

# Strategic Handbook for Cuyahoga Innovation Zones

Version 1.0: June 5, 2006

"Successful regions do not rely a chance, but rather seek the institutionalize the innovative process... to create continuous innovation and entrepreneurship."

*Michael Porter.*

*Clusters of the innovation initiative, 2001*

The purpose of this handbook is to provide guidance in the development of innovation zones within Cuyahoga County. This handbook explains the nature of innovation zones, the key components of the zones, and how the Department of Development at County County will invest in the zones.

## **Background: The importance of innovation to Cuyahoga County**

The Cuyahoga County economy will be transformed by open, collaborative networks of innovation with colleges and universities embedded in these networks. Open innovation networks are connected organizations that share technical knowledge and skills across geographic, disciplinary, and corporate boundaries to create new products and processes.

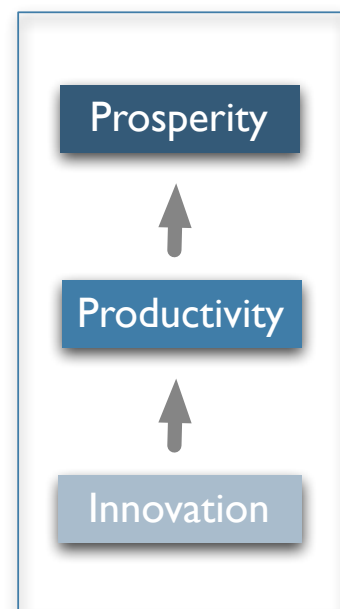
We envision two different types of overlapping networks emerging in Cuyahoga County. We refer to innovation networks that are anchored in the county's colleges and universities "zones". Open innovation networks that are based on the particular business or technology platform represent "clusters".

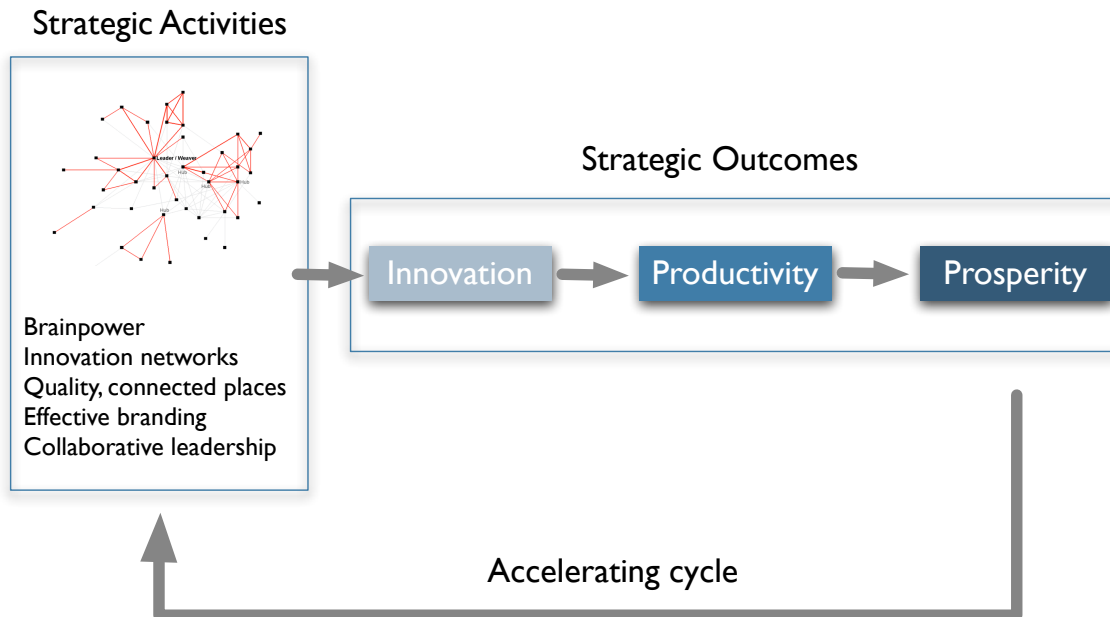
Within three years, we hope to see emerging zones and clusters within Cuyahoga County that are producing tangible impacts on new business formation and the development of high income, high impact companies. To measure these outcomes, we are designing a consistent set of metrics for both zones and clusters.

