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Dear Secretary Gates-

The Small Business Technology Council would like to commend you for your efforts to reduce costs and increase efficiency in the Department of Defense. In these tough economic times, it is important to ensure that the organization and enterprise of DOD is streamlined and efficient, not just to get the most out of the taxpayer dollar, but also to make sure that the resources meant to protect and aid the warfighter are not lost in overhead or wasteful spending. Creating a culture of intelligent restraint and efficiency within the DOD can only help these aims.

From a cost-effectiveness point of view, small businesses have been proven to be much more efficient than large businesses. Small Business Innovation Research companies consistently produce more innovations and new patents than large businesses, despite receiving a fraction of government R&D funding that big businesses receive. In fact, smaller companies produce about *5 times* more patents per employee than large firms and *20 times* more than universities.¹

Another way to make the business of DOD more efficient is to increase funding for SBIR commercialization. Recently, a RAND Corp. study of DOD SBIR², and a landmark National Academy of Sciences study³, both cited the need for increased DOD SBIR transition outcomes. There are hundreds of SBIR companies with good, proven technologies, but without the funding to transition them to the marketplace. Because they have already competed for Phase I and Phase II contracts, there is no reason to run new competitions, meaning they can be awarded contracts in sole source fashion. This accelerates transitioning products and services to the warfighter while avoiding months or years of expensive contracting competitions – which in the case of SBIR have already been competed.

¹ *Small Serial Innovators: The Small Firm Contribution To Technical Change*, CHI Research, Inc, March 2003

² Held, Bruce; *Evaluation and Recommendations for Improvement of the DoD SBIR Program*; RAND Corp; 7 December 2007

³ National Research Council; *An Assessment of the SBIR Program*; 2008; Sec. 5.9.8



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Other Agencies have already seen the value in increasing funding for the SBIR program. The Department of Energy recently announced \$188 million in additional funding for SBIR companies focusing on clean energy technology. This funding will be distributed to over 200 companies, all of whom have already competed and won SBIR contracts, and who have developed prototypes that have passed the proof-of-concept stage of development. Such an investment by the DOD would be a quick, low-cost way to help enable the Secretary's goals of reducing overhead and excess.

The SBTC supports your efforts to reduce cost and eliminate waste within the Department of Defense. Increasing the role of the SBIR program within the DOD is one way this can be accomplished. While large businesses will always have their place in DOD in producing large and complex weapons systems, small businesses in many cases are more nimble and efficient in producing smaller components and services. We hope that you continue to recognize the importance that small business can play in achieving your goals.

A handwritten signature in black ink, appearing to read "Jere Glover".

Jere Glover
Executive Director
Small Business Technology Council