



# Tools Of The Trade

# Powerful Economic Development Engine for Local Economies

by

John Davis, CEO and General Manager  
SBIR Resource Center®

# Who Creates Jobs?

## *Who Creates Jobs? Small vs. Large vs. Young\**

"... our main finding is that once we control for firm age there is **no systematic relationship between firm size and growth**. Our findings highlight the important role of business startups and young businesses in U.S. job creation."

"We find that **firm births contribute substantially to both gross and net job creation**. "

\* John Haltiwanger, University of Maryland and National Bureau of Economic Research  
with Ron S Jarmin & Javier Miranda, U.S. Census Bureau,  
August 2011

# Somewhat Surprising Conclusion

Small businesses are  
**NOT**  
the best engines of job growth.

Fast-growing businesses (*of any size*)  
**ARE.**

# Relevant Facts

Most fast-growing businesses are small. But, **most small busiensses are not fast-growing**

Generally the fastest growing busiensses of all are **young** (recent startups to five years).

# Supporting That Conclusion

*“Actually, Small Business Is NOT The Engine Of US Job Creation”*  
(report by Goldman Sachs' economist Kris Dawsey)

"historically the most important contributor to whether a firm grows or not is its age, rather than its size. The process of young firms (which do tend to start out small) growing into larger firms is the true contributor to job growth."

"... the vast majority of small firms start small and do not grow significantly. Furthermore, small firms are disproportionately concentrated in areas of the economy that tend to have lower productivity growth, including doctors' offices, small shopkeepers, restaurants, the building trades, etc."

# More Support\*

"We find that **firm births contribute substantially to both gross and net job creation**. Importantly, because new firms tend to be small, the finding of a systematic inverse relationship between firm size and net growth rates in prior analyses is **entirely attributable to most new firms being classified in small size classes**."

"... our main finding is that once we control for firm age there is **no systematic relationship between firm size and growth**. Our findings highlight the important role of business startups and young businesses in U.S. job creation."

National Bureau of Economic Research

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Chapter: Job Creation and Firm Dynamics in the United States

John Haltiwanger, University of Maryland and NBER

## *Ten Stupid Rhetorical Questions:*

1) Want an extra \$ millions to supplement your budget?

**SBIR is the solution!**

2) Like to use non-local \$\$\$ to fund local economic development?

**SBIR is the solution!**

3) Want to seriously grow high-paying STEM jobs in your community?

**SBIR is the solution!**

4) Want to promote a *tech-based* economy in your community?

**SBIR is the solution!**

5) Want to increase the average wage levels in your community?

**SBIR is the solution!**

6) Want to materially increase funds available (tax revenues) to operate your government?

**SBIR is the solution!**





# Economic Development Professional

7) Want to promote a loyal “home-grown” business base in your area?

**SBIR is the solution!**

8) Want to visibly improve the quality of life in your community?

**SBIR is the solution!**

9) Want to break with upgrade from old economic development approaches?

**SBIR is the solution!**

OK. Just one more *really stupid rhetorical* question:

- 10) Want your economic development program to have maximum impact?  
(*young, high-growth firms of professionals receiving high salaries*)

leads us to the same *brilliant* conclusion:

**“SBIR is the solution!”**

# SBIR Normally Understood As

- funding for a research project
- startup venture funding source
- supplemental business funding
- ordinary revenues (Federal contracting )
- welfare to micro-industry
- economic development tool (rare)

## But In Fact

# SBIR

is the most important source  
of early-stage, technology venture  
financing for America's  
entrepreneurs.

And

it's also true  
that

SBIR

is the most effective tool in the economic  
developer's tool box.

Not for the startup/research \$\$\$, but for the  
tremendous business advantages provided.

