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Nine Recognized for Their Commitment to Small Business

The best and the brightest of America's most outstanding small business persons and advocates visit the nation's capital in May to be recognized for their extraordinary achievements and contributions. The 36th annual Small Business Week, May 23–29, 1999, includes celebrations saluting the 23 million small businesses across the United States.

On May 25, SBA Deputy Administrator Fred P. Hochberg and Chief Counsel for Advocacy Jere W. Glover present special awards to "advocates of the year" in nine categories at a luncheon on Capitol Hill. The honorees were

selected for their commitment to helping small businesses succeed, demonstrated in large part by a voluntary sharing of their expertise.

"The business of growing a vibrant and strong small business sector is what this year's small business winners do best," said Glover. "Their commitment to small businesses across the country serves as an example to all. I applaud their leadership and support of small businesses."

The Small Business Advocate takes great pride in profiling here the nine winners, in a special feature beginning on page 6.

Chief Counsel Glover Feted



The SBA's Chief Counsel for Advocacy, Jere W. Glover, celebrated five years in office on May 6, 1999. Joining in the celebration were, from L to R: Matthew Page (Small Business Legislative Council); Denny Dennis (National Federation of Independent Business); Allen Neece (Neece, Cator and Associates); Chief Counsel Glover; Bennie Thayer, Jim Morrison, and Ginny Beauchamp (National Association for the Self-Employed); David D'Onofrio (National Small Business United); and Tom Sullivan (National Federation of Independent Business).

Biggest Procurement Centers Spent Least on Small Firms

A new Office of Advocacy review of federal procurement centers nationwide finds that their spending on small business goods and services in fiscal year 1998 ranged from zero to 100 percent. The study, *Federal Procurement from Small Firms*, ranks the "small business friendliness" of 2,235 federal procurement centers based on the percentage of their spending awarded to small firms.

The study finds that almost two-thirds of the \$181.7 billion spent in federal prime contracts of \$25,000 or more was controlled by the centers that spent the least (on average just 6.3 percent) on small firms. Overall, the procurement centers spent 18.3 percent of the dollars in prime contracts over \$25,000 on small firms. (Adding spending in prime contracts under \$25,000 increases the small business share to about 20.6 percent.)

"The policy that requires federal agencies to spend their prime contract dollars in the small business sector is a sound one," said the SBA's Chief Counsel for Advocacy Jere W. Glover. "By relying on small firms, federal agencies can both meet their needs with quality products at reasonable prices and provide vital income to this key sector of the American economy. We hope that the data in this new study will help small firms and policymakers ask appropriate questions of procurement center leaders in their areas."

Among the study's other findings are the following:

- Of the 2,235 procurement centers studied, 213, or 9.5 percent, awarded 100 percent of their prime contract dollars to small firms. The largest procurement total in this group — \$46.7 million — came from the Department of Energy in Grand Junction, Colo. However, these centers controlled less than 0.2 percent of all contract dollars,

and just eight of the 213 spent more than \$5 million.

- At the other end of the spectrum, 260 centers — 11.6 percent — did no prime contract business at all with small firms. Some of these procurement centers spent hundreds of millions of dollars. Together, they controlled more than 6 percent of all the prime contract dollars spent in FY 1998.

- At the median was the Department of the Army in Fort Shafter, Hawaii, which awarded 43.5 percent to small firms. If every center had met this median level, the small firm dollars would have more than doubled, to almost \$80 billion.

The study is available in separate reports for each state, as well as a national report listing all 2,235 procurement centers in rank order. For each procurement center, the reports provide the dollar amount and small business share of prime contracting, as well as the center's FY 1998 nationwide ranking and comparative rankings for FY 1997 and FY 1993 through FY 1996. Also listed are the major types of industries (by standard industrial classification code) supplying the goods and services.

For More Information

Copies of *Federal Procurement from Small Firms* are available on the Office of Advocacy's Web site at www.sba.gov/ADVO/stats. Paper and microfiche copies of the national edition are available for purchase from the National Technical Information Service, tel. (703) 605-6000. Ask for document no. PB99-144255.

For technical questions about the report, contact Major Clark, assistant chief counsel for procurement, at (202) 205-7150, or Bruce Phillips, director of economic research, at (202) 205-6975.

