

Compete to Innovate

70% of British SMEs believe that focusing on a challenge and rewarding excellence are the most important drivers of innovation. An independent survey, conducted by OmniCompete and YouGov, has shown that UK Small and Medium Enterprises (SMEs), which comprise 99% of the British economy, favour tools that are key elements of prize competitions in order to spur innovation.

Prize competitions are an effective way to set a challenge, encourage innovative solutions and reward excellent outcomes. Given the economic recession and the fact that only **11% of British SMEs**¹ feel that governments are doing enough to stimulate innovation, OmniCompete believes that it is timely for both public and private sectors to increase the use of this tool.

Innovation through prize competitions

Prize competitions are the most effective way to stimulate innovation, the real engine of economic growth

A prize competition is a structured contest that presents a challenge or question and is designed to reward the best solution to the problem presented. These competitions are seen as catalysts to foster innovation. When effectively designed, they can level the playing field, enforce a time constraint, keep the net wide and apply the wisdom of the crowd, making them particularly good at attracting innovative ideas and increase the quality of innovation.

OmniCompete strongly believes that, in order to support the above argument, it is essential to explore the opinion of Small and Medium Enterprises (SMEs)².

SMEs represent 99% of all the UK enterprises, playing therefore a key role in the overall productivity of the Country. In addition, SMEs are more innovative than large companies. According to the Office for National Statistics, even though large companies invest larger capitals in R&D, companies with less than 250 staff were still responsible for 56 per cent of live patents during 2000 to 2008, while large organisations accounted for only 44 per cent³. As Harvard University's Zivi Griliches pointed out that "even though patents have their limitations they are still a well-documented output to measure innovation"⁴.

The most effective way to gauge the current appetite for innovation is to speak to SMEs directly.

¹ YouGov conducted a survey among UK SME decision makers between 7th-11th March 2011 as part of the European Security Challenge project, part of the EU Commission FP7 programme

² "SMEs are all companies which are independent and have fewer than 250 employees" - EU Recommendation 2003/361/EC

³ "The characteristics of Patenters" (http://www.statistics.gov.uk/elmr/12_09/downloads/ELMR_Dec09_Evans.pdf) Office for National Statistics, December 2009

⁴ Griliches, 1990 in L.Brunt, J.Learner, T.Nicholas, "Inducement Prizes and Innovation", CEPR Discussion Paper No. DP6917, July 2008

The voice of SMEs

Adopting a unique approach, OmniCompete asked decision makers of SMEs – the main actors in the innovation process - directly what they believe are the main catalysts of innovation by commissioning the independent research consultancy YouGov to conduct a survey, between 7th-11th March 2011, of 523 British SMEs selected from different sectors and regions of the country.

Most relevant to this report are the responses to the following key questions:

- *How important is focusing SMEs on a specific challenge as a driver of innovation?*
- *How is important is formal recognition of excellent ideas and solutions as a driver of innovation?*

The survey has shown in particular that:

- 68% of SMEs believe that focusing innovators on a specific challenge is important.
- 71% of SMEs think that formal recognition of excellence is a significant driver of innovation.

Chart 1: Stimulating innovators through challenges

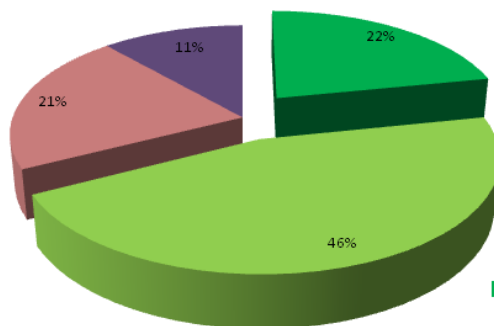
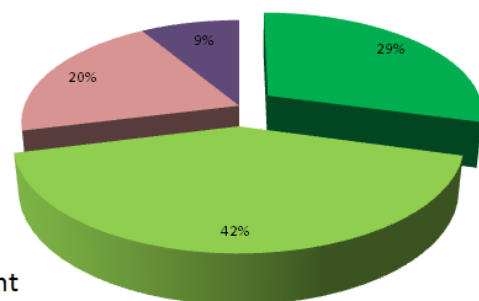


Chart 2: Rewarding excellence



- Very important
- Fairly important
- Not that important
- Not at all important



The above figures show that SMEs aspire to develop innovative solutions to solve a set challenge, and strongly value being rewarded for the excellence of their innovations.