# Compared To Other Sources

- World's Largest & Most Interesting Investor
  - Ventures In Where Angels “Fear To Tread” (VCs too)
  - > 100,000 Projects Funded
  - > 20,000 Firms Served
  - > \$30 Billion Under Management
  - > \$2.4 Billion in NEW Funding Placed Every Year
  - ~ 5000 Projects Funded Annually
  - 11 Federal Agencies Handing Out The Money
  - SBA Provides Federal “Oversight” Responsibility
  
- Funds 20-25% of World's Most Significant Tech. Advances
  
- Entr'ee to \$ Billions in Easy/Unlimited Sales Opportunities

# Strategic Resource

**An enterprise is not a business, will not grow and cannot prosper unless/until it has a paying customer.**

*SO*

**Any real *business strategy* is all about finding, attracting & securing customers.**

# Strategic Resource

This reality makes

# SBIR/STTR

the world's most powerful

*business strategy*

*& Economic Development Tool*



# Strategic Resource

## SBIR / STTR

confers “*preferred vendor*” status  
on its participants with  
the world’s largest purchaser  
of goods and services.

-- *FOR LIFE!!!*

# Unlimited Business Strategy

With SBIR participants:

- 1) can sell to any/all federal customers with NO COMPETITION;
- 2) should be the MOST PREFERRED VENDOR to all such customers;
- 3) have NO LIMITS on purchase amounts/sizes/timing/locations;
- 4) can have UNLIMITED grants/contractual relationships with customers;
- 5) enjoy PROTECTIONS against any agency's malintent toward them;
- 6) customers are obligated to keep the IP, and other data, PRIVATE;
- 7) all such special attributes survive *FOR THE LIFE OF THE FIRM*,

**So, should Virginia's Economic Developers  
be interested in this strategy?**

# Old Fashioned Way

OR, would you rather have your client firms:

- *compete* with all of the other large, experienced, prepared, well funded, customer-connected vendors out there
- *worry* about protecting intellectual property from government / customers / predators
- *invest their \$\$\$* in marketing, sales & proposal efforts
- *spend valuable time* trying to secure venture capital
- *lose equity, ownership and control* with investors
- *etc?*

# *THEORY OF MONEY*

(from Economics 101)

GCP = gross community product (*THE primary measure of economic health*)

$$GCP = VM$$

(*M = money supply and V = velocity of money*)

For GCP bigger is better, so increasing either “M” or “V” is desirable.

NOW

> SBIR increases both M & V, therefore a more robust GSP.

> SBIR increases both M & V faster => faster economic growth.

# IMPACT ON LOCAL ECONOMY

## FASTER IMPACT ON THE LOCAL ECONOMY

- Payroll \$\$\$ typically turn over \* faster (up to 3.5 times).
  - => SBIR/STTR funds used mostly for payroll
  - => payroll \$\$\$ yield 2 to 3 times the state tax revenues of most other forms of transactions

\* turn over is known by economists as the “*velocity of money*”

**V (velocity) of money is also increased**

# IMPACT ON LOCAL ECONOMY

## LARGER IMPACT ON THE LOCAL ECONOMY

- Every dollar of SBIR/STTR is **NEW money** to the community.
  - => money introduced into an economy from outside is much more powerful than internal transactions
- Very high percentage of SBIR funds (> 80%) goes to pay salaries and NOT materials, travel, etc.
  - => most SBIR/STTR funds stay within the community

**M (money supply) is increased more**

# Economic Development

Therefore, we strongly assert that  
*SBIR is THE most powerful tool in  
the Economic Developers tool box,*