The Small Business Advocate

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Message from the Chief Counsel

Despite Procurement Reform, Barriers Still Exist for Small Contractors

by Jere W. Glover

The 1999 Advocacy Small Business Awards will be presented in May during Small Business Week in Washington, D.C. I want to congratulate all the winners, who are profiled in this edition of *The Small Business Advocate*. This year's winners are from diverse backgrounds but each one shows tremendous dedication and leadership. On behalf of everyone at the Small Business Administration, thank you for serving the small business community.

Over the last five years, federal procurement reform legislation has been a controversial topic for the small business community. While the federal acquisition system had become too rigid in some ways, small businesses overwhelmingly supported the strict requirement for full and open competition. But legislation enacted in 1994 and 1996 "streamlined" federal procurement and, to some degree, shut the door on small business. A new report from the Office of Advocacy (see story on page 1) demonstrates that small businesses are receiving a small share of the federal prime contracts dollars, and the results raise concerns about reform.

Using government-provided data, the Office of Advocacy determined that small firms received just 18.3 percent, or \$33.2 billion, of the \$181.7 billion spent by the federal government in prime contracts over \$25,000. *Federal Procurement from Small Firms* reports on every federal procurement center in the United States and lists every center's percentage of prime contract dollars (for contracts over \$25,000) going to small businesses. Most federal prime contract dollars were awarded by procurement centers

By reporting data on federal contracts, the Office of Advocacy hopes to inspire federal agencies and policymakers to identify barriers to small businesses' competition for contracts, and to implement solutions.

that spent little to nothing with small firms.

Contract bundling may be the most significant trend leading to the decline in small businesses' access to prime contract dollars. To streamline the procurement process, the federal government has pursued government-wide acquisition contracts (GWACs). The GWACs are bundled contracts that include: (1) multi-year commitments; (2) multi-product and/or service requirements; and/or (3) large geographic areas of service. The bundled contracts allow contracting staffs to deal with fewer contractors. For example, a \$90 million contract is easier and cheaper to bid and manage than nine \$10 million contracts. But is it cheaper in the long run? With fewer competitors able to bid on a \$90 million contract, the government probably will experience higher prices in the long run that far outweigh the cost of administering more contracts.

By reporting data on contracts, the Office of Advocacy hopes to inspire federal agencies and policymakers to identify barriers to small businesses' competition for contracts. Solutions are at hand. For instance, the U.S. Department of

Commerce created a multiple award contract exclusively for small, small disadvantaged, 8(a), and women-owned businesses. The Small Business Reauthorization Act of 1997 included provisions allowing small firms to partner and bid on bundled contracts. However, we are only beginning to witness the results of the 1994 and 1996 legislation, and I hope to see progressive initiatives to ensure that the federal government procures from many businesses — large and small — and enjoys a healthy environment of competition. Small businesses, the government, and the economy will benefit.

For More Information

For information on the procurement study published recently by the Office of Advocacy, *Federal Procurement from Small Firms*, see the story that begins on page 1 of this issue.

For information on Small Business Week 1999, including the names of all the state winners, go to the Small Business Week home page at <http://smallbusinesssuccess.sba.gov/>.

State of Montana, Sen. Baucus Recognized for Tax Simplification Efforts

The Montana Department of Revenue is the first volunteer for a pilot program, authored by U.S. Sen. Max Baucus (D-Mont.), that will dramatically reduce federal reporting requirements for the nation's smallest businesses. At a ceremony on March 29, held in Helena, Mont., Jere W. Glover, the SBA's chief counsel for advocacy, joined the commissioner of the Internal Revenue Service, Charles Rossotti, to present awards to the state of Montana and Sen. Baucus in recognition of their outstanding efforts on behalf of small businesses.

The national program that Montana is working with, the Simplified Tax and Wage Reporting System (STAWRS), is a joint National Partnership for Reinventing Government program of the Department of the Treasury, the Department of Labor, the Internal Revenue Service, the Social Security Administration, the Small Business Administration (SBA), the Office of Management and Budget, various states, and private organizations. Among other initiatives, STAWRS has undertaken a project to implement so-called "single-point filing," which is an effort to eliminate the duplicative tax filings required of employers by federal, state, and local governments. By partnering with these different government entities, and creating one filing report (either electronic or paper), STAWRS may eventually make it possible for employers to file a single, one-page report that will be shared by several revenue agencies. The governments will then do the work and extract the information they need.

