

Q&A

Judith Rodin

SSIR Managing Editor Eric Nee spoke with Rockefeller Foundation's President, Judith Rodin, about the impact that the economic downturn has had on the Rockefeller Foundation and its grantmaking ability

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Judith Rodin is funding new innovation processes, like crowdsourcing and collaborative competitions.

JUDITH RODIN HEADS the Rockefeller Foundation, one of the world's oldest, most influential, and innovative foundations. Many of the 20th century's big breakthroughs—Social Security, the Green Revolution, the discovery of DNA, and family planning—can be traced to early funding from the Rockefeller Foundation.

Today, Rodin is doing her best to keep the Rockefeller Foundation at the forefront of new and big ideas. The foundation continues to fund organizations tackling specific problems like poor health care and environmental degradation. But Rodin has taken a different tack by also funding organizations that are creating new innovation processes—like crowdsourcing and collaborative competitions—which can be applied to solving all types of social problems.

In this interview with *Stanford Social Innovation Review* Managing Editor Eric Nee, Rodin explains the impact that the economic downturn has had on the Rockefeller Foundation and its grantmaking ability. She goes on to discuss in some detail why the foundation is funding organizations developing new innovation processes and which processes are proving most fruitful. And last, Rodin explains how the Rockefeller Foundation is adapting its grantmaking to the new opportunities provided by the Obama administration.

Eric Nee: How is the economic downturn affecting the Rockefeller Foundation?

Judith Rodin: Nobody foresaw the magnitude of the economic crisis or the rapidity with which it occurred. Our endowment was down somewhere in the neighborhood of 25

percent at the end of '08. And we will, undoubtedly, be well over our traditional 5 percent payout this year. But our investment managers were attentive to the market turbulence, and in early 2008 we took out a sizable line of credit with a large bank. With access to that money, we did not have to sell our holdings into a declining market to meet our grantmaking needs. We plan to honor all of our approved grants and move forward with all of our ongoing initiatives. The Rockefeller Foundation has been around for more than 90 years, and with the confidence of that history we're well positioned to weather this financial crisis.

What lessons did the foundation learn from going through the Great Depression?

Just as the federal government saw the opportunity to initiate major programs during that time of need, so too did the Rockefeller Foundation. It spent substantial resources on significant programs, such as the

development of Social Security. We are planning to do the same thing now.

What impact will the economic downturn have on nonprofits?

Clearly, there will be fewer nonprofits, at both the level of givers and the level of grantees. This may be the moment for consolidation in an “industry”—in quote marks—that’s really proliferated, and where there may not have been the incentive or the motivation for economies of scale. And so, regrettably, this may be an opportunity for that. I also think that innovation is going to be critical, accomplishing more with less, working together, leveraging resources, sharing data, and creating models for change that can be more easily replicated. All of these things are going to be absolutely urgent in this economic climate.

You mentioned innovation. One of the Rockefeller Foundation’s program areas is funding innovation. Can you explain what you are doing in that area?

Innovation is not just a product, it’s a process. We want to focus our funding on the how, not just on the what. We’re funding organizations that are at the cutting edge of the process of innovation. Our hope is that those processes can be used by lots of different organizations in lots of different fields. What we’ve found is that a lot of the innovative processes that have been created in the private sector can be applied to solving not-for-profit social challenges in the fields in which we work—health care, economic security, climate change, poverty alleviation, and capacity building.

We’re focusing our efforts on two core innovation ideas. First, that the most successful solutions will often come from the place where you’d least expect them. Here we are funding organizations involved in crowdsourcing techniques and collaborative competitions. Second, that the innovations that focus on the user often lead to extraordinary and, we think, different outcomes. Here we are funding organizations focused on user-driven innovation.

Let’s talk about the first type of innovation model you mentioned, crowdsourcing.

We began with a partnership with a for-profit company called InnoCentive that has linked together a network of about 150,000

engineers, scientists, and entrepreneurs around the world. They use a Web-based platform to gather solutions to problems that have confounded people working in just one place, such as an R&D department at a large pharmaceutical company. Hundreds or even thousands of people who have never met, and never will, compete to solve a problem. The best solution, which is determined by the organization that posted the problem, wins a prize.

We thought this would be an amazing platform for finding solutions to world problems. I’ll give you an example. BoGoLight had developed a solar-powered flashlight and wanted to expand on that to develop a product that could light a whole room for people who had no electricity. So they posted the problem on InnoCentive. The winner was a scientist in New Zealand, someone with whom BoGoLight, which is based in Houston, would never have come into contact. Just as important, BoGoLight said the process was much more economical and allowed them to see the problem differently. The new light is now being used in African villages and in the Gaza Strip.

One of the interesting things is how many of the solvers have sent e-mails back to InnoCentive saying: “I can’t tell you how fantastic it feels to be working on social problems. It’s not that I don’t like the prize money, and I like working on the for-profit problems, too. But it feels terrific to be working on socially important problems that I know can help people.”

Who are you funding in the area of collaborative competitions?

An example is Changemakers, an Ashoka-founded NGO. Here again our interest is in the process. At InnoCentive, the problem solvers don’t see one another’s solutions, but at Changemakers all of the solutions are posted so that everyone can read them and perhaps build on one another’s solutions. They aren’t in the same room, but they can collaborate virtually, making it possible to create a different and better solution. It’s through collaborative revision and iteration that the best ideas come and new and creative solutions are developed. Coca-Cola, for example, sponsored a global water challenge at Changemakers. They were looking for ways to help impoverished communities

gain access to sanitation and drinking water. Almost 300 competing applications came in from 54 countries. Four of these entrants were named winners and are splitting \$1 million to create scalable, replicable, and sustainable models that can be applied around the world.