***PERIOD!!!***

# Analysis: Just 5 Winning Firms/Year

EXAMPLE FOR ONE SBIR FIRM						MD	MD	TOTAL	1-FIRM CUMUL.	X FIRMS	5 FIRMS/ YEAR YIELD
EVENT		REVENUES	EXPENSE	PROFIT	SALARIES	PAYROLL TAX	SALES TAX	ANNUAL TAX	MD TAX RETURNS	IN PROG.	ANN. TAX REVENUES
2016	SBIR Phase I	144000	142000	2000	98000	2548	2,640	5,188	5,188	5	\$25,940.00
2017	SBIR Phase II	250000	232500	17500	186000	4836	2,790	7,626	12,814	10	\$76,260.00
	"	500000	465000	35000	372000	9672	5,580	15,252	28,066	10	\$152,520.00
	"	500000	465000	35000	372000	9672	5,580	15,252	43,318	10	\$152,520.00
2018	"	250000	232500	17500	186000	4836	2,790	7,626	50,944	15	\$114,390.00
	1st Phase III/3M	750000	675000	75000	540000	14040	8,100	22,140	73,084	15	\$332,100.00
2019	"	750000	675000	75000	540000	14040	8,100	22,140	95,224	20	\$442,800.00
	2nd Phase III/3M	1500000	1350000	150000	1080000	28080	16,200	44,280	139,504	20	\$885,600.00
2020	3rd Phase III/5M	3166667	2850000	316667	1282500	33345	94,050	127,395	266,899	25	\$3,184,875.34
2021	"	3166667	2850000	316667	1282500	33345	94,050	127,395	394,294	30	\$3,821,850.40
2022	"	1666667	1500000	166667	675000	17550	49,500	67,050	461,344	35	\$2,346,750.47
2023	4th Phase III/5M	3333334	3000001	333333	1350000	35100	99,000	134,100	595,444	40	\$5,364,001.07
2024	"	1666667	1500000	166667	675000	17550	49,500	67,050	662,494	45	\$3,017,250.60
2025	5th Phase III/5M	3666667	3300000	366667	1485000	38610	108,900	147,510	810,004	50	\$7,375,500.67

Reap cumulative \$27,292,501 state tax revenues over 10 Years for a total investment of just \$2,500,000 (\$250K / per year).



# The Big Question

Shouldn't your office make efforts to exploit this fantastic source of economic development capital?

Especially when

only small annual investments\* should beget  
multiple \$ millions in annual tax receipts  
(*andtheserapidlygrowing*) in just 5 to 7 years.

