



The Prize Summit: Summary of key debates

Introduction

The Prize Summit met on 8 April 2011 at London Business School (London, UK) to discuss the use of prize competitions to solve problems, promote innovation and reward new technologies.

Fostering innovation and rewarding new ideas is timely for both private and public sectors, with a recent study finding that only 11% of decision-makers in British SMEs think that the Government is doing enough to stimulate innovation.¹ The most recent UK budget, announced on 23rd of March 2011, indicated that economic recovery from the crisis is slower than expected. Resulting budget austerity equates to less funds available for fostering innovation. This reinforces the importance of considering prize competitions, a cost-effective tool known to foster innovation and reward start-ups and SMEs in particular.

The Prize Summit, the collaborative effort of partners led by OmniCompete, together with London Business School, the Ash Center for Democratic Governance and Innovation (Harvard Kennedy School) and tech4i2, enabled government officials, innovation stakeholders from the private sector, non-profits organisations, community groups, academics, and competition organisers to engage in constructive dialogue. What follows is a summary of some of the key issues and questions that were explored at the Prize Summit.

Government stands behind prizes

The Summit learned that two of the most powerful and influential countries in the world, the UK and US, are exploring prize competitions as a tool to stimulate innovation in a wide range of different sectors, albeit at different speeds.

Sir Andrew Likierman, Dean of the London Business School, highlighted British Prime Minister David Cameron's recent remarks on the need to find new ways to stimulate innovation and create jobs. Prize competitions are viable solutions to be considered here, concluded Likierman.

In his keynote address, Rt Hon David Willetts, UK Minister for Universities and Science, announced that the British government will review its innovation strategy this year, aiming to maximise the benefits of investment in science and research, improve the business environment to support innovation and transform public services using innovative solutions. The Minister confirmed that prize competitions will be closely examined as a tool for fostering innovation as part of this review.

Robynn Sturm, Advisor to the Deputy Director of the White House Office of Science and Technology Policy joined the Summit via video link. She stressed that the problems faced by governments in the 21st Century are too great to be solved by government alone. The Obama Administration believes prize competitions are an excellent tool for governments seeking novel solutions to grand challenges.

¹ OmniCompete commissioned YouGov to conduct a survey of British SME decision makers between 7th-11th March 2011 as part of European Commission FP7 project "European Security Challenge".

The Strategy for American Innovation released in 2009 stresses the benefits of using prize competitions to solve tough problems. In September 2010, the US Government launched Challenge.gov, an online platform that features U.S. Government prize competitions, challenging top talent to take on the country's most pressing challenges.

Later in the day, Networks Partner at 100% Open Roland Harwood echoed Sturm's comments in a presentation on open innovation. He quoted Sun Microsystems' Bill Joy, who famously commented that no matter where you work, most of the smartest people work elsewhere. Harwood stressed this as the key reason why companies should embrace open innovation and seek external solutions and innovations through processes such as prize competitions.

Jamie Love, Director of Knowledge Ecology International, confirmed that White House initiatives have encouraged professionals across a wide range of sectors to consider prize competitions. Love suggested that conferences such as the Prize Summit mark the beginning of a new phase, where prize competitions are evolving from university-level business plan competitions to address more ambitious challenges.

The Saltire Prize (Scottish Government) and the Big Green Challenge (NESTA) are two strong British examples of how governments and non-departmental public bodies can effectively use prize competitions to foster innovation.

The Saltire Prize, presented by Chief Scientific Advisor to the Scottish Government, Professor Anne Glover, aims to galvanise world scientists to push the frontiers of innovation in the field of suitable marine energy. The Big Green Challenge, discussed by Vicki Purewal, Senior Development Manager at NESTA, was a £1 million challenge prize used to stimulate, support and reward community-led responses to climate change.

Non-traditional sectors, communication & connectivity

In his keynote address, David Willetts initiated a lively debate on the revival of prize competitions. Of particular value is the fact that prizes can reach communities of innovators from non-traditional sectors, who may not have otherwise considered applying their ideas to unfamiliar sectors.

Todd Brethauer, Science Advisor at the Technical Support Working Group, visualised prize competitions as an excellent way to find "black swans" around the world. Gary Dushnitsky, Associate Professor at the London Business School suggested that prizes are meant to reach a different population. Sandy Purewal, CEO of Octopus Group, stressed that in order to attract innovators from non-traditional fields, challenges must be clearly communicated. Senior Research Fellow at Manchester Institute for Innovation Research Su Maddock touched on cases where creative university students have invaluable ideas and skills but are not sufficiently connected to professional industries. Maddock stressed the importance of improving connectivity between various groups, so that prize competitions are not limited to specific sectors.