A new collaboration, CuyahogaNext Advisors, will assist the Department of Development in promoting both zones and clusters.

## **Our theory of change: Innovation and Open Source Economic Development**

Both zones and clusters are based on a theory of regional economic growth put forth by the Council on Competitive-

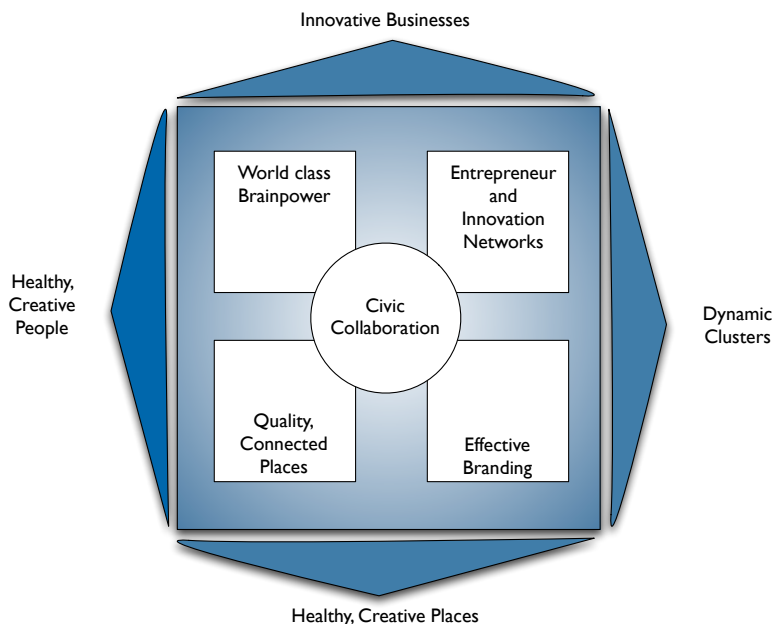




ness. The theory is simply stated: Innovation drives productivity growth and productivity growth drives prosperity.

To drive innovation, we need to accelerate the formation of open networks in strategic

The Open Source Economic Development model highlights the type of networks driving prosperous regions



areas: building brainpower; translating brainpower into wealth through innovation; creating quality, connected places to attract both people and companies; developing effective brands to tell our story; and strengthening our civic habits of collaboration. These are the main networks that a prosperous region needs to build, maintain and develop.

Following "Link and Leverage" strategies, these strategic activities within the zones will enable us to align our resources within the county and across our region. These open networks of collaboration form the basis for regional competitiveness.<sup>1</sup>

<sup>1</sup> See Committee for Economic Development, "Open Standards, Open Source, and Open Innovation: Harnessing the Benefits of Openness" (April 2006).

### **The purpose of the innovation zone initiative**

Colleges and universities have a vital role to play in promoting regional innovation. Cuyahoga County's colleges and universities both attract and train talent. In addition, colleges and universities generate new ideas, and they can become powerful partners, by providing technical know-how through licensing agreements, fee-for-service agreements, and less formal consulting arrangements.

Finally, colleges and universities play an important convening role. They can facilitate networking among those involved in business development. For example, both Stanford University in the University of California at San Diego have facilitated networking with visible and positive impacts on their surrounding regional economies.

The Cuyahoga innovation zones initiative is designed to accelerate the formation of open networks of innovation around our colleges and universities. These zones will strengthen the many connections that will assist innovative, high impact companies create new wealth and jobs in the region.

### **Rationale for public investment in Cuyahoga innovation zones**

The Cuyahoga County Department of Development is making investments in innovation zones for two major reasons. First, we have to overcome some existing barriers to building innovation networks within the county. These barriers include a lack of experience in developing networks; a lack of time to build trust among different organizations; and a lack of seed funding to develop practical plans for new initiatives. These are precisely the type of economic development investments that a public body should be making: investments that are publicly valuable, but not yet privately profitable.

Second, the County needs to define its evolving role in new approaches to economic development. These new approaches are collaborative, and they emphasize the role of private-sector leadership in signaling new investments. The County's economic development efforts performs well a "funds broker". The County receives money from both the state and federal governments and redirects these funds to worthy projects.

Defining the County's role in accelerating an innovation economy in northeast Ohio is more complex. While the County can provide funds for early investments in innovation, the county must clearly establish a road map to hand off these investments to the private sector. The innovation zones initiative will enable us to define this new County role in concrete terms.

