

318b Ohio's Third Frontier Initiative: Ideation to Commercialization

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In 2002, the State of Ohio launched the Third Frontier Project (TFP) representing the State's largest-ever commitment to expanding Ohio's high-tech research capabilities, promoting innovation and company formation to create high paying jobs for generations to come. The 10-year, \$1.1 billion initiative is designed to: 1) build world-class research facilities; 2) support early stage capital formation and the development of new products; and 3) finance advanced manufacturing technologies to help existing industries become more productive.

The Third Frontier Project is led by a Commission comprised of Ohio Director of Development, Chancellor of the Ohio Board of Regents, and the Science & Technology Advisor to the Governor. The Commission is assisted by a 16 member Advisory Board comprised of leaders from industry, academia, and government.

The Third Frontier Project has adopted operating guidelines that provide the framework for awarding grants: 1) support the best the State has to offer, not just regions of the State; 2) anticipate and act on market opportunities; 3) demand strong industry involvement; 4) invest at the intersection of core competency areas; 5) recruit world-class talent and high growth companies; 6) engage regional partners; and 7) emphasize accountability and metrics. The Commission made decisions to focus the Third Frontier investments in the following priority areas: 1) building world-class applied research capability; 2) entrepreneurial assistance to accelerate formation and attraction of technology-based businesses; 3) product innovation; and 4) marketing of Ohio's competitiveness. Further the Commission decided to focus investments in the biosciences, power and propulsion, instruments-controls-electronics, IT, and advanced material technology fields.

The Third Frontier Project awards a variety of grants that cover all phases of the technology commercialization framework. The Wright Centers of Innovation and Biomedical Research and Technology Transfer awards are given to support research and very early stage proof of principle. These programs are typically collaborations between Ohio universities and private sector firms. The Third Frontier Seed and Validation Funds help capitalize early stage investment funds to assist companies provide evidence that they can meet a market place need. The Ohio Research Commercialization Grant Program is designed to supplement SBIR Phase II awardees by funding commercialization activities not allowed under SBIR programs. The Product Development Centers are awards to assist small and medium sized companies accelerate new product development and commercialization of technology products in order to improve the companies top line revenues. The Innovative Ohio Loan Program offers low cost loans for companies with products ready for market entry but with a risk profile inconsistent with conventional lender requirements.

This paper will discuss Ohio's commercialization framework--Imagining, Incubating, Demonstrating, Market Entry, Growth and Sustainability--and discuss how Ohio's Third Frontier Program addresses these stages of commercialization. The paper will identify how the State manages these programs by focusing attention on achieving transitions between phases of the commercialization framework. Transitions are marketed by the accumulation of adequate resources from "new, smart, and meaningful" sources to fund the next stage of the commercialization process. The paper will discuss the type of evidence that investors need to make the decision to finance various stages of commercialization. The paper will discuss how Ohio manages the Third Frontier Project by focusing on management of transitions.

The Paper will conclude with observations about how the Third Frontier Project will be increased significantly upon the passage of a bond issue to increase the funding for the Third Frontier Project.