

Innovation Strategy Report

Final Report

For

**Chicago Metropolitan Agency for Planning
(CMAP)**

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June 2, 2009

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Summary of Recommendations for Innovation Strategy

Innovation is a complex process and a fundamental source of economic growth and development. *RCF finds that the Chicago metropolitan area is well supplied with all aspects of the innovative process – from basic science and technology development to innovative local industries. However, the overall performance of the local economy in the current decade has been disappointing.* Total employment in the metropolitan area reached a peak in 2001 and then declined during the recession of 2001-02. Recovery from the recession was relatively slow. The metropolitan area did not regain its peak level of total employment until 2007, and the current recession undoubtedly has caused employment to drop below its 2007 level.¹ Recovery from the current recession in the short run depends upon macroeconomic policy, but the long-term success of the local economy depends upon factors that cause growth and development. Innovation is near the top of the list of those factors.

Can the performance of the innovative sectors of the local economy be improved?

This report attempts to answer this question. While innovative activity of all types is taking place in the metropolitan economy, RCF suggests that the data show improvements can be made. Specific recommendations are as follows:

A. CMAP to Conduct Targeted Research

1) Innovation and Infrastructure

Innovation does not all originate in the R&D, medical, engineering, or science lab. Innovation also takes place in Professional and Management Services, Finance and Insurance, Higher Education, and Arts, Entertainment, and Recreation – to pick some prominent examples in Chicago. RCF recommends that CMAP might conduct further research into innovation in these sectors, including an examination of the extent to which infrastructure is needed to support continued innovation.

2) Sources of Growth

Further research on the sources of growth for metropolitan Chicago is needed. Has growth resulted from growth in large firms, small firms, or new firms? What specific labor skills are associated with recent growth? As noted above, the performance of the local economy in this decade has been disappointing. Better understanding is needed.

B. Facilitate Performance Improvements of Local Technology Transfer Programs

This report includes the finding that some technology transfer programs at some local universities (with the exception of Northwestern University) may be under performing. Baumol, Litan, and Schramm suggest consolidation of tech transfer offices might enhance their productivity.² They also suggest that universities change

¹ See RCF Economic and Financial Consulting, Inc., *Databook Chicago* (Chicago: RCF, 2008) for an examination of the data up through the end of 2007.

² Baumol, Litan, and Schramm, *op. cit.*, pp. 266-67.

their focus from license fees to the number of licensing “deals” completed. CMAP might initiate meetings with university officials to discuss these ideas. Alternatively, such meetings could be convened by the Chicagoland Chamber of Commerce as part of its InnovateNow initiative. Examples of cooperation among university technology transfer offices exist within multi-campus universities (University of Illinois, University of California system), but none have been found at the level of a major metropolitan area.

C. Assist Growth of Start-up Firms

A strong emphasis on start-up firms pervades the public programs and private support efforts. Given that the most productive innovations often require adoption by larger, existing firms, this emphasis may be misplaced. Further research might concentrate on the processes of taking new products and services to the larger market. Mr. Baker of IIT emphasized one aspect of this process when he suggests that CMAP should consider the issue of providing space for firms that are able to “graduate” from the tech parks. Mr. Pruett of the Chicago Technology Park suggested that more public funds are needed for technology park infrastructure and other programs, and that public resources could be concentrated in the most promising areas.

D. Encourage Connections between Advanced Education and Entrepreneurial Programs with Companies involved in Innovation

Innovation depends upon people – scientists, engineers, skilled workers, and above all, entrepreneurs. Several colleges of business administration in the metropolitan area have programs in entrepreneurship (University of Chicago, UIC, DePaul). These programs need to be connected to the innovative industries. CMAP might consider convening a meeting of deans and directors of local entrepreneurship programs to share goals and ideas. Perhaps it would lead to a conference that would be part of the follow-up to the Go To 2040 plan. Alternatively, the Chicagoland Chamber of Commerce might undertake this task as part of its InnovateNow initiative.

E. Provide Information on Innovation Developments

The report notes that useful discoveries are being made around the world. RCF suggests that CMAP might initiate discussions for how to provide local firms with information about useful discoveries that originate outside the metropolitan area. It is suggested that this effort might start with one particularly innovative industry.

F. Develop Goals and Track Metrics of Innovation Performance

CMAP could develop goals and track innovation performance metrics based on general economic indicators, innovation production indicators, and innovation diffusion indicators.

G. CMAP to Assume Leadership Role in Local Innovation Development

Indeed, innovation is so important to the economy of metropolitan Chicago that CMAP might take the lead in organizing a series of meetings and conferences at which the issues are discussed and further connections are made. In essence, **RCF recommends that CMAP begin to take an active role in supporting further investigation into economic growth in the local economy and in stimulating further conversation and connections among the innovators in the metropolitan area.**