

# Prize competitions offer opportunity, but a gamble

When you hear "prize competition," what comes to mind? Perhaps something to do with game shows or the Publisher's Clearinghouse sweepstakes?

As much as I'd like to hear the words, "Ali Madison, Come on Down," I'm talking about something a little different: The offering of prizes in exchange for the development of breakthrough technologies.

The concept isn't a new one. For instance, today's prestigious X Prize is modeled after the \$25,000 Orteig Prize of the 1920s which Charles Lindbergh won by flying from New York to Paris in 1927. And Napoleon Bonaparte's 1810 food preservation prize resulted in the advent of canning as we now know it.

New or not, this flavor of competition is gaining momentum, especially among government agencies, in an effort to find more efficient, effective solutions to important problems. In fact, a McKinsey & Co. study recently identified more than sixty new prizes of more than \$100,000 each that have debuted since 2000.

Challenges and prizes represent a creative way to simultaneously ignite and streamline innovation, quickly filling critical technology gaps and sometimes revealing previously undetected talent in the process. And at least from a government investment perspective,

they sometimes can offer more bang for the taxpayer buck since the prize sponsor only pays for successful outcomes.

Challenge.gov was launched in 2010 in recognition of the viability of this as a method for the federal government to solve problems. The site is a one-stop shop where government agencies can launch challenges and the public can submit solutions. To date, 37 agencies have launched more than 140 challenges using this tool.

"By delivering a fair and open process of participation, we can attract a wide range of new approaches and increase our chances of success," said Jaison G. Morgan, managing principal of The Common Pool and hailed by the BBC as the "world's leading expert" in designing challenges and prizes. "Competitors invest their own capital developing solutions, and those total investments (among all competitors) typically are exponentially greater than the cash rewards."

One of the things I like most about this concept is that prize competitions level the playing field, allowing individuals, teams, and organizations of all sizes and types to participate in important research and development projects that they may not have previously been sought out for. And, of course, for

teams that enter and win these high stakes competitions, there is the potential for significant monetary or other rewards.

Even those who come close, but don't win, can walk away with exposure, new intellectual property, and new relationships and opportunities that would not have otherwise surfaced.

But despite the enticements of this concept, I would be remiss not to offer a word of caution to small businesses considering entering a prize competition or challenge: don't put all of your eggs in one basket. Many remarkably innovative teams go home having invested heavily in something that didn't pay off in the end.

Make sure the time, money, and effort you would put toward a competition is something you can reasonably afford to invest whether or not you win. Perhaps seek funding from a third party who would then share in the prize and/or technology developed.

Ask yourself how well it fits with your overall business strategy, and carefully weigh the potential for reward against the risks involved. Know in advance what criteria the effort must meet along the way to continue moving forward.

▶ *Ali Madison is with Pacific Northwest National Laboratory's Economic Development Office. She can be reached at [ali.madison@pnl.gov](mailto:ali.madison@pnl.gov).*



**Ali  
Madison**

Economic  
Diversity