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Win Fabulous Prizes, All in the Name of Innovation

By Keith Schneider

THE quests are monumental: end [global warming](#); build a private spaceship; cure diseases; develop a car that can go 100 miles on a gallon of gas.

But the prizes are also monumental: millions and millions of dollars.

Such extreme public interest projects have been taken up by foundations, most prominently the [X Prize Foundation](#), an 11-year-old group in Santa Monica, Calif., that rewards innovation on an entirely new scale.

"The world faces difficult problems — bigger than government, business and nonprofits can handle," said Tom Vander Ark, president of the X Prize Foundation. The foundation encourages entrepreneurship, he said, and "competitions can create and reshape markets."

In 1996, the foundation offered a \$10 million prize, called the Ansari X, for someone to invent a private passenger rocket ship able to fly nearly 70 miles up and back again. A team led by the aerospace engineer Burt Rutan, and paid for with more than \$20 million from Paul G. Allen, a founder of Microsoft, collected the \$10 million in 2004.

The X Prize Foundation is not alone in its ambitious ventures: Google.org, the nearly two-year-old philanthropic arm of Google, has kicked off a \$10 million competition to inspire production of plug-in hybrid vehicles so energy efficient they can sell excess electricity back to the utility.

The John D. and Catherine T. [MacArthur Foundation](#), the Wachovia Foundation and the Opportunity Finance Network are collaborating on a five-year, \$41.75 million program to draw philanthropies and businesses closer together. Grants, low-interest loans and awards will go to local institutions that provide credit and financial services to poor communities.

And the Rockefeller Foundation has a partnership with InnoCentive, a company that uses the Web to match scientists and technicians from 175 countries with Fortune 500 companies. Companies needing expertise pay fees for the service, but the partnership allows organizations that work on education and poverty to use its business- and technology-savvy network at no cost.

"It's a new kind of grant-making," said Jonathan Greenblatt, an entrepreneur who sold his company, Ethos Water, to Starbucks and became a senior adviser to the X Prize Foundation. "It's a mode that encourages experimentation rather than prescribing solutions. It sets the stage for innovation and dynamism that the grantor can't anticipate."

Grant programs traditionally finance services and try to influence government policy, not market forces. In most cases, they award modest amounts, develop long-term relationships with grantees and aim to avoid risk.

"Foundations see their role as understanding what the problems are out there, what the solutions are, and what they can do to test the solutions," said Mike Burns, a partner in Brody Weiser Burns, a consulting firm in Branford, Conn., that advises nonprofit groups. "It's very hands off. This is a new breed. They borrow from venture capitalism: they invest the money and have a say in what the outcome is."

Consultants and others in the foundation world say that the trend toward market-based philanthropy, which started in the 1990s in Silicon Valley and elsewhere, owes much of its momentum to the X Prize.

In September, three years after the awarding of the Ansari X Prize, the X Prize Foundation announced a \$30 million prize, financed by Google and called the Google Lunar X Prize, for a rover that can land on the moon, travel 550 yards and send high-resolution video and other data back to earth. An Automotive X Prize, still in the works, will go to whoever produces a car that can get 100 miles a gallon. For the \$10 million Archon X Prize for Genomics, announced in 2006, applicants aim to speed up human genome sequencing.

The foundation, sustained by donors, said in September that it would come up with 12 additional prizes of \$20 million or more each in the next seven years. That money will go to thinkers who can alleviate global warming, improve education, cure disease and reduce poverty.

If the foundation succeeds in raising and distributing the money for these competitions, it will establish some sort of record, prize experts say. But its approach has raised questions in the nonprofit and foundation worlds.