"It is a pleasure to give this

The participation of Montana in an initiative designed to simplify tax reporting for employers is recognized, along with the program's chief congressional sponsor.

Regulatory Innovation Award to the sponsors of a program that advances our goal of dramatically reducing paperwork for small businesses," said Glover at the presentation. "The program's sponsors, the state of Montana and the Department of Revenue headed by Mary Bryson, are leading the way to find new methods to cut red tape and paperwork for small businesses."

In addition, Glover presented Sen. Baucus with a Special Advocacy award. Sen. Baucus introduced the key legislation that allowed state and federal agencies to share information for this voluntary pilot program.

"STAWRS is designed to help businesses file their paperwork with one office, instead of wading through a blizzard of paper," said Sen. Baucus. "It's one-stop shopping and will go a long way toward streamlining payroll information, making filing faster and easier. I'm delighted to have been able to put this pilot program into the 1997 tax bill, and I'm delighted to see that it's working in Montana."

Montana, the first state to try out the program, is making a special effort to help small businesses. The state has also received the Commissioner's award from the IRS and was presented with the prestigious "Hammer" award by the National

Performance Review for its excellence in reducing bureaucracy.

"The IRS has a great opportunity to improve our service to small business as a whole," said Commissioner Rossotti. "We are now taking a dual approach: working to make incremental short-term improvements as quickly as possible, while moving toward a new small business focus that will enable us to sustain and implement continuously fundamental improvements over the coming years."

For More Information

For more information on the Simplified Tax and Wage Reporting System program, visit the STAWRS home page at www.treas.gov/stawrs/.

Initiatives of the federal "reinventing government" team, the National Partnership for Reinventing Government, are detailed on the Internet at www.npr.gov.

Baby Boomers and Retirement: Will They Work Forever?

by Victoria Williams

Baby boomers are redefining retirement in America. No longer the time when retirees exclusively enjoy leisure and travel, retirement is an opportunity for many to become their own bosses. The retirement of Americans born between 1946 and 1964, around the age of 65, is driving political debate in the halls of Congress on a number of issues from Social Security to health care reform. But for Main Street, U.S.A., the real questions are: What will the baby boomers do once the retirement party is over? What impact will baby boomers have on the entrepreneurial landscape in the next century?

Baby boomers' attitudes, expectations, and behavior toward retirement are different compared to their parents and grandparents. A recent American Association of Retired Persons (AARP) study by Roper Starch Worldwide, discovered that about 80 percent of baby boomers would continue to work while 16 percent will do volunteer work. The study found that 35 percent of respondents expect to work part time primarily for the self-fulfillment that it provides. Of those who expect to remain in the labor force, 23 percent expect to work part time solely for income, 17 percent expect to start their own businesses, and 5 percent expect to work full time doing something else. The study, conducted in April 1998, was based on 2,001 currently employed respondents born between 1946 and 1964, aged 33 to 52.

"The retirement of baby boomers in the next decade will certainly define the business culture of the 21st century," said Jere W. Glover, the SBA's chief counsel for advoca-

If the results of some recent surveys of baby boomers are to be believed, we should be preparing ourselves for an older work force in the years to come.

cy. "Public policy makers will have to anticipate these demographic changes and ensure that laws affecting small businesses serve the needs of new, but older, entrepreneurs."

According to the Bureau of Labor Statistics (BLS), 66.7 million baby boomers between the ages of 33 and 52 were employed in 1998. If — as indicated in the AARP survey — 17 percent of those retiring baby boomers started their own business, an entrepreneurial base of an estimated 11.3 million small businesses would exist. If past is prologue, the growth of the small business sector will create new jobs

They Keep Going . . .

What a group of investors said they would do upon retirement.

- Become an entrepreneur or seek a new job: **60%**
- Work as long as possible: **15%**
- Enjoy traditional retirement: **15%**
- Seek work/life balance: **10%**

Source: Gallup Organization poll conducted for Paine Webber.

in the economy.

A recent poll commissioned by Paine Webber from the Gallup Organization on investor attitudes found that 85 percent of investors expect to continue with some form of work, while most of them would like to be their own bosses after retirement. Most American investors who plan to retire do not intend to follow traditional retirement patterns, such as the pursuit of travel and leisure.

