

# Five Facts for Leadership on the Future of Healthcare Business Disruption

**Andrew Donahue, CPA, MHA**  
**Director, Healthcare Finance Policy**

Finance and Business Strategy

# Why the idea of disruption is so hard for healthcare leaders to understand



Andrew Donahue, MHA, CPA

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**I**t's time to talk about the word *disruption* – what it is and what it isn't – because right now in healthcare it seems to be generating more angst than strategy.

First, some good news. *Disruption* (shorthand for “disruptive innovation”) is just a theory. It's an idea. That's all. It was first introduced in the mid-1990s, having been designed by Harvard academics to answer one question that was on every executive's mind: How do I stay on top of my industry when this new “internet” thing is changing everything below it?

At the time, tech companies were gobbling up market share from well-managed and established brands across the country (e.g., Amazon versus Borders, Netflix versus Blockbuster, new e-commerce channels versus Sears).

Disruption, as an academic theory, entered the national conversation to help explain how those popular brands were losing market share, even while ostensibly doing all the right things:

“The process begins with a small company entering the low end of a market ... claiming the least profitable portion of the market as its own. Because the established, incumbent companies own the most profitable market segments, they most likely won't fight the entrant for that market share.

The entrant then improves its offerings and moves upmarket with increasing profitability. Once the incumbents' customers have widely adopted the entrant's offerings in the mainstream market, disruption has occurred.”<sup>a</sup>

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**Fact #1:** “Disruption” is a business *theory*, not an immutable truth.

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The screenshot shows the Becker's Health IT website. The top navigation bar includes links for Hospital, ASC, Spine, Clinical, Health IT, CFO, Dental, Payer, Podcasts, Behavioral, and Physician. A 'Subscribe' button and the phone number 1.800.417.2035 are also present. The main header features the 'BECKER'S HEALTH IT' logo and a search bar. Below the header, there's a section for 'Watch the latest Clinical Webinars' with a 'Watch now' button. A sidebar on the right promotes 'Join Becker's 2023 Conferences'. A secondary navigation bar lists various content types: E-Newsletters, Conferences, Virtual Conferences, Webinars, Whitepapers, Podcasts, Print Issue, Multimedia, Lists, and About Us. Below this, a third navigation bar lists topics: Cybersecurity, EHRs, Telehealth, Innovation, Digital Health, Disruptors, and Marketing. The main content area features an article titled '12 healthcare innovation execs define what 'disruption' means to them' by Katie Adams. The article includes social media sharing icons and a brief introduction. On the right side of the article, there's a promotional box for 'The Latest Dental Webinars On Demand' with a 'Watch Now' button. At the bottom right, there's a 'STAY CONNECTED' section with the Becker's Health logo.

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## 12 healthcare innovation execs define what 'disruption' means to them

Katie Adams

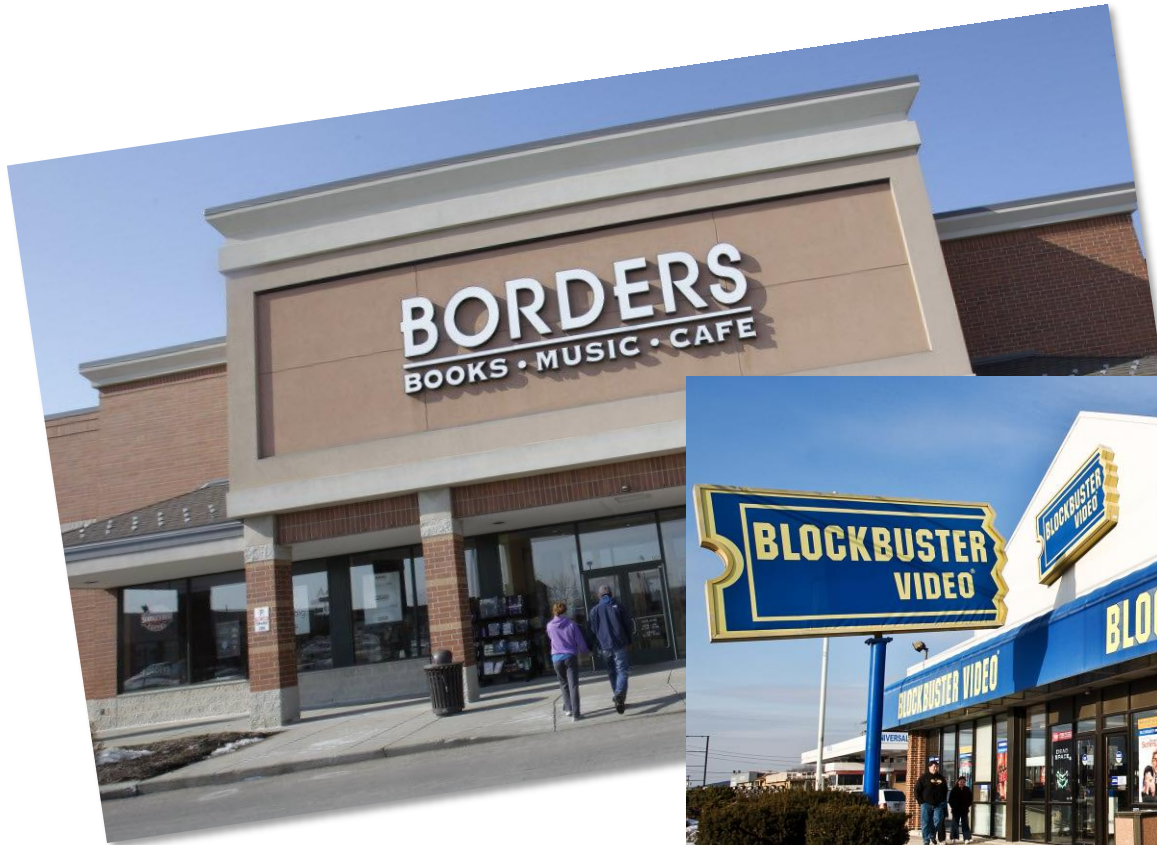
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When new digital technologies and data-driven systems are introduced in the healthcare industry, they are often referred to as "disruptors" or a "disruption." These terms can get thrown around pretty frequently in conversations about healthcare innovation, but it can often be unclear — to patients and hospital executives alike — what the term actually means.

