The Alliance for Commercial Technology in Government

The voice for bringing tech to government

Background

- Executive Director, The Alliance

- The Alliance is a trade association founded by startups and donors to reduce barriers to federal procurement of innovative technologies

- Partner, Practice Lead, Scale LLP

- Specialty practice advising dual-use and emerging defense technology companies on federal contracting, strategic transactions, and IP

- IP Advisor, Navy SBIR/STTR Transition Program

- Mentor, MIT Mission Innovation Program, NSIN Foundry Program

Eric D. Blatt
Executive Director
The Alliance
eric@the-alliance.io
C. 816.729.9771

Agenda

1. **Purposes of the SBIR Program at DoD**

2. **Measuring Success for the SBIR Program**

3. **Where to Focus Improvement Efforts**

The Future of the Battlefield

- Per the National Intelligence Council's Strategic Futures Group, the future battlefield will be revolutionized by advancements in four broad areas:
  - Connectivity
    - Sensors
    - Big data and analytics
    - Networking
  - Lethality
  - Autonomy
    - Unmanned vehicles
    - Swarming
  - Sustainability
    - Advanced manufacturing
    - Affordable mass

4

Observation

- Legacy defense contractors operating on cost-plus contracts lack the talent, organizational structures, and incentives to develop technologies – and particularly software – at a level that is competitive with the commercial market

- Government data systems lag the commercial sector by 10+ years

- Government-funded technology development projects routinely run over-budget and are obsolete on delivery

- These issues will cause us to lose conflicts if they are not addressed

Purposes of the SBIR Program

1. **<u>Procurement and fielding</u>** of advanced capabilities that serve the warfighter

2. Attracting talent and resources to serve national security objectives

    ○ The SBIR program is **<u>uniquely valuable</u>** in its ability to entice extraordinarily talented founders with highly qualified technologies (often backed by significant private resources) to apply their time and resources to national security objectives

3. Satisfying specific research needs identified by program offices

    ○ Lower value than #1 and #2, but also valid

Measuring Success of the SBIR Program

1. **<u>Procurement and fielding</u>** of advanced capabilities that serve the warfighter

    ○ SBIR dollars invested in a company should translate to improved productivity that shows up in the company's non-SBIR revenues – whether via government contracts or commercial sales

    ○ Gateway Function: Companies that otherwise would not engage DoD use the SBIR program to begin selling technologies to DoD

    ■ DoD gains improved capabilities

    ■ Company gains large enterprise customer and increased revenues

Measuring Success of the SBIR Program

2. **Attracting talent and resources** to serve national security objectives

    ○   Absolutely critical - legacy providers on cost-plus models have fallen hopelessly behind and lack the talent, structures, and incentives to catch up

    ○   DoD correctly wants high-performing, well-qualified tech talent at young, often venture-backed, companies to work on its problems

    ○   Open topics have **revolutionized** the effectiveness of the SBIR program in this domain

    ■   Highly-capable startups do not search for SBIR topics, and they require high alignment between government-funded research and their product roadmap to justify allocating engineering resources

Measuring Success of the SBIR Program

2. **Attracting talent and resources** to serve national security objectives (con't)

   ○ The Committee should consider analyzing the qualifications of the companies entering the SBIR program

      ■ Does company leadership have prior **business** experience (not research experience) in their fields?

      ■ Have company leadership had prior successful exits?

      ■ Has the company successfully raised private capital?

      ■ Has the company demonstrated market competitiveness by selling product?

Measuring Success of the SBIR Program

3. **Satisfying specific research needs** identified by program offices

   - 40 years of experience demonstrates that this is lower value than #1 and #2

     - Government technologists often select research topics that cannot be turned into a successful business

     - To be great at responding to these topics, you need to be an R&D service firm. R&D service firms are great at R&D – not commercialization

   - But DoD program offices have technical problems that need solutions, and small businesses are often more nimble and better able to recruit, retain, and apply R&D talent than large businesses

   - Success here should be measured by transition:

     - If the customer is funding the R&D, are they purchasing what they pay to develop?

Where to Focus Improvement Efforts

- The #1 challenge for the SBIR program is transition. The Government is not good at buying emerging technologies.
  - Process impediments
  - Cultural impediments
  - Training and skill impediments

- Proposed solution: Small Business Commercial Transition Program
  - Permanent funding to take top 10% of SBIR technologies and fund them at 10x level get into full production
  - Flexible requirement for innovation surprises to provide DoD with administrative tool to purchase new capabilities
  - Enhanced training for acquisition personnel in FAR Part 10 market research (determining whether solutions are already available) and procurement models for software / data

The Alliance for Commercial Technology in Government

The voice for bringing tech to government