The Paine Webber study identified four categories of emerging retirees, who said they would:

- become an entrepreneur/ seek a new job (60 percent);
- work as long as possible (15 percent);
- enjoy traditional retirement (15 percent); or
- seek work/life balance (10 percent).

Many in Paine Webber's entrepreneur group viewed retirement as an opportunity to start their own businesses and become their own bosses. Of the 60 percent polled, 26 percent intend to start a full-fledged business, and the remainder say they will turn a hobby into something that generates revenues. Most investors in this group have already made money with their hobbies.

Victoria Williams is a research assistant in the Office of Advocacy. For more information regarding this article, contact Ms. Williams via e-mail at victoria.williams@sba.gov.

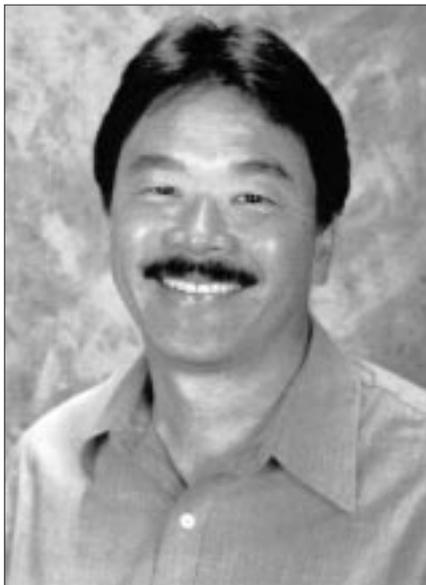
The 1999 National Advocates of the Year

Accountant Advocate of the Year

William L. Wong, C.P.A. is a dedicated advocate for small businesses, especially in the legislative process. As a member of the Governor's Small Business Task Force on Regulatory Relief since 1995, he championed the passage of Hawaii's Small Business Regulatory Flexibility Act of 1998. In addition, he worked with the legislature and the governor on relieving small business paperwork burdens associated with tax filings. Beyond small business efforts, he is an active member of Kauhale Po'ohales, a task force dedicated to improving conditions for homeless people.

Exporter Advocate of the Year

Kristy Schloss was the co-chair of the Colorado delegation for the White House Conference on Small Business. At the conference, region VIII delegates elected her to be the regional implementation co-chair, and she was active in the imple-



Accountant Advocate of the Year William L. Wong.



Exporter Advocate of the Year Kristy Schloss.

mentation of the delegate's recommendations. In 1996, she was appointed to the SBA's National Advisory Council. Additionally, she was appointed by the secretary of commerce to the District Export Council and assists other small businesses to enter the export market. She was also appointed to the Environmental Technologies Trade Advisory Committee, which advises the Department of Commerce on issues of international competitiveness and export opportunities for the U.S. environmental industry.

Financial Services Advocate of the Year

Jeffrey M. Pollock is the co-founder and president of the Manchester-based New Hampshire Business Development Corporation (NHBDC). The NHBDC is a for-profit company chartered by the state of New Hampshire and funded with public and private investment funds to foster the growth of small businesses by providing qualified

candidates with loans, investments, and business assistance. Mr. Pollock has a 20-year career in financing and business development. He was appointed by Gov. Jeanne Shaheen to the state board of education in 1998. He organized the first and second annual Private Investors Forum, hosted by the University of New Hampshire Center for Venture Research, and he represented the state of New Hampshire as an elected delegate to the 1995 White House Conference on Small Business.

Media Advocate of the Year

Jeanie M. Barnett heads MBE, a national, bimonthly publication for minority and women business owners. In addition, she launched WBE, a bimonthly newsletter in 1993 that covers programs and policies of benefit to entrepreneurial women. As editor-in-chief of MBE and WBE, Ms. Barnett writes in-depth profiles of successful entrepreneurs



Financial Services Advocate Jeffrey M. Pollock.



Media Advocate of the Year Jeanie M. Barnett.

in a variety of fields ranging from construction and professional services to high technology. She also writes feature stories and commentary about business and legislative issues pertaining to minority and women's business development. She is responsible for the development, research, writing, editing, and overall content of both publications. She also serves as an advocate of minority and women's business development through her participation in several business and membership organizations.