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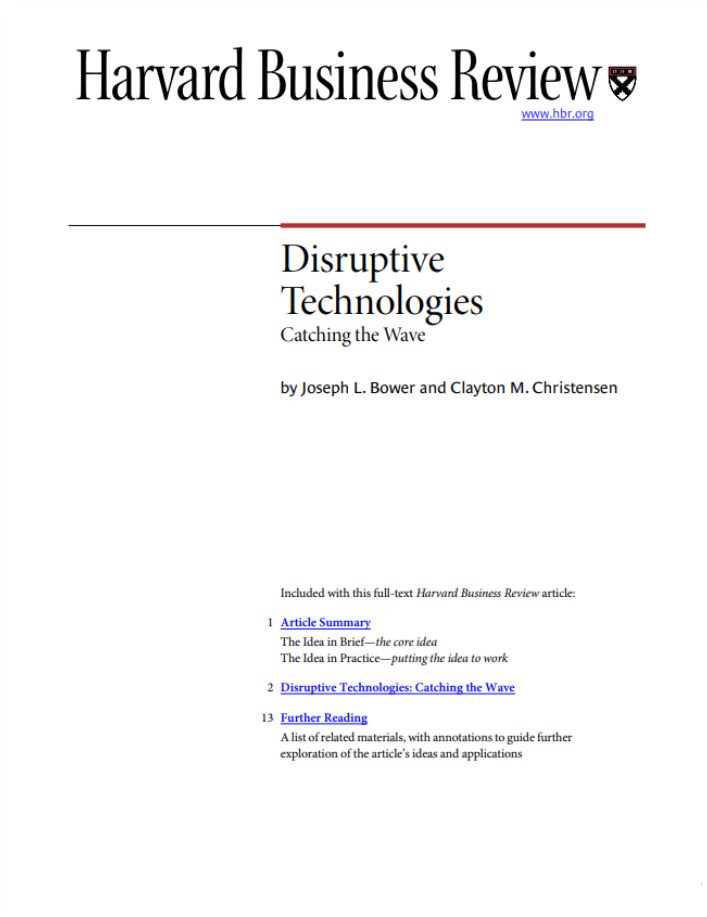
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- **Disruptive innovation** is the process by which a smaller company—usually with fewer resources—moves upmarket and challenges larger, established businesses.
- The process begins with a **small company entering the low end of a market**, or creating a new market segment, claiming the least profitable portion of the market as its own. Because the established, incumbent companies own the most profitable market segments, they most likely won't fight the entrant for that market share.
- The entrant then **improves its offerings and moves upmarket** with increasing profitability. Once the incumbents' customers have widely adopted the entrant's offerings in the mainstream market, disruption has occurred.