Returning to the definition of prize competitions in the first paragraph - a prize competition is a structured contest that presents a challenge or question and is designed to reward the best solution to the problem presented – it has been demonstrated by the survey that **70% of British SMEs believe that the two key elements of a prize competition are the most important drivers of innovation: focusing on a challenge and rewarding excellence.**

Kromek, a UK start-up in the health and security sector was the winner of the Global Security Challenge 2009 (GSC). Thanks to this prize competition Kromek raised £12.3 million in less than two years. The founder director Max Robinson confirms the value of competitions for innovating SMEs by saying: *“The exposure and connections achieved through the GSC proved vital to the development of our products and enabled us to expand into the health sector just a few years on. Crucially different from being awarded a grant, this prize competition gave us bragging rights as a global winner, chosen by an independent expert panel through a transparent process”*

The time is right

Using prize competitions as a means to foster innovation is timely for both private and public sectors, in fact:

- This survey has shown that only **11% of SMEs** think that governments are doing enough to help to stimulate innovation;
- The Annual Innovation Report 2010⁵ has remarked the importance of stimulating innovation during the economic downturn as a key driver of growth.
- The most recent UK Government budget, announced on 23rd of March 2011 indicated that the aftermath of the economic crisis is still slowing recovery. This makes investing in innovation and SMEs a key priority as they have the potential to fuel the recovery.

With talks of “Silicon Roundabout” innovation hub in East London, and recent budget allowances for increased investment in innovation and SMEs, it is clear that the UK government acknowledges the importance of acting now. It is crucial that some of these funds are invested in running prize competitions. This innovation tool has gained widespread approval in the US, with the reauthorisation of the “America COMPETES Act” and the launch of challenge.gov through the Open Government Initiatives, but thus far, British business and government have been more cautious.

Nevertheless, it is promising to observe both private and public sectors are moving their first steps towards this direction.

HP Labs is using competition to back up its new corporate strategy. Last year, HP Labs launched its first prize competition (Cloud Security Challenge 2010) to award the brightest idea in cloud security, HP’s new business focus, as reinforced by Léo Apotheker, new CEO of HP, in his strategic plan for the company in March 2011. The competition was powered by Global Security Challenge⁶ and unearthed novel ideas from around the world.

UK government and non departmental public bodies have also started to work directly and indirectly with public prize competitions:

- **INSTINCT Technology Demonstrators** are commissioned by the Home Office and is the British reaction to serious threat from international terrorism. The project seeks to find innovative solutions that will improve for instance aviation security technologies and to reward them with prize money.⁷ Thanks to this competition SMEs were able to directly work with government

⁵ Annual Innovation Report 2010, <http://www.bis.gov.uk/assets/biscore/innovation/docs/a/11-p188-annual-innovation-report-2010>

⁶ Cloud Security Challenge: <http://www.omnicompete.com/files/security/CloudSecurityWinner2010.pdf>

⁷ INSTINCT Technology Demonstrator: http://www.intellectuk.org/index.php?option=com_content&view=article&id=6127&Itemid=719

top decision makers. OmniCompete has acted in a support role for the previous three Demonstrators.

- **Big Green Challenge** was NESTA's £1 million challenge prize to stimulate, support and reward community-led responses to climate change. The programme aimed to uncover how much communities were capable of innovating, and what support they needed to transform their bright ideas into viable solutions⁸;
- **The Saltire Prize** is a £10 million award (US\$20 million) from the Scottish Government, designed to galvanise world scientists to push the frontiers of innovation in the crucial area of clean, green energy⁹.

Although these projects indicate progress, it is vital that more competitions are initiated to focus SMEs' innovative potential in order to solve governmental and industrial needs.

We believe that prize competitions can not only contribute to foster innovation solving complicated challenges but they can also solve simple day to day issues, if they are done right.

OmniCompete continues to develop and improve our competition model that is based on transparency and excellence. Using these competition models, we strive to make our contribution to improve the overall wellbeing of our society.

Report produced by OmniCompete (April 2011)

OmniCompete uses competitions and challenges to foster innovation. OmniCompete was founded on a desire to match innovators with investors, problems with solutions, and achievements with prizes. OmniCompete offers innovators a respected platform, a targeted audience and the chance to win prize money, high quality mentorship and invaluable publicity. Simultaneously, it offers government and industry a cost-effective way to find a solution to a problem or gap they have identified, thereby promoting a culture of innovation, inspiring entrepreneurs, challenging the status quo and pushing the limits of technology development.

T: + 44 (0) 207 2240 110 E: info@omnicompete.com W: www.omnicompete.com

⁸Big Green Challenge: http://www.nesta.org.uk/areas_of_work/public_services_lab/big_green_challenge

⁹The Saltire Prize: <http://www.scotland.gov.uk/Topics/Business-Industry/Energy/Action/leading/saltire-prize>