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Social Innovation Challenge Prizes: More Than Just The Money

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Beyond the hype and happiness of winning, when it comes to finding social solutions, innovation prizes are serious business. **Laura Bunt** explains why.

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Contests and competitions have always been close cousins to innovation. For a long time, academics, policymakers and practitioners have been exploring how one spurs and drives the other. Whether innovation seeks to disrupt or sustain advantage, a competitive environment and market incentives can affect the development of new solutions and how they spread.

In the emerging field of social innovation, there has been a groundswell in organisations experimenting with different methods and incentives to drive new solutions to global social issues, be it in the area of technology or behaviour.[1] The UK's National Endowment for Science, Technology and the Arts (or NESTA) is one such organisation, having recently designed and led the Big Green Challenge—a £1 million social challenge prize for community-led solutions to climate change.

But what is it about challenge prizes or competitions that make them such a powerful instrument in innovation? And how are they being applied to social challenges?

The promise of prizes

Prizes have a long history in spurring innovation, particularly as philanthropic awards to recognise and incentivise breakthroughs. There are many examples of prizes that honour innovators—from the Man Booker Prize for new fiction writing to the esteemed Nobel Prize in economics, science and literature, and for peace. These prizes are globally recognised and celebrated for identifying and promoting excellence in a specific field. They are largely retrospective awards, reflecting a specific contribution or invention.

Yet prizes can also form part of the wider innovation system, actively selecting, developing and spreading solutions targeted to a specific challenge. They can stimulate competition and incentivise prospective innovations. The X-Prize Foundation—one of the most successful examples of this model—stimulates innovation by setting a challenge or specified outcome that sparks competition. Established in 1996, the X-Prize aims to incentivise radical breakthroughs in technologies for the benefit of humanity, such as sustainable transport, education, space travel and medical sciences.[2]

Prizes can develop and grow a network or community of new problem solvers. The online challenge prize platform InnoCentive has a global network of over 200,000 solvers from all walks of life.[3] "Seekers" post challenges to InnoCentive's community on a variety of issues on a variety of scales, from telecommunication to transport to international development. InnoCentive brings together seekers and solvers across disciplines, encouraging businesses to be open with their innovation challenges and creating a conduit for unexpected solutions.[4]

Prizes can also support the spread and diffusion of successful innovations, illuminate and advocate best practices, and influence their adoption. The Ash Center for Innovations in Democratic Government at Harvard's Kennedy School looks across the United States for examples of innovations in government. The programme selects and promotes examples of creativity in the public sector, and encourages the spread and take-up of initiatives elsewhere.[5] The UK's NHS Innovation Prizes and environmental Ashden Awards adopt a similar approach by promoting diffusion and adoption of innovations.

From an in-depth exploration of many such initiatives, a recent study by management consultants McKinsey & Company identified no less than seven ways in which social challenge prizes can deliver change. These are:

- Identifying excellence
- Influencing public perception
- Focusing communities on specific problems
- Mobilising new talent
- Strengthening problem-solving communities
- Educating individuals
- Mobilising capital

