

Supporting Innovative Business Startups

by Ying Lowrey, Senior Economist, and Thad Inge, Assistant Chief Counsel

On April 16, the National Academy of Sciences hosted a conference titled “Early-Stage Capital in the United States: Moving Research across the Valley of Death and the Role of SBIR.” The conference focused on important issues surrounding the Small Business Innovation Research (SBIR) program and early-stage capital.

SBIR is a highly competitive small business program that encourages innovative startups and small businesses to explore their technological potential to help achieve our nation’s research and development goals. The SBIR program, currently in place at 11 administrative agencies and coordinated by the SBA, puts a strong emphasis on commercialization and has aided thousands of small businesses in developing new technologies. The Office of Advocacy has

had a strong connection to SBIR since the program began in 1982.

Several government agencies and practitioners reviewed the role of SBIR and early-stage capital; they included the Department of Defense, Department of Energy, NASA, National Science Foundation, SBA, Angel Capital Association, Illuminate Ventures, and Minority Angel Investment Network. Ginger Lew, senior advisor of the White House National Economic Council, gave a presentation on the obstacles currently facing innovative startups, including access to capital and the drop-off in venture capital investment over the past 10 years.

The conference highlighted initiatives at federal and state levels that are strengthening the program. For example, the Defense Advanced Research Projects Agen-

cy has shortened the review period for SBIR applications from six months to 60 days, and it has simplified SBIR contract procedures. The National Science Foundation is assisting innovative startups and SBIR companies in establishing partnerships with research centers, universities, and industries. One state-level program that coordinates with SBIR and its recipients is the Pennsylvania Ben Franklin Technology Development Authority. The agency has been working closely with small businesses and universities in developing robotic products. Such programs make it easier for innovative small businesses to gain access to financial resources.

Interest in Growing Firms on Display at Brookings/SBA Forum

by Brian Headd, Economist

Staff from the Office of Advocacy recently participated in a panel cosponsored by the Brookings Institution and the Small Business Administration. The March 15 event, titled “High-Level Working Group on the Future of Small Business,” examined firm growth.

The foundation for growth companies was presented by Zoltan Acs (George Mason University), John Haltiwanger (University of Maryland), and Dane Stangler (Kauffman Foundation). The panelists clearly demonstrated the value of high-growth companies to the economy with regard to increasing jobs and productivity, but two unanswered worries rose to the surface. Are the economy’s current woes blocking the emergence of potential high-growth compa-

nies that would help the economy change course and boost productivity? Is there a policy solution to support high-growth firms that could address the unemployment problem?

The discussion moved toward barriers that high-growth firms face with presentations from Liz Reynolds (Massachusetts Institute of Technology), Ted Zoller (University of North Carolina), and Ginger Lew (National Economic Council). It was clear that localities need to support business clusters and encourage “dealmakers” to create a momentum in which “good things beget good things.” However, the low venture capital levels of the past few years are still putting a brake on such efforts.

SBA Administrator Karen Mills pointed out that the Small Business Administration is working on improvements to the Small Business Investment Company program to mitigate part of the decline in venture capital. Also during the discussion, Mark Lange (of the Edward Lowe Foundation) pointed out that another barrier for growing firms is not necessarily receiving advice, but receiving timely information to make business decisions, “to fly with instruments instead of flying blind.”

The Office of Advocacy welcomed the opportunity for top economists and policymakers to attend to small business development issues, offering suggestions and, equally important, paying attention to their unique needs.