary industry, or the Veteran does not hold a required license, the Veteran must provide a written explanation as to how he/she has ultimate managerial and supervisory control over those who possess the required licenses or technical expertise.

In order to demonstrate supervisory control, the Veteran must possess enough technical understanding and managerial experience to be able to effectively oversee the work and those performing the work.

The amount of technical understanding required to demonstrate supervisory control varies by industry type. Generally speaking, those industry types that require a professional license (e.g. architectural, engineering, medical, legal, etc.) will require a higher level of technical understanding than those that do not. However, each set of circumstances must be analyzed on a case-by-case basis.

There is no requirement that the Veteran have more experience than a non-Veteran. If the non-Veteran has more technical expertise, the applicant must demonstrate that the Veteran has the ultimate managerial and supervisory control over those who possess the required license or expertise.

Fact Scenario:

"According to 13 CFR 125.13(b), individuals managing the concern "must have managerial experience of the extent and complexity needed to run the concern." The applicant business is a newly formed construction business. The résumé for the Service-Disabled Veteran shows he is the current owner/CEO of the applicant and that he was previously an elementary school teacher from 2006–2012. From 2009-2011, the Service-Disabled Veteran owned and operated his own catering business and was enlisted in the U.S. Air Force from 1998-2003, as a Fire Protection Crew Chief. The Service-Disabled Veteran holds a bachelor's degree in Education. The Veteran has not provided adequate explanation as to how his prior work experience and educational background would prepare him to manage a construction business on a day-to-day basis. Therefore, the concern's application does not reflect the necessary experience to satisfy the control requirement of 13 CFR 125.13(b)."

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For more information about VA Small and Veteran Business Programs, visit <http://www.va.gov/osdbu>.

**VA Office of Small and Disadvantaged
Business Utilization**

1-866-584-2344

Monday-Friday | 8 a.m. to 6 p.m. (Eastern)

Status Update:

verificationfollowup@va.gov

Profile Questions: vip@va.gov