McKinsey's Seven Ways that Prizes Deliver Change [6]
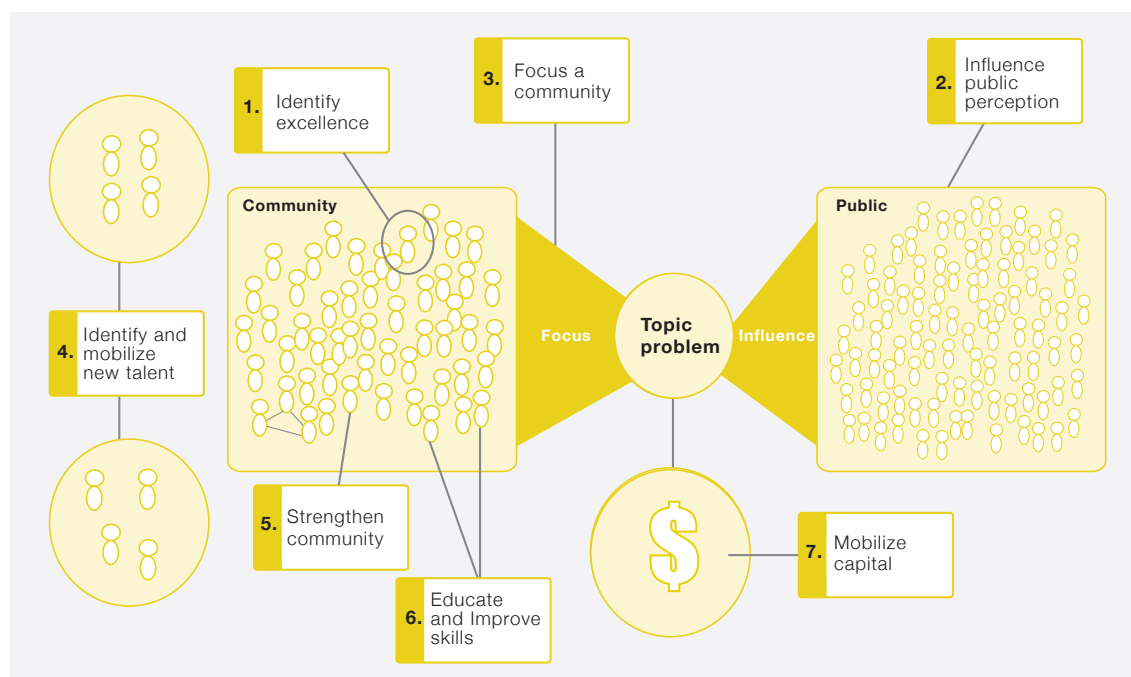
As a tool that combines public engagement with purposeful, outcomes-based rewards and incentives, prizes hold significant promise as a method for social innovation. But how are existing prize models adapting to social challenges? How can prizes and competitions be applied to find the best social innovations?

Social challenge prizes

Social innovation is a discipline that is both challenge-led and prompted by need, not invention. Challenge or outcome-based prizes are therefore particularly suited to social innovation where the causes of problems are complex, interconnected or unknown. The open nature of the challenge prize can be an asset in this context, allowing for solutions to emerge from unexpected sources and networks.

Eager to explore this potential, the UK's National Endowment for Science, Technology and the Arts (or NESTA, where I work) designed its own social challenge prize model to engage a broad set of actors in the process of generating and scaling innovations. We called it the Big Green Challenge. This was an issue-led approach to incentivise knowledge creation and enterprise in relation to a social issue, in this instance, climate change.[7]

The Big Green Challenge

Inspired by open innovation challenges such as the X-Prize and InnoCentive, the Big Green Challenge was a £1 m open innovation challenge prize. Launched in 2007, it engaged over 300 communities and over 1500 people in developing innovations at a local level, working within their local area to reduce carbon emissions.

In 2010, NESTA announced the four winners—a micro-hydro power generation scheme, a local Household Energy Service, a low carbon community trust and a carbon neutral island. All four achieved significant reductions in C02 emissions of between 10 and 32% in a very short time period. But the success of the programme lies not just in the performance of the finalists, but also in the spread of applicants who chose to progress their own projects despite not making it to the final stage.

The staged process of the Big Green Challenge is as below:[8]

Stage 0 Early engagement
Create a campaign, a brand and a 'buzz' within the communities you want to engage to encourage as many as possible to compete

Communities find out about and are empowered to participate in the prize process

In Big Green Challenge...

Stage 1 Ideas collection
Show genuine interest in good, innovative ideas with potential from a wide-range of groups, not fully-fledged plans or projects.

Keep barrier to entry low, with only very limited eligibility criteria.