Minority Advocate of the Year

Richard S. Amador heads the non-profit CHARO Community Development Corporation, an innovative community organization in Los Angeles that develops and implements economic initiatives that create jobs and wealth for the Latino community. At CHARO, he has developed several innovative programs designed to inspire and nurture fledgling Hispanic businesses by assisting them with marketing efforts, the development of business plans, obtaining financing, and providing entrepreneurship training. Through his leadership

CHARO established the first multi-service center including a One-Stop Employment Center and an entrepreneur training program offered in Spanish. He has been an effective advocate on the Greenlining Coalition and, with the United States Federal Reserve Board, has been working to ensure that attractive growth capital packages are available from government sources and national financial intuitions for the benefit of local businesses.

Veteran Advocate of the Year

Major General **Michael E. Dunlavey, Esq.** is an attorney in private practice who has dedicated his life to helping veterans by mentoring veterans who want to establish their own law practice or business. He serves on the Reserve Forces Policy Board and advises veterans of their legal rights and responsibilities as business owners while they are away serving their country. He also works with the Office of the Governor, the Erie (Pa.) Department of Veterans Affairs, and the U.S. Small Business Administration to counsel veterans in entrepreneurship and other employment endeavors.



Minority Advocate of the Year Richard S. Amador.



Veteran Advocate of the Year Maj. Gen. Michael E. Dunlavey.

Women Entrepreneur of the Year

Vivian L. Shimoyama's work in the greater Los Angeles community, the state of California, and across the nation has benefited women business owners. While running her own business, she dedicated countless volunteer hours to women entrepreneurs. Her list of credits is long: chair of the 1996 World Congress of Women Business Owners; leader of the initiative to open the Los Angeles Women's Business Resource Center; volunteer for An Income of Her Own (an entrepreneurship program for teen women); chair of the board of directors for the National Association of Women Business Owners, Los Angeles Chapter; advisor to the Mayor's Office of Economic Development; delegate to the 1995 White House Conference on Small Business; advisor to the National Women's Business Council's economic summits; speaker at a forum for the U.S. Presidential Commission on Race; advisor to the Asian Pacific American Women's Leadership Institute; board member of the

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Winners, from page 7

state of California Small Business Development Centers; advisor to the National Foundation of Women Business Owners' women of color study; and member of the National Coalition of 100 Black Women and the W. K. Kellogg Foundation, which launched the Civil Institute for Women of Color.

Young Entrepreneur of the Year

Thomas M. Dunn, Jr., is a "dedicated" and "intelligent" businessman, who started his lawn care business at the age of 16 while attending high school. After graduating with a double major in marketing and management from Indiana University, he incorporated Dunn Lawn and Land in 1994. In four years, his business grew from two lawnmowers to eight trucks, 22 employees, and revenues of \$1.2 million in 1998.

Entrepreneurial Success Award

Wallace Tsuha, one of eight children in his family, has lifted himself from humble beginnings to



Woman Entrepreneur of the Year Vivian L. Shimoyama.

become chairman and CEO of a successful \$200 million minority enterprise. Mr. Tsuha worked his way up from an electronic technician to a product manager of several divisions in Fortune 500 companies. In 1985, he embarked on his entrepreneurial journey by starting

Saturn Electronics and Engineering from his dining room table. Under the tutelage of the Small Business Administration's 8(a) program, the company prospered. Saturn graduated from the 8(a) program before its tenure had expired and has grown into a successful large company.



Young Entrepreneur of the Year Thomas M. Dunn, Jr.

For More Information

For more information on Small Business Week 1999, including lists of winners in each of the states and information on local and national celebrations, visit the Small Business Week home page on the Internet at <http://smallbusinessuccess.sba.gov/> or contact your nearest SBA field office.



Entrepreneurial Success Award winner Wallace Tsuha.

Highlights of Small Business Research Available on the Web

The Internet continues to reshape the way small businesses and organizations research information about the many facets of small business. *The Small Business Advocate* published an article in the September/October 1997 edition on Web sites to help readers find web pages that contain recent data of interest. We take the opportunity a year and a half later to offer some new sites in no particular order. These Web sites, of course, do not necessarily reflect the views and opinions of the Office of Advocacy.

American Management Association (AMA). An AMA study discovered that a diverse top management was common with small businesses and it pays off in improved performance. The survey by AMA and Business and Professional Women USA (BPW) found that small businesses lead big companies in diversity at management levels. Women hold a greater percentage of senior management posts in service firms. They dominate the communications industry and business and professional services, which include consultants and software developers. For more information go to <http://www.amanet.org/research/press.htm>.

