Strategies for Promoting Innovation through PGC-funded Programs

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ABSTRACT

Regulatory agencies and utilities across the country are wrestling with ways to spur innovation in the development of new program concepts to promote energy efficiency. The availability of public goods charge (PGC) monies provides an ideal opportunity to provide financial support for emerging ideas and alternative organizational structures / partnerships in both the private and public sectors. Drawing upon research undertaken for Southern California Edison Company and policymakers in California, research was conducted to supplement an evaluation of the California Third Party Initiatives (TPI) Program. This paper provides a summary of this work, including a review and assessment of alternative organizational and programmatic designs that can be used to solicit truly innovative proposals in the delivery of energy-efficiency services. Based upon information obtained through in-depth interviews with program directors in private grantmaking organizations and public-sector initiatives, the authors characterized the range of organizational and solicitation approaches used, and assessed specific benefits and drawbacks associated with each approach in terms of encouraging innovation.

The objective of this paper is to highlight important lessons learned from the experiences of a diverse range of grant- making organizations *in other public policy arenas* that are charged with encouraging innovation. The authors' evaluation and assessment of alternative program models highlights a number of recommendations that can be considered when developing a TPI program as a vehicle for soliciting innovative energy service concepts. Importantly, many of these recommendations are extremely relevant to other states that are exploring the role of PGC-funded energy-efficiency programs.

Introduction

The Third Party Initiatives (TPI) program in California was developed and implemented by the investor-owned utilities in California as a means of eliciting *new and innovative suggestions for energy-efficiency programs designed and delivered by non-utility organizations.* This study was undertaken as a supplement to the evaluation of the California Third Party Initiative Program (TPI), but the implications are relevant for the development of a TPI program in other areas as well. The authors were asked to investigate ways in which other organizations seek innovative ideas, products, or services via the Requests for Proposal (RFP) process to determine what aspects of those programs might be applicable to a TPI program. We also investigated several energy-efficiency programs in other states that could serve as models for the operation of a TPI program. The following tasks were completed for this project.

- A literature review focusing on innovation and grant making.
- In-depth interviews with three private foundations known for promoting innovative ideas: The Pew Charitable Trusts, The Anne Casey Foundation, and the F.B. Heron Foundation.
- In-depth interviews with three Federal government agencies: The National Science Foundation Small Business Innovation Research Program, The US Department of Energy Inventions and Innovation Program, and The US Department of Transportation Office of Mobility Innovation
- In-depth interviews with one utility: National Grid, USA (formerly NEES)
- In-depth interviews with three statewide organizations charged with promoting innovative energy-efficiency programs: New York State Energy Research and Development Authority, The Wisconsin Energy Center, and Rhode Island Renewable Energy Collaborative (RIREC) / New England Electric System (NEES).

Detailed case-study summaries were prepared from each of these interviews and are available in the full project report.

Literature Review

The literature on innovation is so vast that using this term in a keyword search is virtually useless. Paul Light in his book, *Sustaining Innovation: Creating Nonprofit and Government Organizations That Innovate Naturally*, noted that his internet search using the word "innovation" produced over 400,000 hits back in 1997. In our review of available literature, it was obviously necessary to focus our attention on areas of innovation that were relevant to this program. For this reason, we focused on two principal areas of research:

- innovation in grant making and program solicitation, and
- innovation in non-profit government institutions.

As highlighted in this review, programs such as the TPI can serve as a means to (1) introduce new innovative projects within an existing portfolio of projects, and/or (2) develop programs that offer a competitive alternative or supplement to the current utility-administered program structure.

Innovation in Grant Making or Program Solicitation

A literature search was conducted to determine what had previously been written on the subject of innovation in the area of program solicitation and/or grant making. A limited number of references were collected using these topic areas as key words.

Several articles were found on ways that foundations are changing their grant making. A story in *Foundation News & Commentary (*July-August 1995*)* interviewed three foundation heads about how to introduce innovation into the grant making process. One respondent noted "Our experience has been that a well-publicized CFP [Call for Proposals] with a clear focus will get beyond the usual cadre of grant-seekers and spark innovative proposals from people who might otherwise not apply for funding."