Ensure process for submitting ideas is simple and accessible

Competitors put forward their initial ideas

355 eligible ideas received

100 'Big Green Challengers' selected to go through to Stage 2

Quality and high-potential ideas selected

Stage 2 From ideas to detailed plans
Ensure focus on developing projects that will achieve the measurable outcome.

Provide support and advice through workshops and 1:1 advice.

Allow sufficient time for competitors to take up the support and submit their plans

Successful competitors prepare and submit detailed plans

Detailed plans reviewed and shortlist created

Face-to-face pitches to Judges

88 out of 100 Challengers submit detailed plans

21 shortlisted to give a face-to-face pitch to a panel of judges

10 Finalists selected to go through to Stage 3

Finalists selected

Stage 3 Delivering projects & measuring outcomes
Provide finalists with ongoing support (1:1 advice / coaching) plus a grant to deliver their projects.

Get projects up and running, and keep them focused on outcomes through monitoring, visits, and regular reporting.

Use evidence from Stage 3 to form a detailed final report, also covering what Finalists would do if they won the money, and use this as the basis of winner selection.

Finalists' projects are delivered

Judges select prize winner(s)

Something special happened here. The Big Green Challenge was successful on its own terms, but it also revealed valuable lessons about the potential of social challenge prizes in leveraging and supporting community-led social innovation. An open challenge prize model was (at the time) novel to the UK's social sector, so we set out to test its design features to learn what could be applicable elsewhere.

We identified three key features that were critical to its success:

- **An open access approach, with a very open set of criteria at the first stage:** The Big Green Challenge prize intentionally set low barriers to entry to help find and mobilise new problem solvers beyond the usual suspects. Application criteria were loose and very broad, and NESTA explicitly invited proposals from any non-profit group whether formally constituted or not. This was coupled with a direct, extensive outreach strategy to encourage applications from those who may not have thought of themselves as innovators.

  Challenge prizes and competitions can be effective in attracting innovations from new problem solvers, as well as attracting investment towards more risky, radical approaches. In terms of the former, the low barriers to entry and clear points of exit can encourage new innovators to submit ideas and find support and challenge in their development. For investors, weighting the resources towards the end of the process mitigates risk and encourages greater openness to more radical innovations.

- **Setting and rewarding clear social or environmental outcomes, not just process:** In order to generate momentum, the Big Green Challenge set one clear, measurable outcome—to reduce carbon emissions in a local area. The clarity of intention gave focus. Combined with a tight timetable, this generated urgency and momentum which was supported by credible information on progress. Specifying the outcome, but not the process, meant that imagination was not limited.

  Correctly framing the challenge or outcome is critical to this. Too open and responses may be inappropriate, whilst outcomes that are phrased too restrictively can be too prescriptive.

  The outcomes-based reward that is so inherent in the social challenge prize process is complementary to a growing emphasis on outcomes-based commissioning and tools such as social impact bonds which aim to help funders and commissioners to use limited financial resources to best effect.

- **A staged process, with help for development of ideas and graduated rewards:** As the challenge prize offered a staged process that was progressively more demanding of participants, all Big Green Challenge participants were actively encouraged to iterate, change and adapt their ideas as shifting circumstances required. Demands were met with reward, both in the form of financial support, and critical advice and challenge. In the final stage of the process, ten finalists progressed their ideas for a year with ongoing mentoring and evaluation.

  The staged process was also instrumental in helping both funders and competitors manage risk, while clear and transparent stages within the overall process helped them make informed choices as to how and whether to continue.

Of course, running the challenge was not always a smooth process. As we were ourselves experimenting with a different approach, it was crucial that reflection and openness were built into the project. Often, we misjudged the balance between sufficient evaluation and monitoring, and a hands-off approach with participants—sometimes judging too lightly, and other times, too demanding.