# Fact #1: “Disruption” is a business *theory*, not an immutable truth.



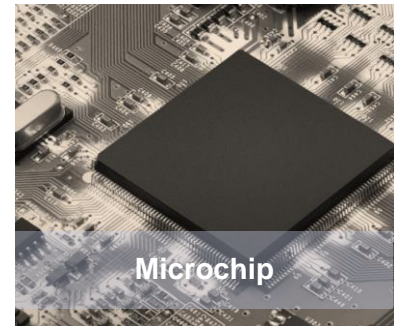
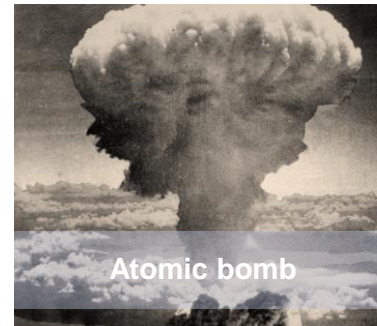
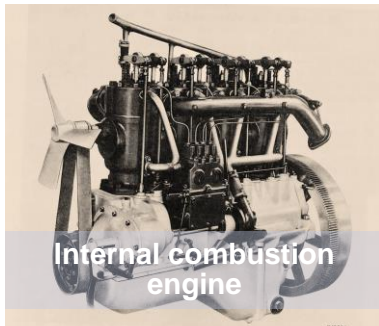
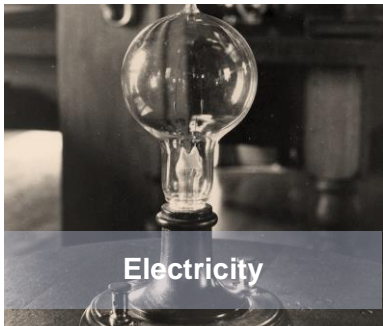
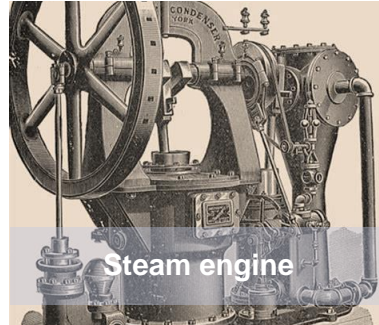