Innovation In Non-Profit Government Institutions

Most of the innovation literature has focused on private industry and, specifically, the innovation of new products and services. However, there is a substantial body of literature on creating government and nonprofit institutions that facilitate innovation, see Perri (1993), Levin and Sanger (1994), Light (1998). Because the TPI program is envisioned to some extent as a means of encouraging new innovation within the utility-sponsored approach now used in California, we felt it would be useful to explore this area. A major contributor to the interest in government innovation is the "Innovations in American Government Program "sponsored by the Ford Foundation and administered by Harvard University's John F. Kennedy School of Government. Each year since 1986, Innovations awards have been given to programs that "highlight models of innovative government in order to encourage replication, recognize public managers who are the backbone of these exemplary programs, and provide compelling and credible portraits of the many ways in which government contributes to public problem solving and the quality of life" (*Governing*, 1998).

The Innovations in American Government Program rewards government innovation. It is not a perfect model for TPI, because it rewards successful programs rather than encouraging their formulation or enhancement, but it is useful for those planning TPI to understand what it takes to make a successful innovation. Atshuler and Parent (1999) provide some of the reoccurring themes that distinguish the award-winning government programs. "If there is a distinguishing characteristic of an Innovations award winner, it is a determination to complete assigned missions even when it has become clear that that cannot be done according to established ways of doing business." Most efforts have an accountability for outcomes, responsiveness, competition, and problem-solving regulation. Levin and Sanger (1994) and Light (1998) note the importance of strong leadership in starting and maintaining innovation in government.

Creating a Parallel Organization

Gilmore and Krantz (1997) describe the concept of parallel organizations as a means of placing independent organizations separate from, and perhaps in competition with, the existing structure. Examples of parallel process success stories in the private sector are the Saturn division at General Motors or the Macintosh computer at Apple. In the public sector, the concept of "Charter Schools" provides an example of a parallel organization.

Some have conceived of TPI as a test case for an alternative to the utility-based program model. It is worth noting that the creation of a parallel process does not ensure success and, in fact, many parallel process attempts end up doing more harm than good. As Gilmore and Krantz (1997) note, problems can occur if the parallel process is used to bury deadwood rather than really open an alternative, or if resources are insufficient to allow the parallel process to succeed. Many attempts fail to consider and prepare for the inevitable point when the process must be "reclaimed by the formal organization." Regardless of which process is selected, hostility from the losing side can disrupt or destroy any long-term hopes of success.

Another TPI purpose may be to allow for greater diversity and innovation by being outside the existing utility-based system. Greene (1990) advocates setting aside a portion of foundation moneys to try riskier and less programmed purposes. The willingness to allow failure of some projects and the less

structured open nature of these set aside funds will lead to more innovation. The TPI could be the mechanism that encourages this greater risk taking and innovation stimulus.

Approaches Used by Foundations

Foundations are sometimes thought of as society's policy laboratories. At their best, foundations are a place to experiment with ideas that, for many reasons, could not or would not be explored by the private sector or by government. Some foundations are known for cutting-edge work and for taking an active role in shaping a social agenda. Others are more traditional and respond exclusively to unsolicited requests for funding. In truth, most foundations combine elements of both grant making approaches.

Foundations, like governments, are non-profit entities that are organized to serve or benefit the public. Foundations are, of course, very unlike government in important respects, particularly in the areas of public accountability and contracting practices. Perhaps the most prominent theme to emerge from our study of philanthropic organizations is the contrast between internally and externally focused grant making. Internally focused grant making is self-directed and pursues ideas that are shaped largely within the organization. Externally focused grant making actively solicits ideas that are shaped in large measure outside the organization. Both grant making approaches can result in innovative ideas and projects, but the internally focused approach requires creative leadership from within and should be complemented by external peer review. The externally focused organization must be open to the "unexpectedly good" or innovative idea. Its questions must also reach the proper audience, which might lay beyond the foundation's core grantees. The internally focused organization is perhaps better positioned to more broadly implement ideas that have been tested elsewhere. The externally focused organization may be better suited to explore those ideas that will become tomorrow's proven approach. Of course, an organization could have elements of both styles; each of the foundations considered for this case study combine, in varying proportions, both grant-making styles.

Regardless of the grant making approach, good project design and management principles should apply throughout. Program and project objectives and strategies must be clearly articulated. Strategies must be logically linked to the desired outcomes. Program and project designers should be able to identify measurable outcomes. Program and project managers should focus on performance and use principles of portfolio management to manage risk, attack a problem from multiple fronts, and design strategies that combine projects in a logical and, ideally, mutually reinforcing way.

