



Is there Room in Private Industry for SBIR?

By Michael Kurek, PhD, Partner, BBCetc

Every now and then we get asked if there's a place for traditional private industry in the SBIR/STTR programs.

Certainly, SBIR/STTR are not for every company but in my opinion more established companies do not take advantage of them as much as they should. Before I explain why, let me mention some things about eligibility:

- 1) You probably know that only companies with less than 500 employees are eligible. Larger companies cannot receive an SBIR/STTR award directly but they can serve as a subcontractor on a project.
- 2) Applicant companies must also be majority-owned (>51%) by individuals who are US citizens or permanent residents (or by other small businesses that also meet these eligibility requirements). That means that larger corporations and non-profits may be minority owners. Public companies are not automatically ineligible provided they can document they meet this ownership requirement.

To be competitive, companies must also have R&D capabilities.

With 11 different agencies running programs you can imagine that their interests span the spectrum of technologies.

So here are some of my ideas on how an established company might benefit from the programs:

- 1) Every technology company I've ever worked for has had more interesting "ideas" for new products than they have resources to pursue them. Therefore, annual R&D planning typically went like this:
 - a) Make a list of the possible development projects and their estimated cost and duration
 - b) Eliminate those that cost too much or had too-low probability of success. [Perhaps large corporations can bet on high-risk/high-payoff ideas, but most smaller companies typically cannot afford R&D projects that return zero in the way of new products/services and revenue.]
 - c) Fund those top priority projects until the budgeted R&D funds run out.
- 2) Those high risk/high-payoff projects are exactly what SBIR/STTR is all about. The awards of \$1 million to \$1.5 million may not cover all the costs but they'll nicely supplement the risky, proof-of-concept stage of the project.
- 3) The programs are also an excellent way for an established company to keep abreast of new developments in its technologies of interest. [Like patent applications, the abstracts of SBIR awards are public information...but they're more current than patents.] Many of the smaller awardees are university spin-outs trying to develop products/companies based on the latest academic research. Tracking the types of projects being funded and who's being awarded provides a window on future opportunities. [This is not new. A 10-person company I worked at in the 80's would regularly be contacted out-of-the-blue by Japanese corporations that wanted to find out more about our SBIR-funded projects.] Interesting SBIR awardees can be approached as potential collaborators or acquisition candidates.
- 4) For R&D managers it's not always easy to identify the "go-getter" employees, those that are both ambitious...and innovative thinkers. The SBIR/STTR programs can be a mechanism for self-selection.

Write a proposal (on your own time) within company-mandated areas of interest. If it's funded, the author becomes a project manager. If the project is successful, perhaps there's a promotion.

- 5) Depending on the business interests of the larger company, interaction with the technical program managers at the federal agencies might present unanticipated opportunities in terms of collaborations and/or non-SBIR contracts.

Would implementing any of these take some effort? Of course, what doesn't? But it could be built into a standard operating procedure. For example, one of our clients who's focused on DOD contracting, has a process in place that kicks in 3 times a year when DOD releases its SBIR/STTR topics. The company team reviews the topics, selects those that the company has the capabilities to respond to, and evaluates the potential commercial payoffs to reduce the list to the 1-3 topics they'll actually write proposals to. This fairly efficient system that has been successful for them.

So is there room in private industry for SBIR? Yes!