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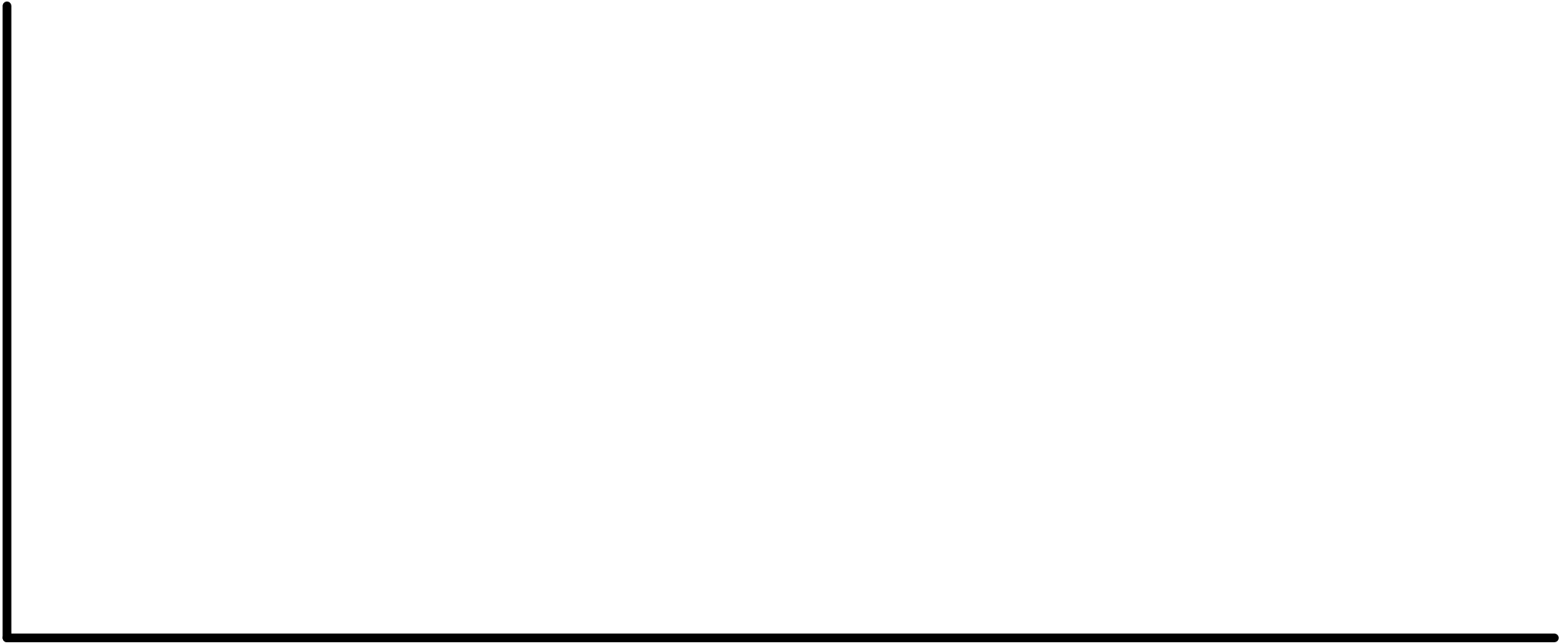
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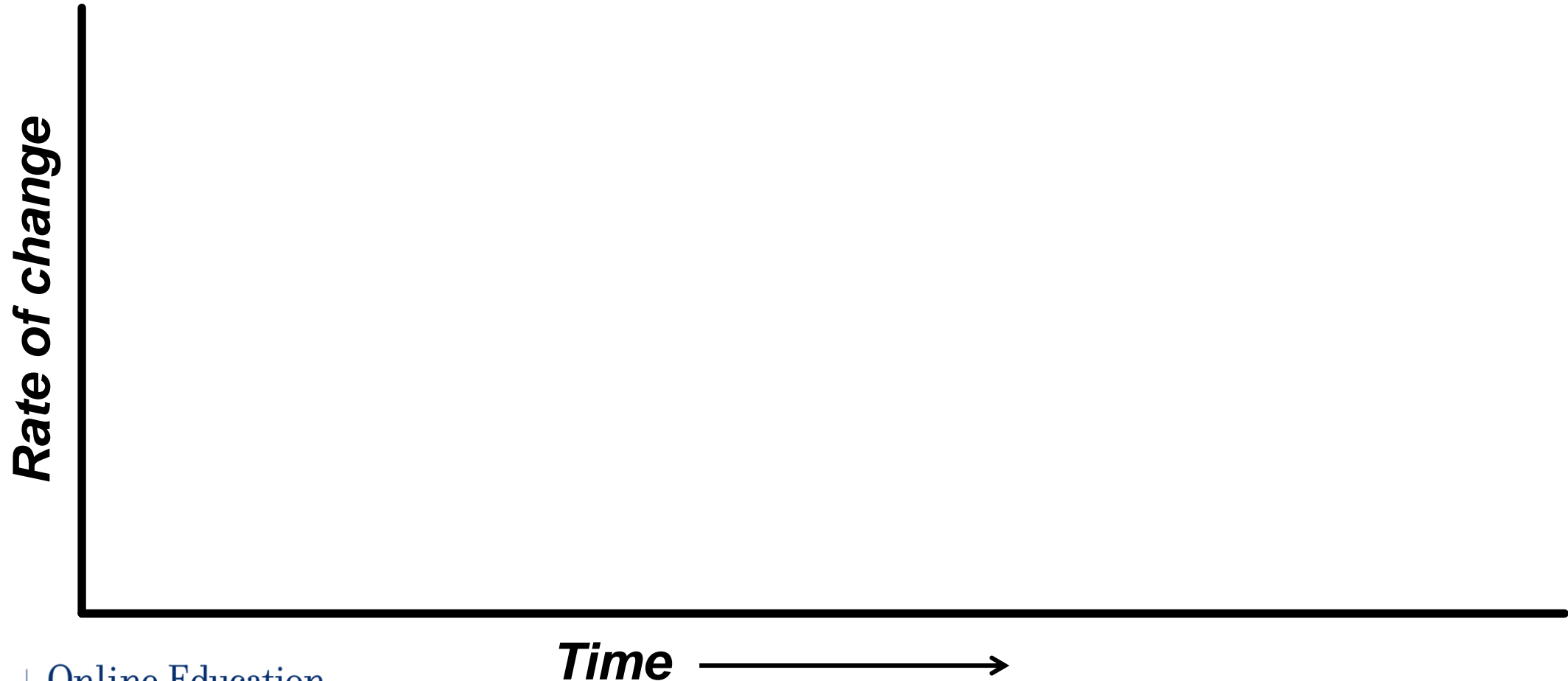
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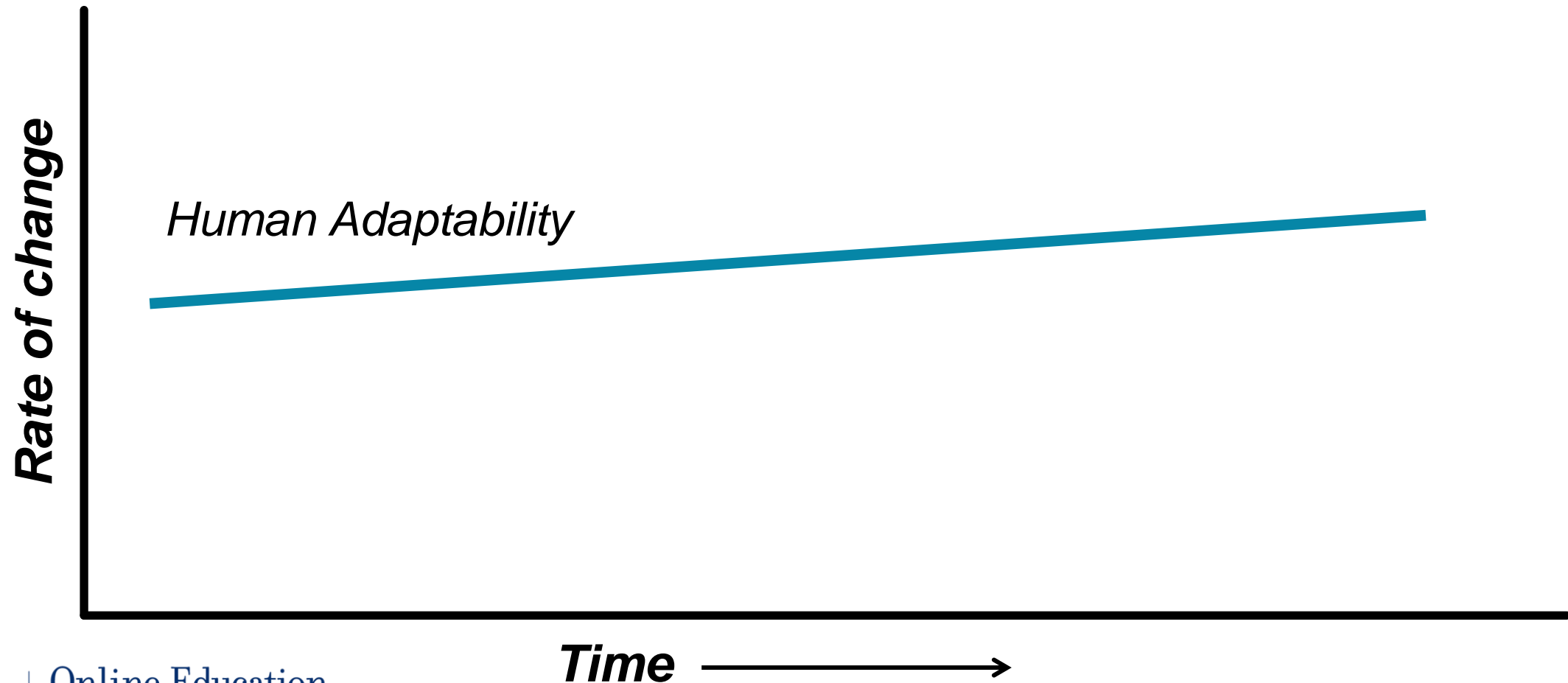




