

ENTREPRENEURSHIP & INVESTMENT SYMPOSIUM (E6)
Attracting Private Investment (2)

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THE APPLICATION OF INCENTIVE PRIZES

Abstract

The mission of the X PRIZE Foundation is to bring about radical breakthroughs for the benefit of humanity. In doing so, the organization has fostered innovative, high profile competitions, that motivate individuals, companies, and organizations across all boundaries to solve the grand challenges that are currently restricting humanity's progress. To accomplish such innovation, the organization has adopted the concept of Incentive Prizes. Incentive Prizes both act as a sort investment themselves and help to attract further outside investment, and are a proven instrument for innovation particularly when the path to a solution is unclear. They are most effective where progress is blocked and where market forces, government, and non-profits cannot readily solve a problem. The applicability of incentive prizes to the international aerospace community has been proven in the past, with the successful story of the Ansari X PRIZE for suborbital spaceflight and the ongoing Northrop Grumman Lunar Lander Challenge; and it is now being shown again in the largest international incentive prize to date, the Google Lunar X PRIZE.

The \$30 million Google Lunar X PRIZE is an unprecedented international competition that will challenge and inspire engineers and entrepreneurs from around the world to develop low-cost methods of robotic space exploration. In order for the prize to succeed, though, one or more of the competing teams must succeed in raising the capital necessary to design, construct, and operate their spacecraft without relying on government funding. Given the current economical crisis, the Foundation has dedicated substantial resources to aid the Google Lunar X PRIZE participants in their quests to raise this money through a variety of private investment mechanisms.

This paper will describe historical record of incentive prizes as a unique tool to liberate private investment, calling on a legacy of prizes that stretches back hundreds of years. Addition, the paper will lay out the Foundation's current ideas about the best ways to mobilize entrepreneurs and financial backers to think creatively about complex problems to achieve breakthroughs, therefore creating a range of opportunities for private investment and, in turn, for mission success for the competing teams. Our approach is to create tools such as summits, web seminars, and practice forums, wherein registered teams can benefit from the advice of expert venture capitalist, angel investors, and others. Besides educating our current investors, with this approach we hope to free entrepreneurs from the very constraints they find most limiting, and encourage them to invest every intellectual and financial resource at their command to help the current teams solve the problem, reach the goal, and win the prize.