Dun & Bradstreet (D&B). The 17th annual D&B small business study revealed the gaps between women-owned and men-owned businesses along with a typical profile of American small businesses. Go to www.dnb.com/newsview/0598news2.htm.

Federal Computer Week (FCW) reports on new goals for tapping small businesses to participate in large federal contracts, beginning with a \$25 billion contract for large-scale information

Web sites that offer research on small business are flourishing. Here is a sampling of some of the information you can easily obtain access to.

technology (IT) support services. The Federal Computer Acquisition Center (FEDCAC), which is part of GSA's Federal Technology Service, plans to make 12 awards under its "Millennia" contract in April 1999. High-end requirements from the multiple award are to be replaced with a five-year contract. FEDCAC plans to make it a requirement for Millennia bidders to show that they will direct at least 35 percent of their work to small businesses, of which 10 percent must go to small disadvantaged businesses and 5 percent to women-owned small businesses. This requirement makes bidders channel some of the federal work to small and minority-owned businesses. For more information go to www.fcw.com/pubs/fcw/1999/0111/fcw-polsmallbiz-1-11-99.html.

Employee Benefit Research Institute (EBRI). According to a new EBRI survey 57 percent of small business owners favor some form of Social Security individual accounts, when asked if they supported or opposed the same without including costs. Almost one-third of small business owners who are supportive are willing to spend \$500 per annum in additional payroll processing costs to help administer individual Social Security accounts. Go to www.ebri.org/prrel/pr450.htm.

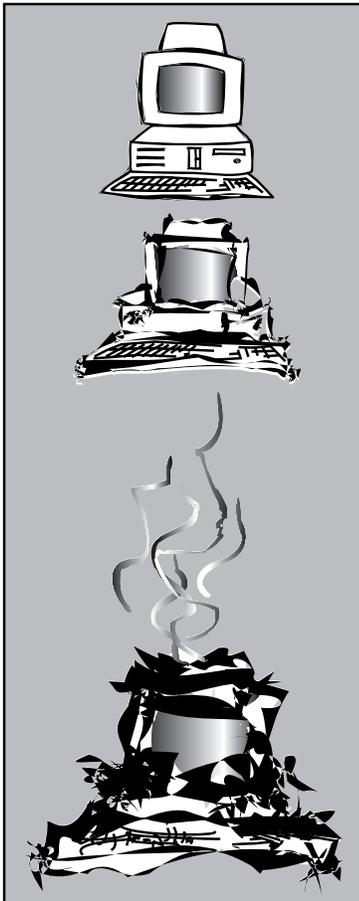
National Business Incubation Association (NBIA) recently released its 1998 State of the Business Incubation Industry study, including its findings that incubators have added about 19,000 companies and 250,000 jobs to the economy. Go to www.nbia.org/press/thrive.htm.

Nation's Business. The November 1998 cover story of *Nation's Business*, the official publication of the U.S. Chamber of Commerce, talks about bank mergers and the difficulties small business owners encounter. Some of the consequences of bank mergers on small businesses are reduced lines of credit to small business owners and shortened payback periods on loans. Go to www.nationsbusiness.org/index.html

National Federation of Independent Business (NFIB) recently found that 9 out of 10 small business owners say Social Security has a long-term financial problem. The NFIB has also conducted research on small businesses and the Y2K millennium bug. According to the study, 40 percent (about 1.9 million) of all small employers that are vulnerable to the problem have taken action, followed by 19 percent that plan to act. Another study by the trade association found that labor shortages have become the number one problem that employers are facing. For a complete version of the studies, go to www.nfibonline.com.

National Foundation for Women Business Owners (NFWBO) found that in 1998 women business owners with bank credit had \$50,000 or more available for business use, an increase of

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Are You Y2K OK?

On January 1, 2000, some computer-based systems will begin processing information as if it were January 1, 1900. This is called the Year 2000 problem or the "Y2K bug." It may cause problems for your small business unless you act now. This is not just a computer problem. It could affect any equipment that uses a computer chip as well as the suppliers and business partners you rely on.

For more information contact the
U.S. Small Business Administration
at
1-800-U-ASK-SBA
<http://www.sba.gov>

A public service announcement provided by the



All the SBA's programs and services are provided to the public on a nondiscriminatory basis.