*\* Partial funding to support this is available from the SBA*

# Intelligent Pursuit Alternatives

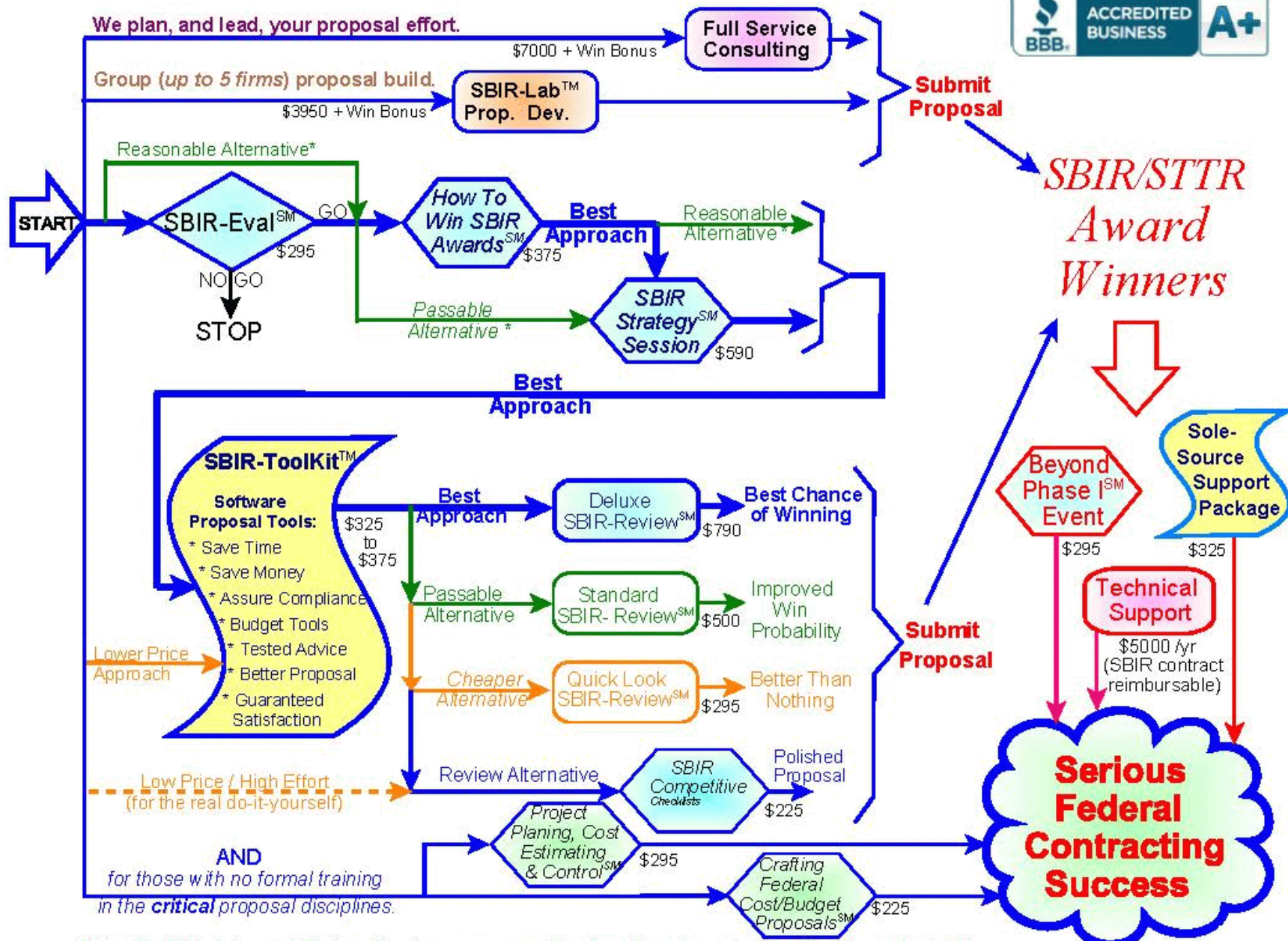
<typical client spends under \$2000 for all the help they can stand >

*NOTE: This is NOT an exhaustive list of Center's support resources.*

SBIR Resource Center®

(when you're serious)

www.sbir.us or call 410-315-8101  
for application tools / training / services



\* How To Win training and Strategy Sessions are reasonable alternatives for each other (best to employ both)

REV 2.2

# When You're Serious About SBIR

## *Unique In The Industry*

- **make the required investment to stay up-to-date** (participation, etc.)
- very public, highly-visible, transparent, **top professional reputation**  
(*seminars, conference presentations, Web sites, newsletters, etc.*)
- brings innovative, **cost/time saving tools & resources**  
(*for economic developers as well as applicants*)
- equipped with **ALL of the tools needed for full support:**
  - real **C-level executive** experience (*at several technology firms*)
  - extensive **R&D project planning & management** expertise
  - many years of hands-on **research & federal marketing** experience
  - many years in support of **economic development professionals**
- offer a **true proposal professional** and **true SBIR specialist**  
(*APMP = ongoing training, publications, certification, code of ethics, etc.*)
- only provider in the industry that offers **satisfaction guarantees**  
(*applies to everything the Center does/sells*)



# *The Intelligent Choice*

SBIR Resource Center<sup>(R)</sup>

- Where "BEST" is the standard! -

5 Linda Lane

Severna Park, MD 21146

TEL: (410) 315-8101

E-mail: SBIR@sbir.us

[www.SBIR.us](http://www.SBIR.us) OR [www.SBIRcenter.com](http://www.SBIRcenter.com)

## *When You're Serious About SBIR*

Guaranteed Performance - Guaranteed Satisfaction