Approaches Used in Public Sector

To complement our assessment of private foundations, we completed a review of pubic sector initiatives to promote innovation. In doing so, we contacted six energy and non-energy related organizations that are involved with public sector initiatives. These include:

- National Science Foundation (NSF): Small Business Innovation Research Program
- US Department of Energy (DOE): Energy, Inventions, and Innovation Program
- US Department of Transportation (DOT): Mobility Innovation Unit
- New York State Energy Research and Development Authority (NYSERDA)
- Energy Center of Wisconsin

- Rhode Island Renewable Energy Collaborative (RIREC) / New England Electric System (NEES)

Mission statements play a crucial role in public-sector initiatives. Many organizations have established program and sub-program areas, the composition of which reflects this mission and external influences. Solicitations frequently employ some variation on a two-stage process -- a process that helps organizations focus externally and, in the case of commercialization, understand the market. The use of selection criteria varies; one of the primary advantages of a well-articulated set of criteria is increased potential for alignment of proposals and sponsors' goals. Organizations are generally capable of tailoring their level of involvement in a project to ensure the ultimate success of the project. In the case of NYSERDA, the organization effectively becomes a business partner with the grant recipient, thereby ensuring a mutually beneficial relationship. Evaluation is widely used, reflecting a general demand for project performance that was also highlighted within the foundation community.

Assessment of Alternative Program Models for TPI Programs

During the course of our review, a variety of the factors were identified as influencing and/or encouraging the level of innovation achieved within private foundations and public sector initiatives. The most prevalent among these include:

- Define the Organizational Mission -- *having a cogent and meaningful organizational mission serves as a critical rudder through the uncharted seas of innovation*;

- Identify and Define Program Areas -- *program areas, and program sub-areas provide a structure within which the organizational mission can be implemented;*

- Implement a Strategic Solicitation Processes -- *the solicitation process should reflect both the organizational mission, and the nature of the program areas for which solicitations are desired;*

- Require that Proposals Articulate Strategy for Market Program-level Objectives – *the RFPs should require proposals to state their strategy and the expected measurable milestones for achieving program-level objectives.*

- Utilize a Broad-based Selection Process -- *selection processes are often used that have explicit criteria, but also establish a process whereby external input is obtained.*

Defining the Organizational Mission for TPI

Most of the organizations reviewed have mission statements that are readily available and that were referenced during discussions of organizational objectives. Although this may seem, in some sense, to be a formality, the exercise of defining an organization's mission is critically important -- especially when dealing with something as intangible as the concept of innovation. In short, a mission statement

provides a degree of context within which various definitions of innovation may be interpreted and constrained. Moreover, the very act of developing a mission statement can serve as a process-tool that helps to better define the overall purpose (raîson d'etre) of an organization. In the case of NYSERDA and the ECW, each mission statement emphasizes that the benefits of their initiatives should accrue, first and foremost, to the citizens of New York and Wisconsin, respectively.

Based upon our review of alternative program models, it is apparent that three fundamental questions should be considered in developing a mission statement for a TPI program, including:

- Is the TPI intended to be a "Parallel Replacement Organization" or an "Innovation Incubator"?
- Should the TPI be externally- or internally-focused?
- What is the appropriate portfolio from a time and risk perspective

"Parallel replacement organization" or "innovation incubator"? The most essential point that must be clarified in establishing the mission for a TPI and ensuring innovation is whether the program is intended to (1) serve as an incubator for new ideas, (2) serve as an alternative model to utility-based energy efficiency, or (3) both. Although these paths are not mutually exclusive, they each require different organizational structures. Parallel organizations require a greater commitment of time and resources, while the tenure of an incubator organization could be shorter in duration. Therefore, while it is entirely possible that a TPI program could be positioned as an incubator in the near term, and begin to transform itself over time into a replacement for utilities, this would greatly complicate program administration. Ultimately, it may not be possible for a single organization to be charged with achieving both missions and complete each mission well.

External vs. internal focus. The review of private foundation organizations highlighted that foundations can assume a strategy in their grantmaking that is either externally-or internally-focused. Internally focused grant making is self-directed and pursues ideas that are shaped largely within the organization. Externally focused grant making actively solicits ideas that are shaped in large measure outside the organization.

Some of the programs we examined were very internally focused. The DOT programs, for example, are quite internally-focused. Two of the energy-related programs represent a sort of hybrid approach, being internally focused in the development of program areas and more externally-focused in the solicitation of proposals and ideas. NSF is perhaps the most externally focused of the organizations reviewed, where the types of projects sent in determine the direction for the Small Business Innovations Research (SBIR) Program.