### **Elements of a Cuyahoga Innovation Zone**

A Cuyahoga Innovation Zone includes the following components:

- An **anchor partnership** that includes one or more colleges or universities based in Cuyahoga County. The anchor partnership guides the development of the Zone and evaluates its progress with a consistent set of metrics.

- One or more **“hot spots”** where development will physically be concentrated. Part of the strategy for the county will be the development of a number of quality, connected places where high impact businesses will cluster.
- A **business development network** that will accelerate innovation of businesses connected to the zone. This network will consist of business development professionals, experienced entrepreneurs, and others who understand how to translate ideas into successful businesses quickly.
- An **plan to weave networks** and a **zone network map** to encourage the formation of networks among people affiliated with the zone. This activity plan represents a primary way in which the county fosters connection among activities supporting entrepreneurs and high growth companies across the region. A network map enables people to understand the connections among people and provides the anchor partners with a visual tool to strengthen the zone.
- A map of **entrepreneurship education and career pathways** that will emerge and grow based on the zone’s activities and networks. Mapping entrepreneurship education and career pathways can help us align our resources and insure a tight fit between our colleges and universities and the career opportunities in the region.
- A plan to **measure performance and share knowledge of “what works”** with other zones and clusters.

### **Forming the Anchor Partnership**

The anchor partnership must include one or more college or university located in Cuyahoga County. The purpose of the anchor partnership is guide the development of the zone and to design, promote and support the zone's business development network.

- Example: A business school at a public university partners with a chamber of commerce to form an anchor partnership to guide the development of a new innovation zone.
- Example: A private university partners with three inner ring municipalities and the Cuyahoga County library system to support business development within these communities.
- Example: A private college located in Cuyahoga County partners with a public university outside Cuyahoga County and with NASA to accelerate business development from NASA technologies.
- Example: Three business schools in Cuyahoga County partner to form a network to accelerate business opportunities emerging from international business students on the three campuses. she

### **Identifying Zone Hot Spots**

In innovation, proximity matters. Quality physical development matters. So does broadband connectivity. Each zone needs a physical development plan, a road map of how physical development will integrate and link with surrounding development.

Each zone business plan should include a plan for physical development of one or more "hot spots". A "hot spot" represents a physical location, where the managers of the zone will seek to concentrate development.

Ideally, these hotspots should be located in close proximity to college and university campuses. The proximity will strengthen the connection of the college and university to the business community, while upgrading the physical development of the area surrounding the campus. Improving the physical development surrounding the college and university campuses in Cuyahoga County will strengthen the competitive position of our colleges and universities.

The development of hotspots within the zone should be logically linked to the physical development plans of the surrounding municipalities. The county planning department can provide assistance in designating these hotspots and drawing linkages was rounding development.

Finally, the hotspots need a high-capacity telecommunications infrastructure. The business plan should outline how this infrastructure will be provided to residents, visitors and businesses within the hotspot.

- Example: University A and the planning department of the city in which the university is located develop a plan for a zone "hot spot" that will link the campus with an emerging neighborhood shopping district.
- Example: University A, University B and a community development corporation agree to concentrate development along the avenue that connects the two campuses. A wireless cloud will make high capacity communications available throughout the "hot spot" linking the two campuses.
- Example: College A, a local library and a city development department agree to combine their efforts to support a new business incubator tied to the college campus. The city will provide high capacity communications infrastructure, the library will provide research support, the college will support the incubator with students and faculty.

### **Creating a Business Development Network**

Successful regions are innovative and agile. They are capable of moving ideas into high quality, executable business plans quickly. They also quickly align the resources needed to launch or extend a business. These resources include experienced entrepreneurs, investors, managers, and business professionals experienced in working with start-ups and fast growth companies.

JumpStart is making a strong start in building these networks across our region. The zones initiative should align and extend what JumpStart is doing. Each zone should include in its business plan a plan to build its business development network and to connect it to JumpStart's initiatives.