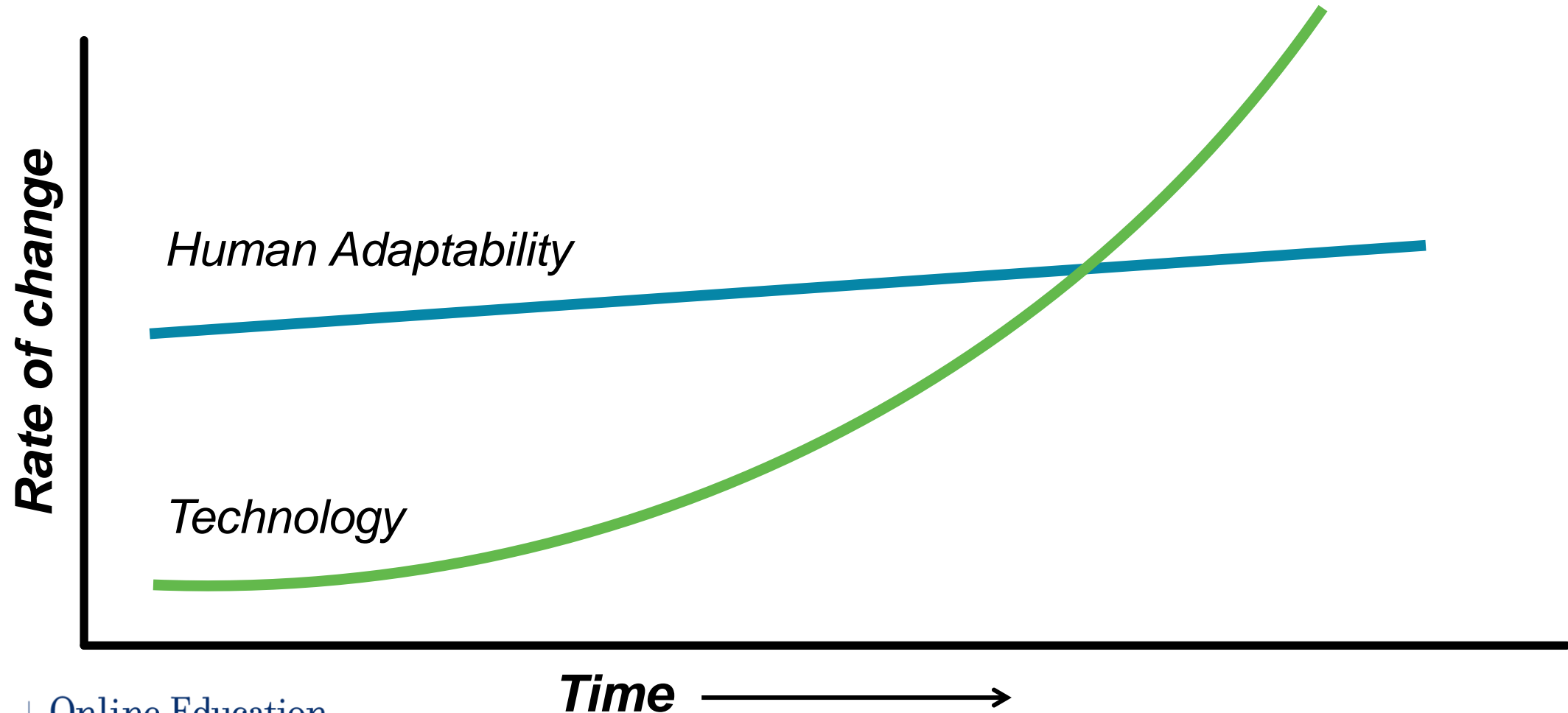
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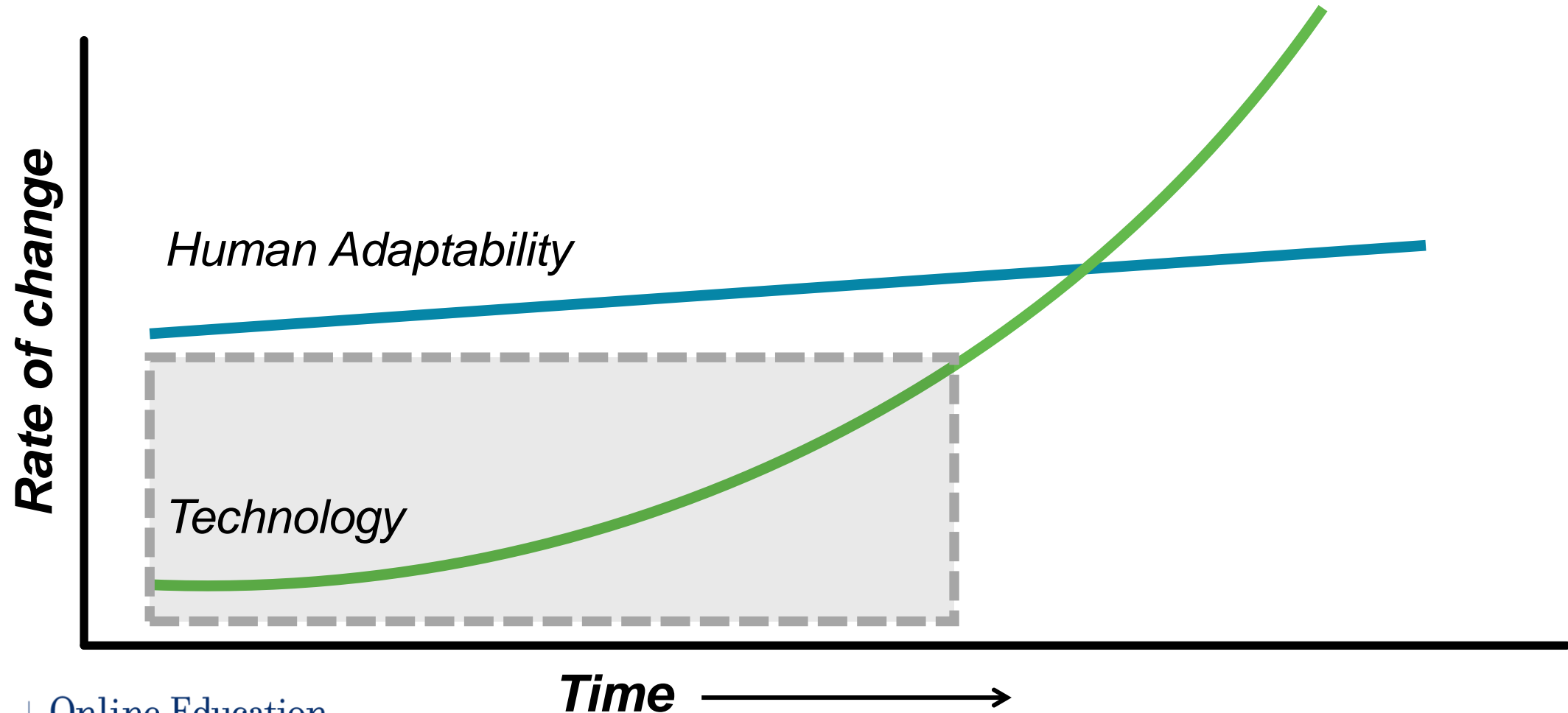
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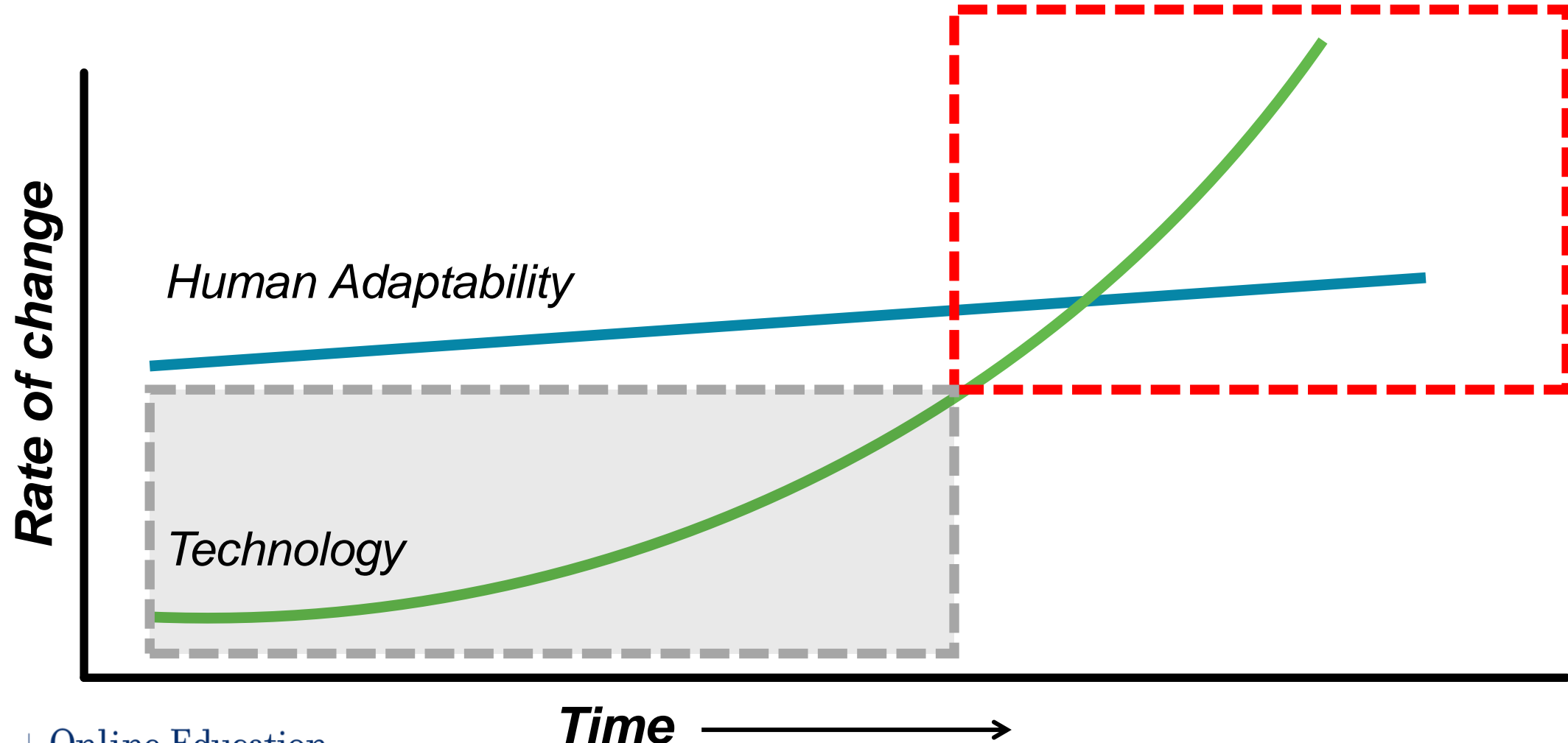


