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Certification Can Help Small Businesses Win Lucrative Contracts

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The federal government, state governments and local municipalities offer various categories of business certifications to make it easier for small businesses to win government contracts. The many types of certifications include 8(a), the Disadvantaged Business Enterprise, HUBZone Small Business, Small Business, Small Disadvantaged Business, Service Disabled Veteran Owned Small Business, Veteran Owned Small Business and Woman Owned Small Business.

Why Get Certified

Simply put, business certification offers the small-business owner new marketing opportunities with corporate and government buyers. Business certification programs exist to provide businesses owned and controlled by socially and economically disadvantaged individuals the managerial, technical and procurement assistance they need to compete for government contracts.

A business might pursue certification to receive the benefits of a specific small business program, such as being able to compete for set-asides reserved for women-owned or veteran-owned businesses. Dealing with a certified small business helps prime contractors get credit for meeting the requirements of supplier diversity programs.

Certification is a Business Decision

The need for business certification is determined by the requirements of a business's customers, marketplace and business objectives. It might be advantageous for a businessperson to hold multiple certifications. For example, a local contractor doing repeat business with a local municipality that offers a small-disadvantaged-business certification might pursue a local certification rather than a state or national certification.

Whatever the case, business certification is a tool, not a product. Pursuing business certification only makes sense if it's a good business decision: if it brings in more business, offers an advantage when bidding on a project, or offers access to set-aside business opportunities the business might not otherwise have.

How to Qualify

To be certified, the business must be a small business owned and operated by a U.S. citizen who meets the particular requirements of the individual certification. A veteran-owned small business, for example, must be owned and operated by a bona fide veteran - and not just in name only. The applicant for certification must be involved in the day-to-day operation of the business and be responsible for all decisions made on behalf of the business.

The ownership must be real, substantial and continuing - going beyond the pro-forma ownership of the business as reflected in its ownership documents. The applicant must share in all risks and profits commensurate with her ownership interest. The applicant must own at least 51 percent of the business. If it's a publicly owned business, the qualified individual or individuals seeking certification must unconditionally own at least 51 percent of the stock.

Furthermore, the applicant must prove - through governance documents and actual daily operation - that she's in control of the business. She must hold the highest officer position in the company, whether it's president or chief executive officer or some other title.

The organizational and governing documents of the applicant's business must not contain any provision that restricts his ability to exercise managerial control and operations authority. "Managerial control" means the demonstrated ability to make independent and unilateral business decisions necessary to guide the business. Agreements for support services that do not impair the applicant's control of the company are permitted. "Operations authority" is the power to direct the management and policies of the business and to make day-to-day and major decisions on matters of management, policy and operations.

In addition, the applicant must have the technical competence to run the business. His expertise must be indispensable to the business's potential success, and he must be able to perform in the business's area of specialty or expertise without substantial reliance upon the finances and resources of people who don't meet the criteria of the business certification for which he is applying. For example, a business seeking certification as a woman-owned and -operated professional engineering firm must be owned and operated by a woman who has the credentials of a professional engineer.

Finally, the capital contributed by the applicant to acquire his ownership interest shall be real and substantial and be in proportion to the interest or interests acquired.

The four Procurement Technical Assistance Centers in New Mexico have counselors to assist business owners with becoming prepared for doing business with the government. For the nearest office, visit www.aptac-us.org.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