- Example: Innovation Zone A launches a business development network that consists of a corporate law firm, a commercial bank, and a leading accounting firm. The three professional firms agree to invest in-kind services to support the development of business plans, emerging from the zone. The firms are looking to the zone to produce a continuous stream of new potential accounts. In addition, the firms agreed to invest in the activities of the zone in exchange for sponsorship recognition on all business development events produced in the zone.
- Example: Innovation Zone B forms a business development network that consists of investors and professionals who are alumni of the university that is an anchor partner in the zone. The business development network enhances the competitive position of the university's business school by providing recent graduates with fast connections to professional expertise and capital.
- Example: Innovation Zone C partners with a new angel capital network. The network agrees to sponsor forums to review promising business plans. These forums, modeled after the MIT Enterprise Forum, provide a vehicle to link promising entrepreneurs with a network of potential investors and other business professionals.

### **Promoting, Weaving and Mapping Open Innovation Networks**

Activity drives a network. This activity is both virtual (through the Internet) and in person. By translating ideas into action, participants in an innovation network strengthen their connections. These networks are critically important for the future competitiveness of our region. We are entering an economy in which business models -- the engines of wealth creation -- are moving toward connection and collaboration. Regions that enable these networks to form easily will be more competitive in the long run. They will spot opportunities faster, they will align their resources faster, and they will make decisions faster.

- Example: University A conducts a weekly open forum to explore different dimensions of Northeast Ohio's economic future. These forums explore such questions as "What would Northeast Ohio look like as a global leader in creative digital media." participants in the forum agree to map and share their personal networks.
- Example: College B and the Cuyahoga County library system agree to map all of the business development resources available through the library systems in Cuyahoga County. This information is shared with all the zones forming in the County.
- Example: College A and University B agree to map all the connections of international students attending colleges and universities in Cuyahoga County. This effort is part of a strategy to connect international students with local firms seeking to expand internationally.

### **Promoting Entrepreneurship Education and Career Pathways**

Promoting entrepreneurship education and career pathways achieves three important benefits. First, it strengthens the entrepreneurial culture within the region. Second, this approach will draw tighter connections between what schools teach and what busi-

nesses need. Third, it will encourage business to communicate more effectively with students about the career opportunities available in our region.

- Example: As part of its zone business plan, University A and Chamber of Commerce X agree to provide on-line entrepreneurship courses for any business person who is a member of the chamber.
- Example: As part of their zone activities, College A works with two health care institutions to map the emerging career networks in nanotechnology and medicine. As a result of this work, the health centers agree to sponsor a new technicians training program with Cuyahoga Community College.
- Example: As part of their zone activities, College A and University B agree to form a business training program for emerging artists in creative digital media and product design. The purpose is to introduce these students to the business opportunities in their field.

### **Measuring Performance and Sharing Knowledge**

Each zone will be requested to devise a “balanced scorecard” of indicators to measure the development of the zone. We will evolve these metrics as we go forward, but these metrics will align with the clusters initiative. This scorecard will include indicators in the key areas highlighted by the Open Source Economic Development model:

- Brainpower examples: Entrepreneurship training, occupational placements, certificates or degrees awarded, high school internships.
- Innovation and entrepreneurship networks examples: New firm formations, equity placements in new start-ups, angel network activities, participation in business plan competitions.
- Quality, connected places examples: Broadband penetration and usage
- Branding examples: Customer surveys, student surveys, business surveys
- Collaboration examples: Civic forum attendance, zone map metrics.

### **The Development Process for Zones**

The development process for innovation zones will follow four phases.

- Phase 0: Prospective anchor partners will file a short prospectus with the County to explain the outline of their proposed zone. The County will make its Phase 1 investment based on this prospectus.
- Phase 1: Phase 1 involves the development of a business plan for the zone. The purpose of the business plan is to outline the major relationships that will drive innovation within the zone and to set forth a business model for the zone to become financially self-sustaining. The County will invest up to \$50,000 for the development of each business plan.
- Phase 2: During the second phase, promoters of the zone will secure co-investment from partners in the zone. This co-investment will be matched by the

county on a one-to-one basis up to limit of \$200,000. At the conclusion the second phase, the zone will launch.

- Phase 3: The third phase represents the hard launch of the zone. During this phase, the zone will expand its activities and partnerships and move toward financial self-sufficiency. The financial commitment of the County to the third phase will be scaled back and limited to no more than \$50,000.

**Next steps: Please offer your critique and suggestions**

This version of the handbook is an early draft. Please submit your comments and questions to Ed Morrison at [edmorrisson@i-open.org](mailto:edmorrisson@i-open.org)