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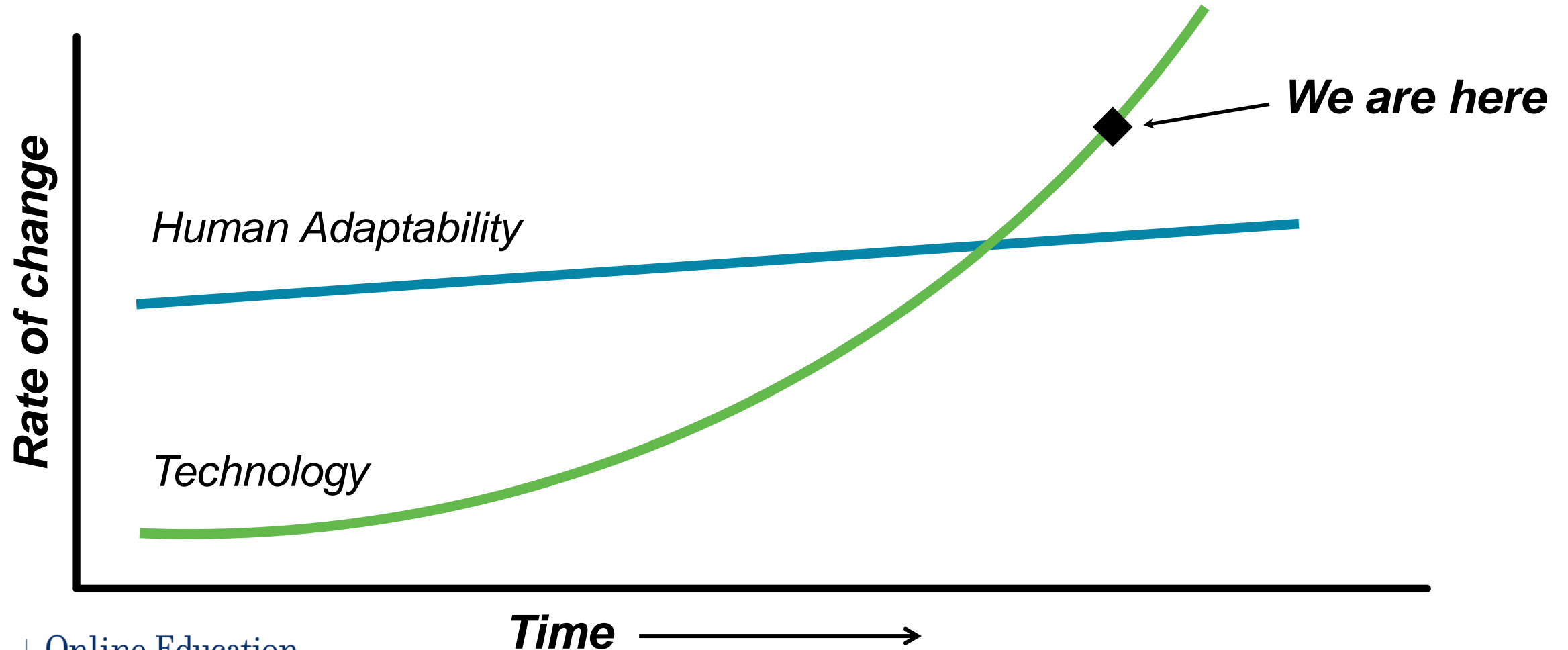




