

State Still Lagging in SBIR Grant Recipients

Eleven federal agencies distributed more than \$2 billion in research and development (R&D) grants in 2005. Indiana's slice — \$16.8 million, or less than 1% of the federal pie.

These grants are part of the popular SBIR (Small Business Innovative Research) and STTR (Small Business Technology Transfer) programs. (Additional federal R&D funding is available through other methods). Both SBIR and STTR grants are distributed in two phases, with Phase 2 eligibility determined by Phase 1 success. Initial awards are worth a maximum of \$100,000; Phase 2 awards can reach \$750,000 under both programs.

BizVoice® first reported on Indiana's disproportionately low share of applications and grants received in September/October 2003. Since that time, Indiana has slowly increased the amount of SBIR/STTR grant money coming to the state. Much work remains, however, as companies in neighboring Illinois, Michigan and Ohio average more than three times as many grants as their Indiana counterparts each year.

Aside from the lagging hard data (2005 is the most recent year for which complete federal information is available, but state officials report increased activity in the past two years), those involved with the process are optimistic about their potential in Indiana.

"No question in my mind — more capital brought into the state from SBIR/STTR will result in more products and companies being built. We are all interested in economic development and this is a great way to seed that development," suggests Dave Wortman, a longtime Indiana entrepreneur and current CEO of SonarMed, an Indianapolis-based medical device maker and recipient of previous SBIR awards.

"It's (SBIR/STTR) a terrific program ... a tremendous boon for companies that otherwise wouldn't have the capital to move their business forward," Wortman states. "It has given us the financial foundation on which to build our product."

Although 2005 is the most recent year for which the federal government has released data, the highly respected State Science and Technology Institute (SSTI) has compiled information on SBIR Phase 1 grants for 2006. The SSTI numbers indicate little change in the states receiving the highest number of grants with California, Massachusetts and Virginia placing first, second and third, respectively. The information necessary for a complete

year-to-year comparison beyond 2005 is not available at this time.

Getting the word out

Those we spoke with offered the reminder that many Indiana companies are not aware of SBIR/STTR grants.

"I am often surprised as I travel our state how many people don't know about these grants," comments Donald F. Kuratko, executive director of Indiana University's Johnson Center for Entrepreneurship and Innovation.



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The old adage, "you must play to win," is directly applicable as increasing the number of Hoosier companies applying for grants is the necessary first step in obtaining a larger share of the SBIR/STTR pool.

Leading by example is a role Wortman is more than happy to accept. "Other companies are intrigued by our success and I hope are encouraged to go after federal funding themselves," he observes. "I believe that every company owes it to themselves to look at SBIR/STTR funding in their area of interest and see what grant money is available."

Bruce Kidd, director of entrepreneurship for the Indiana Economic Development Corporation (IEDC) stresses that a product's commercial viability is currently a larger factor in the federal agencies' decision-making criteria than it was in 2003. He explains that companies able to show both research and commercial value for their proposed product are much more likely to be awarded grants than companies demonstrating research benefits alone.

Wortman and Kuratko both point to the IEDC as a primary source of assistance

for companies interested in pursuing the grants. Since 2004, the IEDC has operated a program to assist Indiana companies throughout the grant process and currently offers matching funds, up to \$100,000 for Phase 1 SBIR grants, through the 21st Century Fund.

To view the September/October 2003 BizVoice® article on SBIR/STTR grants, go to the archives section of www.bizvoicemagazine.com

Total SBIR Awards — Midwest States (FY 2003-2005)		
2003		
State	Total Awards	Total Dollars
Illinois	90	\$23,033,392
Indiana	41	\$10,928,615
Kentucky	10	\$1,688,737
Michigan	128	\$42,059,369
Ohio	237	\$74,456,522
2004		
State	Total Awards	Total Dollars
Illinois	94	\$27,088,702
Indiana	35	\$12,587,835
Kentucky	16	\$7,297,532
Michigan	122	\$35,082,016
Ohio	239	\$71,230,736
2005		
State	Total Awards	Total Dollars
Illinois	93	\$24,449,284
Indiana	58	\$15,439,281
Kentucky	8	\$3,828,023
Michigan	153	\$46,043,445
Ohio	268	\$83,158,038

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