As an example, many of our participants felt that the carbon monitoring tool to judge the impact of interventions on carbon emissions was too rigid and time consuming for the variety of projects involved. Some had concerns about comparability of the data; others felt it was a distraction from project delivery. We also learnt the importance of consistent feedback to the participants—the data would have been more meaningful if it had been used to reflect progress.

However, what the Big Green Challenge did show us was that aligning competitive conditions with incentives and support for innovation yielded useful lessons for governments or organisations looking to support more widespread, distributed innovation and achieve impact at scale. The competition also offered a strong sense of urgency and momentum for participants, and encouraged scale and ambition in projects. It mobilised action.

Prizes, competitions and leveraging innovation at scale

The Big Green Challenge taught us how to combine local innovation with national impact and scale—an approach we came to term "Mass Localism."[9] We found the challenge prize model to be very effective at leveraging this sort of local innovation by providing a flexible support structure to achieve national reach. Yet, this model is just one of many incentive-based mechanisms for selecting and developing innovations from a more diverse set of actors.

The diagram below is NESTA's functional model of innovation. By providing the basis for policy development in supporting innovation, it focuses attention on the conditions required for innovation to scale. More critically, it helps move us away from a simple model of technical progress and research and development towards an acceptance of a broader range of interactions that determine the success of innovation.

Functional model of innovation:[10]
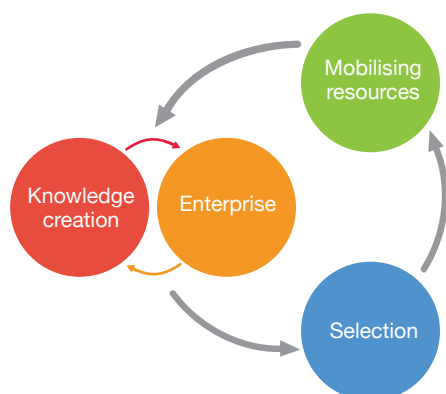
This model reflects how innovation happens as a dynamic process within a system. It identifies four conditions—knowledge creation, enterprise, selection and mobilising resources)—without which innovative activity would not occur. It links these activities and reflects the iterative, cyclical nature of an innovation process. The left hand side of the model refers to what might be more traditional research and development (R&D), while the right hand side relates more closely to adoption, that is, the selection of the best innovations, and allocating resources appropriately.

By selecting and mobilising resources towards innovation in a purposeful, outcomes-focused way, social challenge prizes and competitions can be a powerful tool for organisations and governments that seek to drive knowledge creation and enterprise. And as economies and communities become increasingly diffused, these sorts of tools for leveraging and connecting much more local activity are likely to become more prominent.

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1. Robin Murray, Julie Caulier-Grice, Geoff Mulgan, *The Open Book of Social Innovation* (London: NESTA and the Young Foundation, 2010).

2. See http://www.xprize.org/.

3. See http://www.innocentive.org/.

4. Karim Lakhani and Jill Panetta, "The Principles of Distributed Innovation," *Innovations: Technology, Governance, Globalization*, Vol. 2, No. 3: 97–112 (Summer 2007).

5. See http://ash.harvard.edu/Home/Programs/Innovations-in-Government/Awards.

6. McKinsey & Company, "And the winner is…capturing the promise of philanthropic prizes" (2009).

7. For further discussion of NESTA's Big Green Challenge, see Using Social Challenge Prizes to Support Social Innovation (London: NESTA, 2011).

8. *Using Social Challenge Prizes to Support People Powered Innovation* (London: NESTA, 2011).

9. Laura Bunt and Michael Harris, *Mass Localism: A way to help small communities solve big social challenges* (London: NESTA, 2010).

10. NESTA's functional model of innovation is explained in more detail in publications relating to the Innovation Index. See for example, *The Innovation Index: Measuring the UK's investment in innovation and its effects* (London: NESTA, 2009); *Measuring Wider Framework Conditions for Successful Innovation: A systems review of UK and international innovation data* (London: NESTA, 2011).