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# Fact #3: Historically, outsiders have a hard time penetrating U.S. health care.



## Six Forces That Can Drive Innovation—Or Kill It

### Players

The friends and foes lurking in the health care system that can destroy or bolster an innovation's chance of success.

### Funding

The processes for generating revenue and acquiring capital, both of which differ from those in most other industries.

### Policy

The regulations that pervade the industry, because incompetent or fraudulent suppliers can do irreversible human damage.

### Technology

The foundation for advances in treat-

ment and for innovations that can make health care delivery more efficient and convenient.

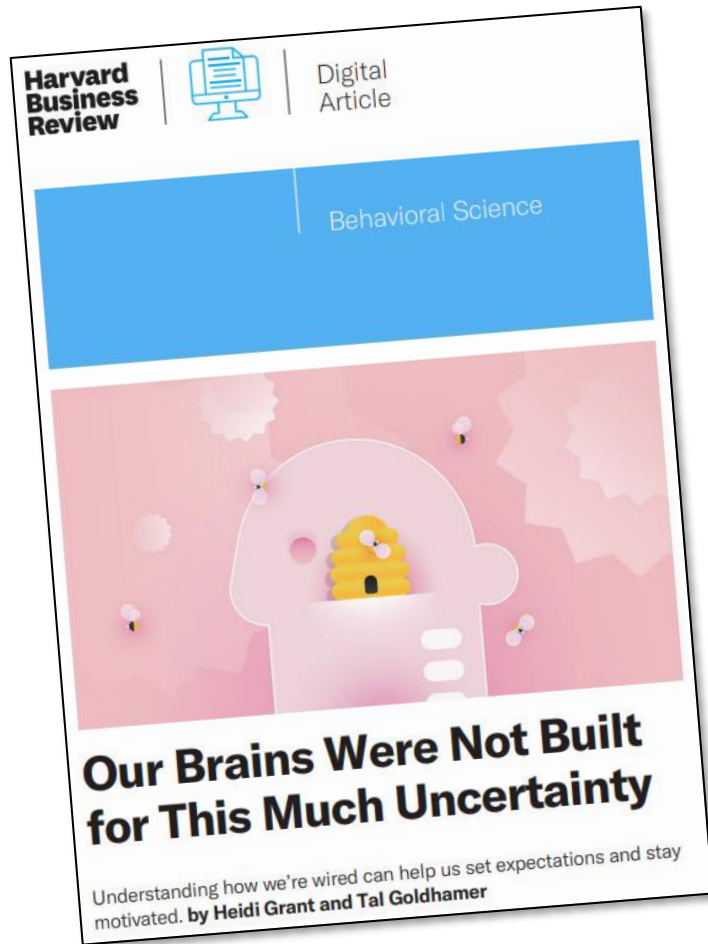
### Customers

The increasingly engaged consumers of health care, for whom the passive term "patient" seems outdated.

### Accountability

The demand from vigilant consumers and cost-pressured payers that innovative health care products be not only safe and effective but also cost-effective relative to competing products.

