



Small Business Innovation Research Program (SBIR) Primer

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The Small Business Innovation Research Program is an R&D program coordinated by the Small Business Administration that allocates a certain percent (currently 2.8%) of the extramural research budgets of the largest 11 federal agencies to innovative high-tech small businesses in the form of competitive, merit-based awards. The agencies issue solicitations for proposals on a list of topics, small businesses submit their proposed technology for consideration, and then the agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards then begin a three-phase program:

- Phase I is the “proof-of-concept” phase. Awards of up to \$150,000 for approximately 6 months support exploration of the technical merit or feasibility of an idea or technology.
- Phase II awards of up to \$1,000,000, for as many as 2 years, expand Phase I results. During this time, the R&D work is performed and the developer evaluates commercialization potential.
- Phase III is the period during which Phase II innovation moves from the laboratory into the marketplace. No SBIR funds support this phase, the small business must find funding in the private sector or other non-SBIR federal agency funding.

SBIR targets small businesses and entrepreneurs because that is where innovation thrives. However, the risk and expense of conducting serious R&D efforts are often beyond the means of many small businesses. By reserving a specific percentage of federal R&D funds for small business, SBIR enables small businesses to compete on the same level as larger businesses. SBIR funds the critical startup and development stages and it encourages the commercialization of the technology, product, or service, which, in turn, stimulates the U.S. economy.

SBIR program objectives are aligned with, and contribute significantly to fulfilling the mission of each federal agency, while at the same time enabling small businesses to contribute to the commercialization of the nation’s R&D investments, both through private commercial sales, as well as through government acquisition. SBIR funded research projects also enable small businesses to develop the technical know-how needed to attract third-party interest from a variety of public and private sources, including other federal R&D funds, angel investors, and venture funds.

The SBIR program has drawn nearly universal praise as a model innovation program, and was lauded by a 6-year NRC study as a program “sound in concept and effective in practice”. Since 1982 has helped fund over 20,000 high-tech small businesses, contribute to over 100,000 patents, and has served as an inspiration for similar small business innovation programs in dozens of other countries such as the UK and Japan.