Build Your Team to Build Your Company

At BBCetc, we love the passion and intensity of entrepreneurs who are developing amazing technologies even as we try to harness their enthusiasm and keep their feet planted on the ground. Part of our job is helping them understand that participating SBIR/STTR agencies are seeking more than a great idea; they want to see a product based on technological innovation with a credible commercialization strategy that includes the right team to get you there. We remind our clients often that product development shouldn't lead business development. They go hand in hand, combining technical skill and business expertise, with the right people playing the right roles.

Although it is the scientific/technical team members who are considered "key people" and are paid from the grant, an ideal team should include both scientific and management roles. While it is not unusual to have team members with both technical and management training, i.e., a PhD with an MBA, you should be cautious about relying too heavily on one individual to deliver in both areas. Here's a breakdown of typical team roles:

The Team

Scientists
- Employees
  - Have technical domain expertise
  - Key persons & non-key persons
- Contract Laborers
  - Company-assigned routine projects
- Consultants
  - Specialized expertise
- Subawardees
  - Programmatic activity funded by the grant
- Advisors
  - May or may not be compensated
  - Available "as needed"
- Resources
  - Universities/other research orgs.
  - Other companies

Management
- Employees
  - "C" level team
- Board Members
  - Fiduciary & strategic responsibility
- Investors
  - May be board members
- Advisors
  - May or may not be compensated
  - Available "as needed"
- Resources
  - Local/Regional Economic Development Organizations
  - SBDCs
  - Networking!

"**Employees**" are people who work for you, right? Sounds obvious, but in our experience, the term is used quite liberally. For your SBIR/STTR proposal, an employee is someone who provides domain expertise, is paid by the company and receives a W-2 for income tax reporting. When we ask applicants how many employees they have, they may say 6 or 7, but when asked if the "employees" receive a W-2

to report their wages, it turns out some are actually contract laborers (see below) who get a Form 1099, not a W-2.

Scientific/technical employees are broken into two categories:
- Key Persons who have the depth, whether through education or work experience, publications, patents, other products developed, to conduct the work to be proposed, and
- Non-key persons who have more generic technical skills and perform routine activities such as programming or chemistry.

You may need both because you don't want key persons defocused by doing non-key work and vice versa.

Contract labor includes talent hired from temp agencies, computer programmers, chemists, etc., who perform company assigned work without supervision and using their facility/equipment. Contract laborers are required to maintain their own licenses and taxes.

If you need specialized expertise to fill a technical gap in your team, it may make sense to use a consultant or subawardee. A **Consultant** who can provide a unique service or a short-term task, e.g. a biostatistician who will provide assistance with analyzing data or a clinician who will advise on the clinical use of your therapeutic/device. Reviewers will accept consultants that bridge expertise gaps, but it can raises questions of your team's competency if a consultant is working on your core domain.

Subawardees (also referred to as subcontractors or consortia) perform a portion of the programmatic activity, as opposed to simply providing a routine service to the prime award recipient. Among other things, the subawardee (usually an academic or other institution) contributes to the scholarly/scientific conduct of the project and uses the funding to carry out its own program, as compared to simply providing goods or services to the small business.

If you will be utilizing consultants and subcontractors to complete your team, be aware of the limitations set forth by the SBIR and STTR legislation. The maximum that may be outsourced to consultants and subawardees is as follows:
- Phase I SBIR – maximum 1/3
- Phase II SBIR – maximum 1/2
- STTR – minimum 40% at SBC, minimum of 30% at primary non-profit research institution

Employees on the **management side** are sometimes referred to as the C-level, CEO, CFO, CSO, etc. Very few small technology companies have the resources to have a C-level management team. SBIR/STTR applicants know a scientific/technical team is a must for getting SBIR/STTR funding and because "management" can't be paid directly from the R&D dollars, many forgo the need for C-level management and the financial, marketing and business expertise that goes with it.

One way to fill that gap in management depth is with a **Board of Directors**. Even if your company's structure doesn't require it, a good board can be supportive of your company's mission and vision, while challenging your assumptions, coaching you through decision making and providing direction. Depending on your company's structure, your Board of Directors may have both fiduciary and strategic responsibilities for the company.

If you are bringing on **Investors** they may require a seat at the board, so look at those investors not only for the money they provide but for the expertise they can add to your board. Often underused by early-stage companies, **Advisors** are people who may be contacted as needed for advice and guidance, for example your company's scientific and/or business advisory board. Include individuals who have expertise in your domain and who are known in your community and/or industry.

Don't forget to tap into the many **Resources** available to you through universities and other research organizations, other companies as well as libraries, incubators, and accelerator programs, etc., in your area. Local and regional economic development organizations and SBDC's can be extremely useful. Take advantage of the networking opportunities they and others sponsor. Get your team out there and connect with your peers, people who can fill gaps on your team or offer services to assist you as you move toward the marketplace.