From our perspective, if TPI is to be an ideas-generator, TPI should operate as an externally-focused model. TPI does not, at this point, have its own creative leadership that can define research directions. To pursue an internally-focused approach would necessarily rely upon utility staff for direction which may not ultimately facilitate the level of innovation desired. Establishing an organizational structure for TPI that is more externally-focused may provide a positive contrast to the internally-focused utility model.

In implementing an externally-focused model, TPI should keep the solicitation process open to encourage the "unexpectedly good" ideas. This generally means using broadly defined solicitation

criteria, widely disseminating RFPs, utilizing outside expertise (important), embracing a longer-term perspective on program development, and a developing a culture that is willing to take risks.

What is the appropriate portfolio from a time and risk perspective? Administrators for a TPI program should consider selecting and managing projects as part of a portfolio. The portfolio is designed to achieve an overall objective and each project makes a contribution. Such a portfolio would include "risk balancers" or projects that could be characterized as low risk and somewhat more traditional. These projects, if successful, will create incremental progress toward the portfolio objective. The portfolio should also include a few high-risk/high-reward projects. These projects may have less than a 50 percent chance of success, but those that are successful will exhibit gains far in excess of the norm.

Importantly, the portfolio approach should be shaped by a clear sense of strategy. This strategy should be linked to TPI's larger mission which should be focused upon developing this strategy and building the portfolio to support it. As with many endeavors, too much breadth is a recipe for ineffectiveness (e.g., is it necessary that every administrator must develop residential, commercial, and industrial programs, each of which includes a range of end-use targets? This degree of diversity may not be strategic.) Consideration needs to be given to which markets hold the most promise for transformation and a portfolio developed to pursue this market, approaching this market on multiple fronts and concentrating on projects that address the root causes of market "barriers."

Some consideration also needs to be given to the time frame under which a TPI program develops projects, as well as the relationship between the overall mission and the timeframe within which this occurs. As noted in our review of foundation approaches, some foundations look ahead to generate new ideas, while other try to encourage solutions to existing problems. Several of the larger government organizations we examined have defined stages for the development of projects, and some of those restrict funding to specific stages of development.

An additional issue related to the time horizon is that of budgets, fiscal stability, and continuity across program agendas. Organizations that appear to have successfully promoted innovation tend to have relatively stable funding levels. This becomes even more important in the context of a TPI program, especially when one takes into consideration the fact that the TPI's purview also encompasses services, educational outreach, and market development. Such market transformation implies a longer-term perspective, and therefore it would be appropriate for a TPI program to include some longer-term projects, and idea generation funding into its overall portfolio. In a sense, a TPI program is different from DOE's Invention and Innovation Program, or NSF's Small Business Innovation Research in that those programs focus on specific products rather than the marketing and delivery of new products and services to new markets.

Identifying and Defining Program Areas

Annual planning process. An annual planning process facilitates the evolution of an organization's long-term mission and structure while, at the same time, providing a forum through which near-term goals and objectives can be debated and set. Such a process also provides continuity from year-to-year, a requirement for successful program development. Within the planning process used to establish program areas, a critical topic for discussion is the degree to which program areas should be defined (or left open), and the perspective that will be employed in establishing such program areas.

How much specific program-area identification is the right amount? Most of the programs reviewed have established specific program areas and, beyond that, many employ various sub-program areas. Program-level objectives are established and guide the solicitations in a given year. This is, in many ways, the first step toward implementing an organization's mission statement through a tangible and workable organizational structure. Once established, program areas then serve as a structure within which budgets are allocated, and various experts are assembled (see "program-level steering committees," below). Even programs that address energy efficiency have established program areas within what might otherwise appear to be a relatively narrow field.

The NSF model is a notable exception, providing a model that is completely opposite to that described above. NSF SBIR does not set up predetermined budget allocations, but rather determines the allocation based on the interests shown via the proposals submitted. NSF's philosophy is that the government should chose the best projects regardless of the research area. They do not presuppose that research in one area of science will be more important than in another. NSF is able to accomplish this because its program managers are considered generalists rather than experts in their fields. NSF assembles experts from outside to review the technical competence.

Within the context of a TPI program, more structure in the form of traditional market-segment program areas may not encourage a high level of innovation. However, if program areas are defined through an examination of the root causes of market transformation barriers, useful program areas may be defined. Examples may include: particular problems such as (1) developing innovative marketing approaches, or (2) testing new ways to overcome landlord/tenant problems. The use of such program areas may be more fruitful in stimulating breakthrough innovations than would be achieved by structuring program area around segments (residential, commercial, industrial) or technologies (HVAC, lighting, motors).

