

# TUTORIAL #16

## How do I go about putting a team in place?

In the “early days,” it was not unusual to see a Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) proposal submitted by a one person company, or a very small firm with no consultants or subcontractors on board. Today, this is the exception rather than the rule. This is likely the result of a number of factors.

First, it has become increasingly difficult for a small firm to have all of the expertise and experience required to execute a strong SBIR/STTR proposal. As an example, the increased emphasis placed on commercialization in these programs means that a technically strong small business may still need to team with others that possess the required commercialization expertise.

Second, the SBIR/STTR programs are unusual in that they expect the awarding agencies to fund innovations that are high risk. This expectation places more attention on the qualifications of the team. The agencies may be willing to fund a risky technology, but they are not willing to back a team that appears to be ill-qualified.

### ASSESSING YOUR TEAM

The applicant small business must evaluate the areas of expertise and experience needed to execute the proposed SBIR/STTR project. Then, the hard part – the potential applicant must make an honest assessment regarding how the education and experience of their team stacks up relative to the expectations of DOE program managers and their reviewers. DOE and its reviewers are seldom familiar with the individual team members of the applicant firms, and therefore how the team looks on paper (i.e., in their bios) becomes very important. If your assessment, or that of your advisors, surfaces gaps or weaknesses in your team’s qualifications - then team members should be added.

A cautionary note - do not include team members in your SBIR/STTR proposal who you do not plan to use on the project if it is awarded. This is referred to as “window dressing,” and is usually easily identified by DOE and its reviewers and will result in a poor evaluation of your proposal. Instead, add team members whose experience and education can both improve the qualifica-



tions of your team and contribute significantly to the SBIR/STTR effort.

### USING THIRD PARTY SUBCONTRACTORS

The SBIR and STTR programs are designed with the expectation that teaming with outside entities and individuals may be necessary. The SBIR program allows up to 33% of the Phase I research to be contracted to third parties, and this increases to 50% on Phase II awards.

In the STTR program, at least 30% of the research must be subcontracted to a non-profit research institution (RI) such as a university or a Federally Funded Research and Development Center (FFRDC). DOE's FFRDCs are listed in the DOE Funding Opportunity Announcement (FOA). The applicant small business must conduct at least 40% of the research on an STTR. These minimums leave another 30% that can be conducted by the applicant, by the RI, or by other third party subcontractors. These parameters ap-

ply to both Phase I and Phase II STTR projects. Much could be said about the importance of the relationship between the small business applicant and the RI on an STTR project; suffice it to say that these two parties should conduct due diligence and evaluate compatibility before entering into an STTR relationship.

### METHODS TO ADD NEW MEMBERS

There are four ways to add new members to an SBIR/STTR team:

- » First, an individual can be offered a position with the applicant small business. This offer might be made contingent upon award of the SBIR or STTR proposal that is being submitted. If offering a position based on award of a Phase I, please consider that the small size of most Phase I projects may make it difficult to offer full-time employment. In addition, long term employment may be problematic during the gap that often exists in funding between the end of a Phase I and the start of a Phase II project.

**There are four ways to add new members to the SBIR/STTR team:**

**No.1**  
Offer individuals a position within the small business.

**No.2**  
Contract part of the project to an outside entity like a consultant.

**No.3**  
Use a subcontractor.

**No.4**  
Create a joint venture with another entity.

» Second, you can contract some of the SBIR/STTR project to an outside entity. The DOE does not make a strong distinction between subcontractors and consultants, but consultants are usually defined at DOE as individuals, while subcontractors are usually part of entities or organizations. A university faculty member may be this consultant, if their institution permits it. In SBIR, as mentioned earlier, this individual could perform up to 33% of the Phase I research effort, and up to 50% of the Phase II work. In STTR, the individual could do up to 30% of the research effort, in addition to the 30% that must be conducted by the RI. Be sure to have a consulting agreement with this individual, which should address intellectual property and the consultant's obligations to meet all relevant Federal regulations and policies that the small business applicant agrees to in its SBIR/STTR award agreement.

» Third, you could add to your team by using a subcontractor. An STTR project requires that the small business applicant contract to a non-profit entity, typically a university or an FFRDC. Contracting is permitted in SBIR, and the sub-

contractor can be for-profit or non-profit, large or small, and even foreign (as long as all SBIR work is done within the United States). Again, a written agreement should guide the relationship between the subcontractor and the applicant small firm.

» Fourth, you could expand your team by creating a joint venture with another entity. This rarely occurs but might be appropriate if two small firms, for example, want to collaborate on a Phase I SBIR project but both must contribute more than 33% of the research (but not totaling more than 66%) and therefore one cannot serve as a subcontractor to the other. Two or more for-profit small firms can form such a venture and submit an SBIR/STTR proposal under its name. The resulting joint venture must still meet the eligibility criteria of an SBIR/STTR applicant, i.e., not more than 500 employees, and at least 51% owned by U.S. citizens or permanent resident aliens. Joint ventures are a relatively rare phenomenon in SBIR/STTR. And while they perhaps sound like an equitable way for two equal partners to collaborate on

an SBIR/STTR project, joint ventures must be carefully structured and be governed by a well-crafted agreement to avoid problems later on in the relationship.

### **FINDING THE RIGHT INDIVIDUAL/ENTITY**

There is no single best way to find appropriate individuals and entities to add to your team. Existing relationships may be a good source, because both parties know each other and have worked together. You may also want to look at previous SBIR and STTR awards by going to [www.sbir.gov](http://www.sbir.gov) where you can search with relevant key words. In this way, you may find other small firms working in a compatible area with which you could team on a future SBIR/STTR project, or the name of a university or FFRDC that has served as the RI on a previous relevant STTR project. An RI with previous experience in STTR may be easier to work with because they already understand the program and its RI role.

If you are applying to an SBIR/STTR topic where your work will eventually become part of a larger system or program at DOE, then ask the program manager/topic author if they can introduce you to system integrators or first or second tier suppliers with whom you could begin to develop a relationship. If your commercialization strategy calls for you to license or sell your technology to a large existing firm, then it is good to identify candidates that might have an interest in your project early in this process.

### **PRIORITIZING THE SEARCH**

Two quick words of advice about this search for new team members. First, this could take some time, so identify early on what you are lacking in your existing team, and begin the search immediately. Second, realize that DOE requires a letter or statement from a consultant, subcontractor, or RI as part of your proposal that indicates they are willing to be part of your team, that clarifies the role they will play, and describes the compensation they expect. DOE provides specific requirements for those letters; check Part IV C. of the current DOE FOA for the details.

Finally, be sure to identify and describe all key members of your team in your SBIR/STTR proposal. It is unacceptable to just write something like “to be identified” when referring to the PI or any key player of the project. DOE expects you to have your team identified by the time you submit the proposal, and will evaluate the merits of your project in part on the qualifications of that team. Only less critical members of the team who do not have unique expertise can be left unidentified (e.g., an electronics technician with commonly available skills). It also is not necessary to identify team members who are administrative in nature, but it is increasingly important to include those who bring commercialization expertise to the team.