

POSITION STATEMENT

REINVIGORATING THE ENTREPRENEURIAL ECOSYSTEM BY INCREASING INVESTMENTS IN WOMEN AND MINORITY BUSINESS OWNERS

*Adopted by the IEEE-USA
Board of Directors 21 July 2020*

In order to drive economic growth and prosperity, grow into new and underserved markets, and increase American capability in the tech pipeline, IEEE-USA recommends increased funding and policy support of women and minority-owned startups through their early growth into small businesses. Specific policy actions should include:

- Expanding support centers and programs, such as local business development centers, to support newly formed women- and minority-owned businesses through development of locally tailored training and education programs, which include available resources, fundraising mechanisms, and accelerator programs
- Increasing transparency in the public reporting of SBIR/STTR demographic data - including, but not limited to, race and gender of awardees, owners, and principal investigators on an agency-by-agency basis. This information should be readily accessible on the SBA website and updated regularly
- Prioritizing a portion of agency resources to:
 - Increase diversity among SBIR/STTR application reviewers
 - Actively engage in outreach to potential SBIR/STTR participants from underserved communities through partnerships with women and minority business development centers, Historically Black Colleges & Universities, Hispanic Serving Institutions, Tribal Serving Institutions, and community colleges

Startups and small businesses have long been the engines of job creation and innovation in the US. By creating new ideas, products, and markets, and simultaneously driving existing businesses to innovate, they make the entire economy more productive. In 2015, 414,000 startups created 2.5 million new jobs according to the Census Bureau, accounting for 11 percent of employment and 27 percent of job creation.¹

Access to capital is a significant barrier to starting a new business, especially for women and minority-owned businesses. The SBIR/STTR program meets a critical need as the largest single source of non-dilutive funding for startups.² It is also mandated by authorization language to support the participation of women as well as socially and economically disadvantaged groups in new business creation.

SBIR/STTR funds reach more women and minority business owners than traditional venture capital; however, awards to diverse founders are significantly lower (with less than 2% of NIH SBIR awards going to minority owned small businesses in FY2014)³ than their corresponding representation in the US population (13.4% African American, 18.3% Hispanic, 1.5% American Indian, Alaska and Hawaii Natives).⁴⁵

The percentage of SBIR/STTR grants awarded to female business owners has risen only slightly between 2005 and 2017, from 8% to 11%, and the share awarded to socially or economically disadvantaged business owners has remained almost flat at

¹ US Census Bureau. (2017, September). Startup Firms Created Over 2 Million Jobs in 2015. Retrieved June 14, 2020, from <https://www.census.gov/newsroom/press-releases/2017/business-dynamics.html>

² US Small Business Administration (2019, May). Hearing on Reauthorization of the SBA's Innovation Programs. Retrieved June 14, 2020, https://www.sbc.senate.gov/public/_cache/files/5/0/505e34dc-d17a-4629-999d-6cf9a551ce5a/20843D4D1D25183032332FCA731BA29B.shepard-williams-testimony.pdf

³ SBIR/STTR at the National Institute of Health, Chapter 6 Participation of Women and Minorities (2015). The National Academies of Science, Engineering, and Medicine. June 18, 2020, www.nap.edu/read/21811/chapter/8#207.

⁴ United States Census Bureau. Quick Facts. Retrieved June 18, 2020, <https://www.census.gov/quickfacts/fact/table/US/PST045219>

⁵ In creating the SBIR program, Congress specified that a primary goal of SBIR was "to foster and encourage participation by minority and disadvantaged persons in technological innovation." Current substantial disparities in SBIR program participation by minority and disadvantaged persons fall far short of Congress's expressed and explicit intent. This position statement in no way implies mandated, rigid numerical requirements for the SBIR program. Rather, this position statement is a recognition that, to date, this clear primary congressional goal has not been met, and puts forth recommendations to help make progress towards meeting this key congressional goal.

8%.⁶ This lack of access to capital screens out not just marginally impactful founders, but also the founders who could go on to create some of the highest impact companies.

Meanwhile, startup growth is at a nearly forty year low, across all 50 states, indicating that current mechanisms supporting startup growth and development are insufficient.⁷

This statement was developed by the IEEE-USA Entrepreneurship Policy and Innovation Committee and represents the considered judgment of a group of U.S. IEEE members with expertise in the subject field. IEEE-USA advances the public good and promotes the careers and public policy interests of the nearly 170,000 engineering, computing and allied professionals who are U.S. members of the IEEE. The positions taken by IEEE-USA do not necessarily reflect the views of IEEE, or its other organizational units.

⁶ Robin Gaster Ph.D, Incumetrics. (2017, May). Impacts of the SBIR/STTR Programs: Summary and Analysis. Retrieved June 14, 2020 from <https://sbtc.org/wp-content/uploads/2018/02/Impacts-of-the-SBIR-program.pdf>

⁷ Enhancing Entrepreneurship for the 21st Century Act. Retrieved June 19, 2020 from [https://www.scott.senate.gov/imo/media/doc/Bill Text Enhancing Entrepreneurship for the 21st Century Act .pdf](https://www.scott.senate.gov/imo/media/doc/Bill%20Text%20Enhancing%20Entrepreneurship%20for%20the%2021st%20Century%20Act.pdf)