Program-level steering committees. Building upon the concept of defining specific program areas in which an organization intends to focus its resources, each of the organizations reviewed typically utilizes some variant of a panel of experts to guide these program and sub-program areas. Such panels typically draw upon a diverse mix of individuals (experts and stakeholders) from "members" (large donors or funding sources), university professors, and other acknowledged experts in a given field. In many respects, this process is similar the concept of peer review that is used extensively within the academic community. These panels of experts will work with organizational staff to refine program focus, develop solicitations, review proposals, and recommend funding. TPI programs should consider developing an ideas-generation group. This could be a broad network of bright people from academia, research, and the energy marketplace, that would regularly (e.g., annually) nominate ideas, strategies, or products for review. These ideas could then become the basis for specific RFPs (either research or implementation).

The Solicitation Process

Solicitation promotion. In order to have a successful solicitation process that implements the critical success factors noted below, it is important that enough potential participants step forward with proposals. For this reason, many organizations devote substantial efforts toward promoting their programs and seeking out those individuals and/or organizations that may not be within their traditional circle of contact. The promotion of well-established organizations and programs is less critical, as such

organizations are more likely to be sought out actively. Newer and less well known organizations, however, have a greater need to reach out to their target audience and build a network. Establishing linkages to universities, state agencies, professional organizations, and business development agencies can be vital to the success of a TPI program.

Two-stage solicitation process. In order to stay close to the "market", and encourage innovation, many of the organizations reviewed utilize a two-stage solicitation process whereby "ideas" are first solicited and reviewed using a consistent scoring process. Concepts deemed competitive or otherwise worthy of further consideration are then advanced to the next level. At the next level, depending upon the organization, a variety of steps may occur. In some organizations, the selected proposers are then requested to develop a full-fledged proposal for consideration. In other cases, the selected proposal concepts are then developed into targeted RFPs which are then opened up again to a general (but more focused) solicitation process. In either event, the objective is to identify promising ideas and to then focus specifically on those ideas that show the greatest promise and are aligned with an organization's mission statement. In the DOE case, applicants are encouraged to submit a pre-bid concept paper. This paper is reviewed by DOE staff who either encourage the applicant to complete a full proposal, or provide technical assistance to the applicant on how to refocus the proposal to meet DOE's expectations.

Targeted and broad solicitations. Many organizations that appear to be successful at encouraging innovation generally issue both broad and targeted solicitations. Targeted solicitations are used to address programmatic objectives that are well defined and relatively well understood. Room is also made, within the portfolio, for a set of broader solicitations that are less specific in their requirements.

Multi-staged projects. Since many of these projects are initiated in the incubation stage, a lot of positive progress / development is needed to bring the product or service to its final position. Both NSF and DOE recognize this by specifying program stages, and providing funding for only one stage at a time. Those projects successfully completing the awarded stage are encouraged then to submit a subsequent proposal for the next stage. Such an approach may be used in conjunction with program-area definitions as a means of developing a longer-term portfolio.

Guarantee of confidentiality. Because TPI will be dealing with, and encouraging, the submission of new ideas, a process needs to be set up to ensure the confidentiality of applicants' proprietary ideas. Absent such procedures, innovators may be reluctant to step forward with their best new ideas. Establishing a process involves the formal designation of the confidential areas in the proposal by the applicant, and a signed, legal guarantee of protection of confidentiality by reviewers. The DOE program has a good format for accomplishing this requirement.

Require Proposals to Better Articulate Strategy for Project Outcomes

Insist on measurable outcomes. Foundations and public sector initiatives, alike, have both placed a substantial degree of importance on outcomes -- both measurable and those that are less tangible. Program and project proposals should define intermediate and longer-term outcomes. The intermediate outcomes can be the interim benchmarks that will allow TPI administrators to gauge the progress of the

program or project. The longer-term outcomes will reflect the project's goals and the compatibility of these goals with long-term objectives of the TPI program. These outcomes should be observable and measurable. The use of outcomes enables project designers to specify what they expect their projects to accomplish and help inform TPI administrator about how each project will contribute to TPI's larger goal. Carefully established outcomes re-enforce the focus on program goals and objectives.