Web Watch, from page 9

14 percent compared with 1996. However, they still lag behind their male counterparts by a difference of 24 percent according to a study by the NFWBO/Wells Fargo. Nearly one quarter of firms owned by women of color with some sales to the federal government resulted from federal government programs compared with 13 percent of white women-owned firms. Go to www.nfwbo.org/. Also according to NFWBO, entrepreneurs rely on most of the same sources of financial information for investing (brokers, financial planners, and newspapers). However, women entrepreneurs are less likely than their male counterparts to seek financial information from financial newspapers or magazines. Go to www.nfwbo.org.

National Small Business United and **Arthur Andersen's Enterprise Group** have been conducting surveys on small business for seven years. Information from the results of their 1998 survey is available. Go to www.nsbu.org/.

Finally, the SBA's **Office of Advocacy** recently redesigned its Web page, making it easier to access the statistics, research, regulatory information, and publications (including current and back issues of *The Small Business Advocate*) that are available on its site. Go to www.sba.gov/ADVO/. (See related announcement on page 12 of this issue.)

More Sites to See

Here are several additional sites that contain material pertaining to small business:

- National Association for the Self-Employed: www.nase.org
- American Small Business Association: www.asbanet.org
- American Association of Home-Based Businesses: www.aahbb.org
- National Business Association: www.nationalbusiness.org
- National Minority Business Council: www.nmbc.org
- Research Institute for Small and Emerging Business, Inc.: www.riseb.org
- Small Business Benefit Association: www.soho.org
- U.S Chamber of Commerce: www.uschamber.org

The SBIR Program: An All-American Priority

by Milton D. Stewart

This special "Technology Talk" column is by Milton D. Stewart, the first chief counsel for advocacy at the U.S. Small Business Administration. He has dedicated the past 20 years to expanding and supporting the Small Business Innovation Research (SBIR) program in the federal government.

The United States has achieved a unique world role as a benign superpower. Technology leadership is an important element in maintaining that position. The Small Business Innovation Research (SBIR) program has demonstrated its ability to strengthen the contribution of small high technology companies to advancing achievements on a wide research frontier.

The SBIR program was created in 1982 to strengthen the role of small firms in federally supported research and development (R&D). Since that time, the SBIR program has directed nearly 37,000 awards worth more than \$5.5 billion in R&D support to thousands of qualified small high-tech companies on a competitive basis. Ten federal agencies manage the SBIR program under the general supervision of the Small Business Administration. Five of the 10 agencies — the departments of Defense, Health and Human Services, and Energy; the National Aeronautics and Space Administration; and the National Science Foundation — manage more than 90 percent of SBIR funds. The other five are the departments of Agriculture, Commerce, Education, and Transportation and the Environmental Protection Agency. This program, which is up for reauthorization in 2000, mandates that when an agency's exter-

"The SBIR program is the best federal step yet taken to maximize the small business contribution to long-term technology leadership."

nal R&D obligations (those exclusive of in-house R&D performance) exceed \$100 million, the agency must set aside a fixed percentage of such obligations for SBIR projects. This percentage initially was set at 1.25 percent, but under the Small Business Research and Development Enhancement Act of 1992, it rose incrementally to 2.5 percent in 1997.

SBIR is now a mature, proven program. It has grown from an initial federal investment of \$400,000 to the level of a \$1 billion a year. Repeated studies by the General Accounting Office and others have confirmed the excellence of the research performed. The most difficult measure of the cumulative impact of the SBIR program on the economy is also likely to be the most important one. The program stimulates entrepreneurship in 3,500 to 4,500 projects a year. The range of those projects is as broad and diverse as applied research itself; there is almost no technology discipline that is not reached by one of the 10 sponsoring federal agencies. It is estimated that at least 10,000 small technology companies are in the midst of building businesses based on the assumption that the SBIR program will continue to thrive.

Small business is a necessary —

but not alone a sufficient — contributor to national technology leadership. It is one of six "functional communities" which create the unique American technology development machinery. The others: (2) large companies; (3) universities; (4) the federal government; (5) venture capital and commercial banks; and (6) independent professionals — engineers, scientists, doctors, accountants, and lawyers. The SBIR program is the best federal step yet taken to maximize the small business contribution to long-term technology leadership both directly and by its interaction with the other five communities.

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