# Disruptive Logic: A New Paradigm For Social Change

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Disruptive reform is a heady, alluring tool for champions of social change, and as **Gigi Georges** and **Tim Glynn Burke** point out in a series of case studies, if done well, it can reap significant rewards.

As the US grapples with fiscal crisis—facing spiraling deficits, dangerous levels of debt and the worst economic recession in some 70 years—Americans understand that all levels of their government must take action. Calls are growing louder from across the political spectrum for the same spirit of cost-cutting and financial restraint within government that so many families have had to embrace.

According to a Pew Research Center poll in early 2011, however, even while Americans increasingly recognise the need to halt increases in spending, many remain reluctant to embrace specific cuts. There is still not one area of domestic federal spending—whether education, veterans' benefits, health care or public safety—that more Americans, when pressed, want to decrease more than they want to increase.[1]

This current landscape highlights a difficult tension. On the one hand, the tides appear to be turning on the persistent escalation of public spending in the US, and even broad-based benefit programs like Social Security and Medicare are no longer regarded as sacred cows. Yet, when elected officials attempt to cut back benefits and entitlements, they are confronted with counter-tides of organised opposition from those who have the most to lose.

For anyone courageous enough to seek to drive major policy change in the face of large scale and seemingly insurmountable political hurdles like those faced by US government officials today, we offer some tangible lessons from the world of social innovation.

### The Power of Social Innovation

These lessons are drawn from our research into the intersection of government and social entrepreneurship. We recently contributed to a new book, *The Power of Social Innovation*, for which we spoke with around a hundred innovators from the government, non-profits, business and philanthropic sectors.[2]

These innovators shared important lessons for effecting social change. In particular, they emphasise the importance of opening space for new ideas, trusting citizens to know what is best for them, the value of increasing expectations for individual potential and responsibility, and the value of not just growing an organisation, but working with others inside the social production system to effect change.

While much attention has been paid in the past few years to the importance of improving collaboration around public problem solving (i.e. cross-sector cooperation, networked governance, "silo-busting"), the innovators we spoke with saw disruption as a key tool in working to bring about transformative change.

By disruption, we mean a break from business as usual, and some type of forceful action to alter the inertia of existing delivery systems that have attracted powerful constituent groups but that fall short in serving the need of citizens. Disruption can come in a variety of forms: A new technology or programme model, new pipelines for volunteer or donor goodwill, or an outside strategic partner that catalyses dramatic systemic and cultural shifts. But what binds these approaches is that disruption in the social sector—in particular, one dominated by government dollars and authority like we find in the US—is an inherently politically risky endeavour and, as a result, unattractive to politicians and career public officials alike.

By political risk, we mean two things. First is the possibility that one funds a new programme or enacts a new policy, and it fails miserably, costs spiral out of control, or it leads to some tragic outcome like the death of a child under state care. The second type is the risk of being voted out of office or becoming the object of attack by constituent groups that benefited from, and liked very much, the incumbent programme or policy you are looking to defund, or shrink, or replace with a new one. Why even undertake these efforts if the potential cost is so great? In both cases, the payoff, of course, is that an innovation leads to greater social outcomes for more constituents and, subsequently, earns the support of a larger portion of the public.

To overcome both types of political risk, policymakers can learn from successful innovators who have intentionally entered the breach, disrupted incumbent systems, and lived to tell about it. Among those we spoke with, we found three models that mitigate, navigate and overcome the political opposition to disruptive social innovation: Leadership from a strong champion with substantial credibility/authority; engagement or coalition building among citizens and stakeholders; and the creative use of public and philanthropic dollars to either underwrite financial risk or create new financial incentives as political cover.

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To illustrate each strategy, we explore three cases in which civic entrepreneurs have sought to address the political risk that their innovations presented to the status quo. These cases highlight a handful of principles that are important to incorporate when taking big risks, and whose absence can thwart even the best-designed innovations.

One quick note before we begin: How is it that these lessons are not only useful for service innovators working on the front lines of their communities' daily struggles, but equally so for policymakers who are contemplating highly unpopular changes in social benefit programmes that will affect millions of people? As we will see in the following US-based case studies, social services and broad-based entitlement programmes share a purpose: To address significant social needs. Both are funded primarily by the public sector and often rely on local actors. Finally, both have led to the development of well-organised factions that seek to protect and promote the interests of either beneficiaries or providers.