The second type of process that you are funding is user-driven innovation. Can you explain what that is?

The design firm IDEO is one of the best practitioners of user-driven innovation. Their concept is that innovations are most successful if the people who will be using the product or the service are given a real voice in the development process. IDEO usually works with large for-profit companies to help design new products and services. We funded IDEO to work with nonprofits to help solve social problems. One grantee they’ve been working with is Conversion Sound, a social enterprise that develops hearing aids for poor people in rural India. Through the IDEO process they discovered that because authority commands such respect, particularly in the rural parts of India, hearing aid technicians would be more effective if they wore uniforms. It’s certainly not something that I would have thought of, or even thought was important, but the users identified this as critical. In this instance, a small change in the program made a very big difference.

Another example of user-driven innovation is the work done by Positive Deviance, a group at Tufts University. Their idea is that every community has positive outliers, people who stand out because their behavior is different from most of the other people in the group and because they are more successful. What Positive Deviance does is identify the behaviors that have made these outliers successful, and then teach and institutionalize these behaviors to others in the group. Positive Deviance gets credit for showing what reduced hospital-acquired infections. They found that in hospitals where the infection rate was very low, individuals were using hand sanitizers, and that that was not the case systematically in those hospitals with high infection rates. Positive Deviance spread those practices to other hospitals.

With our funding, Positive Deviance is

trying to figure out ways to decrease corruption in governments of developing countries. They're identifying the behaviors of the most ethical public officials in developing countries and what behaviors they engage in to root out waste, fraud, abuse, and corruption, and then they are trying to generalize and teach those behaviors. Their belief is that some of the abuse comes from lacking the skills to behave ethically, rather than simply looking for fraudulent ways to hurt people.

How does the Rockefeller Foundation get these lessons and skills about innovative processes out to the rest of the world?

That is the critical question. We think innovation is a skill that can be taught. Our Innovation Initiative has three parts. The first part, which I've already described, is to make the grants to do the work. The second part is monitoring and evaluating the work. This involves not only measuring success in the more traditional terms—does the innovation work—but also evaluating whether the process made the work of the grantee better, different, more cost-effective, and a whole cascade of other parameters. The third part is to disseminate the process through conferences, written materials, and other means. Our success will be realized only if all of this spreads and goes to scale. We've already begun bringing the grantees together, both actually and virtually, to share what they have learned.

One of the things we are also doing is to turn the lens on ourselves and ask are we, the Rockefeller Foundation and the philanthropy sector as a whole, using these innovation tools and techniques? If we are, are we using them as effectively as we might? And if we're not, can we go through the same kind of training that we've been doing with our grantees? We've held one workshop for several foundations that were interested in embarking on this journey with us. And we've held a couple of workshops for ourselves. If we really get good at this, we believe that by using some of these innovation practices we can make up for some of the financial cuts in our endowment.

Let's talk about President Obama. What impact will his administration have on the foundation's work?

We did a national poll last summer with

Time—well before the economic crisis really hit. What we found is that Americans want new public policies. They want government and their employers to enter into a new kind of social contract. Americans also understand that their roles will have to change and that the 21st century is going to demand different things of them as well. We were struck by their embrace of government. So I think President Obama has that mandate.

The opportunity for innovation is real, in part because resources are limited. Whether it's innovation in public policy, whether it's a White House Office of Social Innovation, whether it's new kinds of models of public-private partnership, all of these are going to be necessary. I don't think it's a choice between public and private approaches to solving social problems. It's going



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to require all of the sectors. We may need to redefine the roles of each and how they interact. But the problems are so big that we need both the markets and the public sector to engage, but we need them to engage in different ways. That's what this discussion in Washington and literally around kitchen tables everywhere in the United States is really all about.

What is the Rockefeller Foundation doing now to take advantage of this situation?

We worked on the economic stimulus bill, trying to draw attention to issues like infrastructure, climate change and the environment, poverty, and urbanization. Some of our grantmaking has changed to capitalize on this shift as well.

We just funded a conference at NYU's Furman Center called "A Crisis Is a Terrible Thing to Waste." This conference looked at the mortgage and housing crisis and asked, "What are the opportunities for new ideas about homeownership and how mortgages and financing need to occur?" The new U.S. Department of Housing and Urban Development secretary, Shaun Donovan, was a keynote speaker.

You launched a new program last summer called Campaign for American Workers. How has that program adjusted to the new economic and political reality?

It was very clear to us that the growing inequality around the world was going to have enormous impact, and that government was not providing major solutions to that set of issues. So as we thought about this, we said, "Has the social contract for the 20th century now changed so much that we really ought to examine what the 21st century contract should be?" The Campaign for American Workers is an effort to produce new social research and create new public policy solutions, all motivated toward increasing the economic security of the American worker. Our view is that you can't use protectionist trade policies or

immigration policies to solve that problem. It's about doing what America has always been good at, which is growing the pot through innovation and economic development and expanding the workforce.

What are some programs that you have funded in this area?

One example is the Tax Policy Center, which has developed the idea of a guaranteed retirement account. If workers don't have access to a conventional defined benefit pension plan, they could contribute 2.5 percent of their income to the plan and the government would pay the first 60 percent of that amount, and then the employer would kick in another 2.5 percent. It's similar to a 401(k). The difference is that the money is deposited into an individual account with the Social Security Administration, which pools the money and puts it into relatively conservative investments.

Are you optimistic about the future?

I think we will find solutions. This is an amazing opportunity for Americans. We can't afford to squander it, because it's a once-in-a-generation opportunity. ■