



## Prizes & Challenges

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## Prizes: A new tool in your toolbox



- Solve problems
- Engage Americans in tackling 21<sup>st</sup> century challenges



# Prizes 101



## The Basics

Bold, Specific Goal



Prestige  
Recognition



Validation  
Publicity

Finish Line



## Long Track Record of Spurring Innovation



**1919 Orteig Prize**  
Charles Lindbergh: Non-Stop Flight NY-Paris

“[T]otal funds from large prizes have more than tripled over the last decade to surpass \$375 million.”

*- And the winner is...  
McKinsey 2009*



“These prizes have proliferated because they actually work.”

*-Wall Street Journal*



## Benefits of Prizes



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1. **Pay only for Results**
2. Articulate a goal without predicting which team or approach is most likely to succeed.
3. Go beyond usual suspects to tap top talent
4. Stimulate private sector investment many times greater than the value of the prize



## Pay Only for Results

- **Business as Usual:** Recipients of Federal funds are paid up front for their work, whether it pans out or not.
- **Prizes:** Until the competitor meets each and every criteria, the government doesn't pay a penny. In doing so, prizes shift the risk of innovation from the USG to solvers.



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## Automotive X Prize

\$10 million: 100 miles per gallon or energy equivalent



Best-in-class Lithium-ion battery



Lowest drag coefficient in wind tunnel



## Inviting Disruptive Innovation

- **Business as Usual:** Decisions based on a proposal for future work forces agencies to heavily weigh past performance and credentials, rewarding incremental innovation.
- **Prizes:** Strict focus on results empowers new, untapped talent to deliver disruptive solutions. No risk to novelty as the outcome is delivered prior to payment.



## Benefits of Prizes

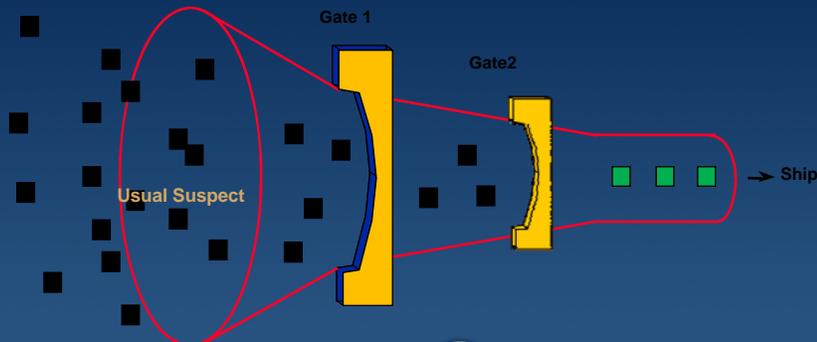
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## Ideas in the Innovation Pipeline



**NASA Solver: Bruce Cragin**  
*Retired Radio Frequency Engineer*  
*Rural New Hampshire*



\* Karim Lakhani, Harvard Business School

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## Leverage Taxpayer Dollars



### 1919 Orteig Prize

- \$25,000 Prize
- \$400,000 Investment in R&D by Competitors

### Ansari X Prize

- \$10 Million Prize
- \$100 Million Investment in R&D by Competitors



## Prizes in the Public Sector



## Strategy for American Innovation

“The Federal government should ... use high-risk, high-reward policy tools such as prizes and challenges to solve tough problems.”

*-President Barack Obama  
August 5, 2009*



# America COMPETES Act

“Each head of an agency, or the heads of multiple agencies in cooperation, may carry out a program to award prizes competitively to stimulate innovation that has the potential to advance the mission of the respective agency”

-Congress  
December 21, 2010



: 75 Challenges, 25 Agencies



Apps for Healthy Kids  
USDA



SMART

SMART Apps for Health  
HHS



Sustainable Urban Housing  
State & HUD



SME Finance Challenge  
Treasury



Blue Button Challenge



Innovation Pavilions on Innocentive  
NASA & Air Force



## Resources

- [www.Challenge.gov](http://www.Challenge.gov)
- McKinsey 2009 Report, *And the Winner is...*
- **HowTo.gov:**  
[http://www.usa.gov/webcontent/reqs\\_bestpractices/challenges/](http://www.usa.gov/webcontent/reqs_bestpractices/challenges/)
- **Join the Prizes & Challenges Listserv:** For Federal Employees, just send an email to [LISTSERV@LISTSERV.GSA.GOV](mailto:LISTSERV@LISTSERV.GSA.GOV) with the text "SUBSCRIBE CHALLENGES" in the body. Be sure to delete your signature block and any other extraneous text from the created message.



Thank you