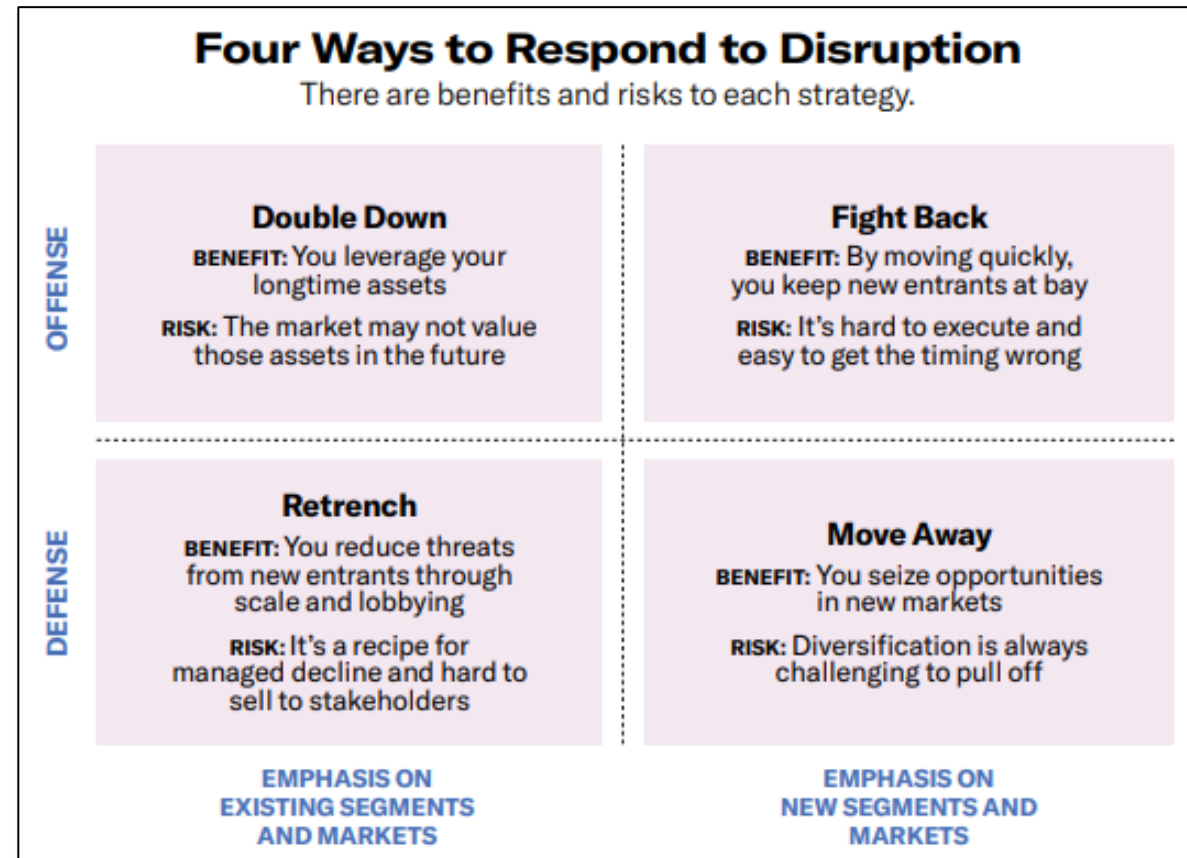
# Fact #4: As leaders, our brains are not built for this much uncertainty.



- “Given that habits and recognizable patterns are kind of its ‘thing,’ the brain evolved to be **uncertainty averse**. When things become less predictable — and therefore less controllable — we experience a strong state of threat.
- You may already know that threat leads to ‘**fight, freeze or flight**’ responses in the brain. You may not know that it also leads to decreases in motivation, focus, agility, cooperative behavior, self-control, sense of purpose and meaning, and overall well-being.”



# Fact #5: Amidst rapid change, new leadership skills are needed to survive and thrive.

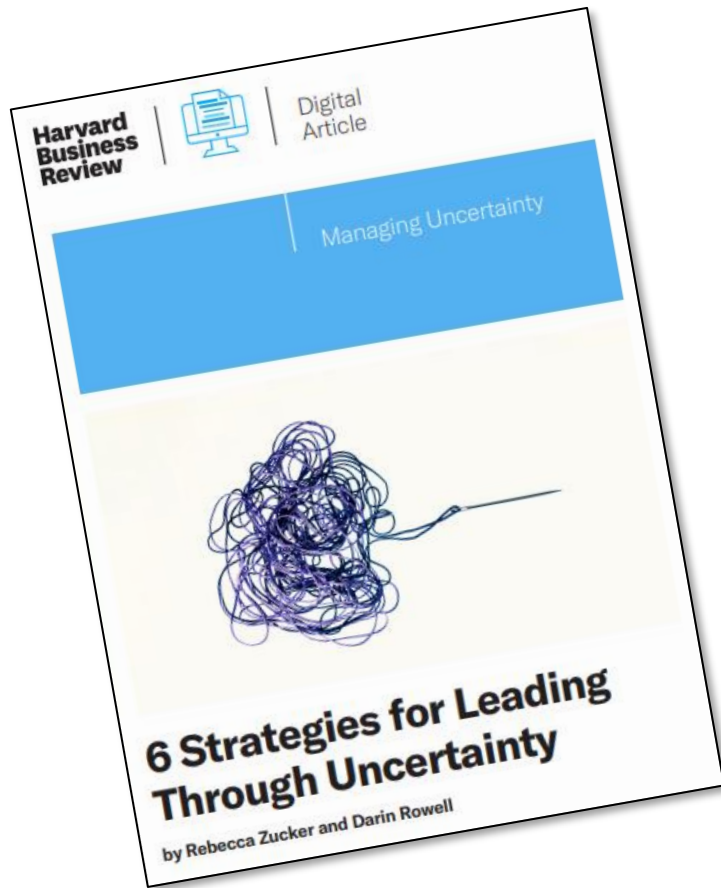


# Fact #5: Amidst rapid change, new leadership skills are needed to survive and thrive.



- Remain **visible**.
- Encourage **candid** dialogue.
- Adopt a **resilient** mindset.
- Maintain strategic **awareness**.

# Fact #5: Amidst rapid change, new leadership skills are needed to survive and thrive.



- Embrace the discomfort of **not knowing**.
- Distinguish between **complicated** and **complex**.
- Let go of **perfectionism**.
- Resist **oversimplification** and quick conclusions.
- Don't go it **alone**.
- **Zoom** out.