Speaking about the various stages of the competition planning process, Jonathan Bays, Senior Expert in the Social Sector Office at McKinsey & Company and an author of *"And the Winner Is ... ": Capturing the Promise of Philanthropic Prizes*, echoed Sandy Purewal's insistence that clear communication is vital to the success of a competition. However, Bays warned that groups planning a prize competition must be careful not to overlook any stage of the process. From defining the

problem to effective judging and follow-through, every stage is important to the overall success of a prize competition.

Companies and groups concerned about the risk of running a prize competition need only look toward BAE Systems plc for reassurance. Manager for Investment in Innovation Dave Mullin has overseen BAE involvement in prize competitions such as the Global Security Challenge. Reflecting on his experiences, Mullin said that risk is greatly reduced when prizes are carefully designed to align to a company's core business. Continuing, Mullin shared that BAE uses prizes to engage with targeted companies and to connect to outside experts they might not have otherwise known.

Measuring the value of a prize competition

The Hon. Lee Buchanan, Venture Partner at Paladin Capital Group, sparked a passionate discussion when he asked members of the first panel if they thought it would be helpful to measure the value of a prize competition.

Liam Brunt, Professor at the Norwegian School of Economics, indicated that participation in prize competitions helps start-ups and SMEs to approach VCs and obtain intellectual property rights. However, he cautioned, it is too early to do cost-benefits analysis because prizes are still underused. Nevertheless, he presumed that the marginal value would definitely exceed the marginal costs even though we know that not all the competitions run so far have been successful.

David Osimo suggested that there is no need to measure ROI of prize competitions at this stage, considering that nobody has ever measured the ROI of other traditional methods. Benedikt Herrmann, Innovation Policy Officer at the European Commission (DG Research and Innovation) supported this line of thinking, saying that governments invest billions in tax incentives for private R&D and there is still no conclusive evidence of the effectiveness of this tool, despite the fact that it is a much more expensive tool than prize competitions. Moreover, the impressive effects on investment behaviour of prize competitions are well established in economic experiments.

Simon Schneider, CEO of OmniCompete, announced that OmniCompete is working with the London Business School to build an index aimed at measuring the efficiency of prizes. Schneider affirmed that having such an index will help both the public and private sector to evaluate the efficiency of a competition.

The role of Venture Capital Funds (VCs)

Another key discussion centered around the role of VCs as regards start-ups, SMEs and the prize industry. Notably, this debate gained press coverage in the Wall Street Journal Europe.

Jason Pinto, Investment Manager for Amadeus Capital Partners, confirmed that the economic downturn had caused a flight by the venture capital industry from providing seed capital for high-tech start-ups. As a result, prizes can now be seen as an alternative to VCs at very early stage funding.

Gary Dushnitsky echoed this notion, describing prizes as a mechanism that increasingly enters the space served by seed and early stage VCs. However, Lee Buchanan cautioned that VC is not an institution meant to reward innovation. Venture Capital Funds are in the business of making money, which they do by investing in companies that do well.

Prizes & SMEs

Evidently, a sizeable number of prize competitions focus on SMEs and start-ups. David Critchley, Director of Small and Medium Enterprise at Cisco, stressed the importance of supporting SMEs, often considered the backbone of the economy. Critchley outlined a number of Cisco initiatives to foster growth within SMEs, including prize competition Business Heroes.

Annual prize competition Shell Springboard (www.shellspringboard.org) is a strong example of focus on SMEs. Jenny Marsden, Social Investment Programme Manager at Shell International, detailed the financial boost of £40,000 given annually to eight British SMEs with an innovative product or service that will lead to greenhouse gas emission reductions. Max Robinson, Founder-Director of Kromek, winner of the 2009 Global Security Challenge (GSC), confirmed the value of competitions for winning SMEs. After winning the GSC, Kromek raised £12.3 million in less than two years. Kristy Sundjaja, Senior Director of the Center for Economic Transformation, New York City Economic Development Corporation, spoke about the high levels of investment into finalists and winners in the Big Apps Challenge, with one company raising almost \$6 million within a year of winning the Challenge.

The OmniCompete report *Compete to Innovate*², presented by Simon Schneider, revealed that 70% of decision-makers in British SMEs believe that focusing on a challenge and rewarding excellence are the most important drivers of innovation. “Clearly, what SMEs want is prize competitions”, concluded Schneider.

Conclusion

Debates and discussions at the Prize Summit confirmed that prize competitions are a valid and interesting tool for fostering innovation. Moreover, the Summit identified key questions that need to be addressed by stakeholders in innovation and leaders in the prize industry. OmniCompete and its partners aim to continue this discussion. If you are interested in getting involved or taking part, please get in touch with Siobhán Gibney, Director of the Prize Summit, at siobhan@theprizesummit.com.

² *Compete to Innovate* is available online at

http://www.omnicompete.com/Press%20releases/Report_Compete%20to%20Innovate_final.pdf