RFPs should ask for details on the project's strategy. Each project should be able to clearly articulate a strategy that will lead to the desired change in the marketplace. The project should lay bear its logic--by logic we mean an articulation of the rationale that drives the elements of a project and of the causal linkages (or assumptions) that lead from project activities to the desired outcomes

RFPs should focus on performance. As one foundation head put it, "Encourage innovation, but always demand performance". As discussed above, this means that each proposal should set measurable benchmarks. For most projects, TPI should consider using short-term contracts that focus on achieving one stage of the effort. Contract renewals should be tied to achieving performance benchmarks. To do this effectively, TPI and the projects themselves will need to establish effective monitoring plans to gauge project performance.

The Selection Process

Expert review panel. Most organizations utilize expert review panels, comprised of both internal staff and persons ("experts") drawn from the outside, to score and recommend proposals to be selected. The formulation of committees with a wide range of expertise helps foster innovation and increases the chances that the merit of a new idea is recognized appropriately. In California, the TPI administrator already uses review committees. As a step toward ensuring innovation, the committees should reach beyond utility staff and its technical advisors. The review committees include the private sector, and individuals that have actually run programs. TPI should invite a heretic or skeptic to review proposals. Committees dominated by like-minded individuals will tend to favor more traditional approaches.

Specifying the criteria. Asking reviewers to pick the best proposals first requires that everyone understands what "the best" means. Setting up selection criteria is a way for both applicants and reviewers to understand what is being sought in the RFP. The trick is being specific about what is desired without limiting the approaches used to get there. One foundation interviewee cautioned against using specific criteria, but that advice may not be applicable to government institutions. Good models of selection criteria are the DOE and NSF case studies. Each of these organizations poses a series of questions on the technical quality of the proposal and the impacts the proposal may have with respect to program objectives. Ultimately, the TPI program will need to develop its own set of criteria that reflect its ultimate mission of market transformation. While this will not be an easy task, it will be a critical step in establishing the TPI program as a vehicle for innovation.

Balancing technical and political needs. Government agencies and non-profit programs funded via the government face restrictions regarding the disbursement of funds that foundations can, but do not have to, worry about. Government institutions must consider policy issues, such as geographic diversity, gender, variety of program type, conformity to broader policy issues, etc., in the awarding of

grants and contracts. The concern is how to balance these policy considerations with the technical content of the proposal. Most of the case studies use a two-stage or even three-stage selection process to accomplish this. The first stage of the process, or the first two stages in a three-stage process, select and rank projects on their technical competence. The peer review experts or review experts followed by review panels in the three-stage process do these reviews. After these technical reviews, a program officer, who is normally an employee of the granting agency adjusts the selection to reflect any policy criteria that the agency wishes to consider. TPI programs will need to specify explicitly what policy criteria, in addition to the technical criteria, it wishes to consider in making awards. Importantly, as a means of maximizing the chances of innovation, such policy considerations should be invoked only after proposals have been competitively screened for their technical content.

Matching fund requirements. In all types of organizations, the availability of matching funds are either required or factor very heavily into the proposal selection process. NYSERDA, for example, expects to see matching contributions equal to at least the amount committed by NYSERDA. The rationale behind this is that they are willing to share the risk with a company or entrepreneur in developing an innovation - but also that the proposal has a much greater chance of long-term success if another party is also financially liable for that success. Similarly, within the foundation community, proposals that are accompanied with commitments for either internal funding or outside funding from another organization are viewed favorably.

Summary and Recommendations for Encouraging Innovation

With the constantly changing landscape for energy efficiency, there is an on-going interest in developing new and innovative strategies for PGC-funded programs. Although this study was conducted specifically with the California TPI program in mind, the findings are also relevant to efforts in other states. Specifically, attributes that successful organizations have adopted, and that should be considered by the administrators of such programs as a means of ensuring innovation in project proposals, include:

- Establish a strategic mission for the TPI program
- Establish whether the TPI program is to be a "replacement organization" or an "innovation incubator"
- Clarify whether the intent of the program is to be internally- or externally-focused, or both
- Establish a consistent time horizon for the organization and projects that are funded
- Implement an annual planning process to establish program areas
- Consider utilizing non-traditional program area definitions
- Establish a panel of experts to comprise program-level steering committees
- Develop a communications and out-reach plan that will maximize the exposure of all solicitations
- Implement a two-stage solicitation process
- Insist on measurable outcomes and a clear articulation of strategy
- Utilize expert panels in the technical review of proposals
- Publish technical criteria upon which proposals will be evaluated
- Encourage the requirement of significant matching funds in all projects

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