



U.S. Small Business Administration
Office of Advocacy

Small Business Research Summary

RS Number: 68

A STUDY OF DEPARTMENT OF DEFENSE PROCUREMENT FROM VETERANS

Robert L. Hiatt and Audrey Reniere
KCA Research, Inc.
Alexandria, Virginia
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I. Purpose of Study

Armed services procurement needs may be better met by veterans who have experience within these services and understand the problems associated with the delivery of goods and services to the military. Research was needed to determine what military procurement needs are supplied by veteran-owned small businesses, and what advantages, if any, such firms offer to the procuring branch.

The research focused on Department of Defense (DOD) agencies because of extensive contracting by that department and because of the possibility that veteran-owned firms would be successful in obtaining DOD contracts as a result of the owners' prior military experience. The specific objectives of the study were to:

- Determine the extent of military contracting with veteran-owned small businesses, with a separate record for Vietnam veterans.
- Determine the relationship, if any, between the type of military service of the veteran-vendor and the type of procurement award obtained by the veteran.
- Attempt to obtain estimates of the relative value or efficiency of the products and services obtained from veteran-owned businesses compared to those available from the non-veteran business community.

II. Highlights

The survey identified the following profile of the veteran military contractor:

- Contracting officers believed that there were no differences in the work performed by veteran-owned firms and that performed by nonveteran-owned firms. Both groups provided products or services in a timely manner, with good quality, and at an acceptable price.

- Nearly 43 percent of all contracts were awarded to veteran-owned firms, comprising 35 percent of the dollar volume awarded by the DOD for Fiscal Years 1981 and 1982.
- Most actions awarded during this period were made to corporations (87 percent), followed by proprietorships (9 percent), and partnerships (4 percent).
- Looking at the age of the businesses based on five-year intervals, the largest number of firms were in business over 20 years at the time of the survey.
- The largest number of veteran owners had served in the Army (46 percent), followed by the Navy (29 percent), the Air Force (18 percent), and the Marines (7 percent).
- The percentage of contracts awarded to Vietnam veterans is rather low (15 percent of all such awards). Vietnam veteran-owned firms receive a smaller share of equipment/supply awards than "other" product/service contracts (5 percent versus 10 percent). This indicated that older, established veteran-owned firms tend to be awarded capital-intensive contracts, while younger veterans are concentrated in more labor-intensive areas.
- More than one-half of the veteran owners had a college degree or more. More than one-half of those with college degrees used GI Bill benefits to obtain a formal education after leaving the military.
- Career fields of the veterans tended toward management and technical areas, although many had served in combat areas. Vietnam veteran owners had a higher probability of being awarded contracts for work other than for equipment and supplies.

III. Scope and Methodology

The sample frame for the study was the master file of Individual Contract Action Reports (SF279) for Fiscal Years 1981 and 1982 maintained by the Federal Procurement Data Center (FPDC). This file contains data on every action, including initial awards and modifications, which occurred during these two fiscal years in which the dollar amount of the action was \$10,000 or greater. This data file initially contained a total of 1,043,228 actions covering the two fiscal years.

The results of the survey of contractors were used to estimate the percentages and total number of DOD small business contractors which were veteran owned. Using these proportions and the total number of DOD contracts to small businesses, it was possible to estimate the total number of contracts awarded to veteran nonveteran firms.

Summary

There were no differences between the work performed by veteran-owned firms and that performed by nonveteran-owned firms. Among both groups, almost all of the contractors provided the products or services contracted for in a timely manner. The quality of work was considered satisfactory, the communications between the contracting officer and the contractors was considered good, and cost levels were acceptable.

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A complete report is available from:
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