



## UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING

Good morning! Thank you for inviting me to this year's Small Business Technology Council SBIR Seminar.

I'm so pleased to have the opportunity to address you all today, because we absolutely need to leverage our nation's small business innovators to maintain our national security.

As the Chief Technology Officer for the Department of Defense, it is my job to maintain the U.S. military's technological advantage, now and into the future. That involves:

- Identifying the critical technology areas the Department needs to pursue,
- Overseeing the Pentagon's many investments in S&T, including basic research,
- Overseeing our education & workforce development programs,
- Our small business outreach initiatives,
- Our Manufacturing Technology program,
- And much more

I also manage a number of DoD agencies and boards, including DARPA; the Defense Innovation Unit, or DIU; the Defense Innovation Board; the Defense Science Board; and the newly announced Office of Strategic Capital.

I would first like to share a bit about the direction we are going in across the DoD.

The recently released White House National Security Strategy, or NSS, lays out the objectives of our national security at large. We are in a global competition to be the world's leader in emerging tech, and it's a race we need to win.

We will need to invest strategically to maintain our competitive edge. We must implement a modern innovation strategy, we must support our workforce, and we must eliminate barriers to accelerating transition of critical technologies.

We in the Department of Defense have our own strategy, the 2022 National Defense Strategy, or NDS. This Strategy is the Pentagon's plan to keep our nation safe.



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Our priorities outlined in the NDS are as follows:

- Defending the homeland, paced to the growing multi-domain threat posed by the Peoples Republic of China;
- Deterring strategic attacks against the United States, Allies, and partners;
- Deterring aggression, while being prepared to prevail in conflict when necessary, prioritizing the PRC challenge in the Indo-Pacific, then the Russia challenge in Europe; and
- Building a resilient Joint Force and defense ecosystem.

My office is committed to advancing the objectives of the NDS by utilizing all the tools at our disposal, and that includes the small business community.

The joint force depends on small businesses that bring innovation and agility to support our mission. From manufacturers providing the critical parts that we need for our arsenal – to technology companies developing innovative systems and capabilities – small businesses are vital along the entire spectrum of the Department’s needs.

Small businesses make up 73% of companies in the defense industrial base, and last year small businesses were awarded over 25% of all DoD prime contracts. As the economic engine of our nation, small businesses create jobs, generate innovation, and are essential daily contributors to national security and the defense mission.

Sometimes the best ideas come from small businesses, which might not have much experience working with the government and could use some help. Reducing barriers and creating more opportunities for small businesses will allow us to expand, innovate, and diversify, increasing our warfighter advantage, strengthening our supply chains, increasing competition in our marketplace, and growing our economy here at home.



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I have made uplifting the small business community a centerpiece of my efforts in my role. Since my confirmation in August 2021, I have had 6 roundtables with small businesses. These were an opportunity to hear from this community, learn what pain points these companies face working with the Department, and working to figure out how we can solve them.

My office also manages the Small Business Innovation Research/Small Business Tech Transfer, or SBIR/STTR, program, which supports the development of innovative technologies from small businesses and startups. To date, the SBIR program has played a role in over 70,000 issued patents, supported the development of close to 700 publicly traded companies, and stimulated approximately \$41B in VC investments.

Some examples of SBIR innovation by small companies include:

- An exoskeleton that helps those experiencing paralysis,
- A small UAS that can be used by individual soldiers to defeat enemy armored vehicles,
- And sensors that can detect underwater mines,

At the close of Fiscal Year 2022, the future of the SBIR/STTR program was uncertain. However, thanks to a lot of hard work and support from SBIR/STTR colleagues across the Department, our federal partners, and the small business community, the SBIR/STTR Congress passed the SBIR/STTR Extension Act of 2022 on September 30.

This legislation includes many new requirements that we in the Department must implement, including steps to assess risks that defense-related technologies could fall into foreign hands.

Our first major reauthorization task is to implement the Foreign Risk Management requirements for disclosure and due diligence. We are committed to ensuring that taxpayer dollars are being used for their intended purpose. We are taking



steps to prevent the exfiltration of intellectual property to our strategic competitors and are looking to support companies in need of American investment.

We have established a tiger team with representation from across the Department. The approach is to implement a Department-wide program that applies a common and scalable risk-based framework that ensures consistent outcomes for the Department and small business community.

We remain committed to support our small business partners in the midst of these programmatic changes and will proactively communicate how these new requirements will impact the Department's SBIR/STTR program and the small business community.

Technologies developed through the SBIR/STTR program often need additional capital to cross the Valley of Death to get into procurement. This can be especially important for cutting edge technologies that could be included in capabilities at a later time.

There are several exciting initiatives and offices trying to solve this issue, including the Accelerate the Procurement & Fielding of Innovative Technologies pilot program, or APFIT, and Acquisition & Sustainment's Office of Small Business Programs. Launched by the Deputy Secretary, the Innovation Steering Group is finding ways to leverage Procurement Technical Assistance Centers and the Rapid Innovation Fund to support small businesses and incentivize primes to collaborate with small firms.

I would also like to touch upon Secretary Austin's recently announced Office of Strategic Capital.

OSC will partner with private capital and other federal agencies to employ investment vehicles that have proven highly successful in other U.S. government



contexts. This includes taking advantage of existing authorities and programs, including SBIR/STTR.

Broadly, OSC will do 2 things:

First: Identify and prioritize gaps in investment limiting our ability in the DoD to access critical technologies, including challenges with scaling up manufacturing.

Second: Partner with private capital markets to fill those gaps. OSC will harness lessons learned from previous government successes supporting early-stage innovative American companies such as Intel, Apple, Sun Microsystems, Cray Research and Tesla.

OSC's first program activity is a collaboration with the Small Business Administration, or SBA. This new joint effort will establish the Small Business Investment Company for Critical Technologies Initiative. This will help attract private capital investment to meet national security needs using an SBA program that has been used for decades to boost private investment for public benefit.

These are exciting announcements, and we look forward to exploring how SBIR/STTR program across the Department could potentially plug into and benefit from the capital available from these financial instruments.

We are living in a dynamic environment. In the Indo-Pacific and Ukraine, we are seeing how our adversaries are willing to break geopolitical norms and take enormous risks to challenge the rules-based international order. More than ever, it is clear to all that a stronger America means a better world.

Supporting small businesses is not just about meeting a goal or checking a box; it's about building enduring advantages for our warfighters. All of American industry has a role in developing, delivering, and sustaining the leap ahead capabilities that are required to preserve our national and economic security. And small business today plays a more important role than ever.



Thank you again for the chance to address you today. The work you are doing is important and I hope today's seminar will be an opportunity for you to share best practices and discuss how best to work with the Department in pursuit of our shared goals.

Thank you very much.