Entrepreneurial Disruption

"Entrepreneurial disruption" is a modish term, popular today, which refers to nothing more than a creative change, fresh perception, a "better mousetrap," envisioned and brought into practice by an individual or a business. The term "disruption" refers to the kind of change that make Kodak cameras obsolete when digital cameras were introduced. The most promising path forward to give seniors the services they need is to hope that an entrepreneur comes forward to reinvent the eldercare industry and to improve the value for consumers and the quality of the services that they receive.

"Entrepreneurial disruption" is the kind of disruption that came to the mom and pop system of grocery stores, bakeries, butchers, dry goods stores, etc. that was prevalent before World War II, but that was thoroughly disrupted by the advent of the super market beginning with the Atlantic and Pacific Tea Company. More recently, we have the example of Amazon (and, I suppose, Alibaba) disrupting traditional retailing and manufacturing models.

In our time, technology has been the great disrupter. We see that in how Amazon was able to deploy technology and send it out into the world to improve the customer experience and to provide improved customer value. That is the kind of disruption that is likely to come to eldercare.

Many of today's aging Americans don't want to end up as they saw their parents' generation ending up. The rare bright spots in that dire prospect were those people, who moved to a CCRC. CCRCs disrupted the early models of staying in place dependent on others when independence was no longer possible. That approach then, and today, ends badly when adversity makes impossible continuation in place. Adult Protective Services, or children, then have to intervene. Many of today's adults believe that they should provide for themselves and not force their children to divert their lives from career and family to provide care. The original CCRCs were entrepreneurially disruptive. Such disruption is positive.

Today, there are good and less good CCRCs. The industry has few standards. As LeadingAge's Steve Maag has written, "There are a significant number of contract variations across the country and the best estimates are that less than 50% are the traditional Type A life care contracts that would even arguably be a quasi-insurance model that would have characteristics that would make it appropriate for insurance commissioners model laws."

This opinion overlooks the clear parallels between lifetime entry fee commitments and lifetime annuity commitments. Such lifetime commitments clearly involve insuring longevity risk. Although NaCCRA has spent considerable time educating LeadingAge on that mortality-dependent element of entry fees, LeadingAge has not listened perhaps because of the widespread lack of financial understanding among provider executives. That is alarming and may reflect the nonprofit mentality that mission is more important than finances. Result: inadvertent financial malfeasance.

But Steve also accepts as normative that "There are a significant number of contract variations across the country…", as though that is not misleading for consumers who are lured into believing that they know what they are buying when the lack of uniformity, or even basic standards, means that there can be no such understanding except for the most sophisticated of purchasers, and even they can be misled. In one California CCRC, entry fee investments were lost in a failed speculative adventure by the provider in Mexico (http://www.banderasnews.com/0705/re-lumaliving.htm). That is financial malfeasance.

From these observations, it becomes evident that the industry now is ripe for entrepreneurial disruption. The disruption can be financial, e.g. entry fees can be put on a sound footing and people can be given a safe and trustworthy means to provide for the hazards of aging. The disruption can be technological, e.g. new interactive systems for menu development and meal ordering can allow a food service operation to optimize purchasing and to reduce waste, and that's but a single example of the underutilized potential of technology for disruption. The disruption can be organizational, e.g. emerging organizations have a flatter structure with more worker responsibility and that can reduce the costs of hierarchy and the inertia that results from elaborate approval chains. The disruption can be point of service, e.g. substituting group caregiving for one on one 24/7 caregiving which is about as costly as can be conceived.

Even dining wait services can be mechanized, as banking was with automatic teller machines, though reducing personal service would be controversial just as ATMs were when first introduced. The potentialities for innovative disruption in the CCRC industry are vast, and those entities that don't progress will be superseded. That's as it should be. Some people will like the changes; some people will be unhappy; but change is inevitable in society and change will come to the world of CCRCs.

Some in our grandparents' generation wouldn't allow telephones in in their homes for fear that people would be able to spy on them. Today we carry our telephones in our pockets and consider them all purpose instruments for empowerment. Who could have foreseen that taking pictures would be a major use for a telephone? The path of entrepreneurial disruption is never clear before it occurs. Otherwise, industries would transform themselves to survive and would not have to cope with external disruption.

On the positive side, a disruptive organization can reduce cost and improve customer value making it possible to pay workers a fair wage (many are underpaid today) and to motivate workers to achieve a higher potential (the industry now offers few career tracks and fewer still opportunities for self-improvement and growth). Not only, though, can it allow the improvement of conditions for workers (as, say, COSTCO has done in the field of retailing) but it can also allow greater availability of affordable services. Perhaps today's senior centers can become hubs for a wider range of services to meet the needs not only of those who are able to come to congregate meals but to better meet the needs of those sad isolated souls who depend on meals on wheels. If we can bring down the rate of elder suicide by giving people reasons to live and by helping them to enjoy their lives, that would be a social breakthrough of the first order.

So, the conclusion is that "entrepreneurial disruption" is the emergence of trustworthy nationally branded eldercare service enterprises that are able to attract business away from those enterprises that are stagnant or laggard or self-aggrandizing or that avoid all accountability and resist all change.

Active Aging Advocates
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