### Case Study 1: Driving Neighbourhood Change in Central Los Angeles

We begin with the story of Blair Taylor and the highly influential non-profit Los Angeles Urban League (LAUL). It offers an inspiring example of how one can underwrite significant political risk by stepping up as a forceful champion and strategically building consensus for reform.

The local branch of LAUL commands great respect in Los Angeles, where for almost a century it has championed equality for African-Americans. Its educational programmes and employment services reach as many as 100,000 local residents every year, earning it broad name recognition and trust within the local community. Yet despite these impressive efforts, in virtually every facet of their lives, African-Americans have fewer opportunities than Angelinos of other ethnicities.[3]

When LAUL hired Blair Taylor as its new CEO in 2005, he immediately challenged not only public services in Los Angeles, but also in his own organisation. Taylor quickly diagnosed the steady deterioration in the community as the result of various social service delivery systems—education, employment, safety, health, and housing—acting too independently.

Many of these efforts, in public safety and education for example, were beyond LAUL's control. The very public launch and depressing message of a 2005 report by LAUL and local United Way, "The State of Black Los Angeles," gave Taylor the additional authority he needed to act boldly. And his position at LAUL provided a trusted platform from which to take the risk of proposing a bold effort to holistically address the needs of a troubled community.

After months of working with consultants and talking to the community, LAUL committed to Neighborhoods@Work, a $25 million, five-year effort designed to concentrate private and government assistance in a seventy-square block area called Park Mesa Heights. The organisation promised to report publicly on the progress of their effort.

The innovation is a dense set of relationships between private actors and elected public officials and administrators. But Taylor had to begin by first embarking on the difficult process of convincing his closest stakeholders that LAUL's well-intentioned work had not, to date, produced the desired results.

Because LAUL's staff presence and operations were woven into the community's fabric over decades of work, the organisation started with a level of trust within the community that elected officials and even the best-intentioned outsiders could never match. Taylor put this reputation and trust to work. When someone raised the risk of failure as an excuse for not collaborating, Taylor stepped in to assume the risk.

For example, one of his first partners was L.A. Police Chief Bill Bratton. "A lot of people told me this was a crazy strategy," Taylor said. "Black people don't get along with the LAPD.

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You'll never make that work." Taylor's response to this very honest, and likely very common, concern? "Effectively, what we've done is to say 'OK, point your finger at us. If we can't achieve this in five years, you don't have to go beat up Chief Bratton. You can come right to the door of this community-based organisation. Blame us.'"[4]

This innoculation against reputational damage also made it easier for the local business community to participate. According to Taylor, "Corporations say, 'I'm going to give you two million bucks, because if you're risking the Urban League and you're putting everything you have on the line for this model, then certainly we believe that it's going to work."[5]

Within three years, through the coordinated engagement of over a hundred local providers from all sectors, the Park Mesa Heights neighbourhood saw a 17% reduction in violent crimes and an 80% decrease in homicides. Under a unique partnership between LAUL, University of Southern California's Rossier School of Education, and the Tom & Ethel Bradley Foundation, Crenshaw High School graduation rates increased from 41% in 2006-07 to 65% in 2008-09, while truancy rates decreased by 10%. Parents who were fleeing the troubled school have now seen a substantial turnaround and enrollment is increasing.

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### Case Study 2: Engaging Aspiring Homeowners in Washington, D.C.

Blessed with an entrepreneurial spirit, Bo Menkiti has always had a passion for social change. Since 2004, he has operated The Menkiti Group as a real estate brokerage firm, real estate developer and community educator to improve access to home ownership for hundreds of low and moderate income families, while developing commercial space for aspiring small business owners in the neighbourhoods of north-east Washington, D.C.

Menkiti's success depends on a deep commercial expertise and an even deeper knowledge of his target neighbourhood. We see The Menkiti Group as an excellent example of consensus building among stakeholders—in particular the important step in any effort to engage, understand and incorporate constituents' perspectives in one's work.

Early in the process, Menkiti found that many people in the neighbourhood lacked basic information about home ownership; so, he incorporated education and outreach into the responsibilities of his brokerage staff. Making his brokers salary-based allows them to spend time on increasing awareness and access to real estate services in the local community. This in-person education and outreach work, in turn, helps Menkiti both keep his finger on the pulse of the local market while attracting new customers.

His attentiveness to customers while growing the brokerage business led to a unique understanding that the local supply of houses for low to middle-income buyers was scarce. "What we began to notice in Washington, D.C. was that the growing development had created two tiers of housing. There was high market rate, luxury housing and there was subsidised housing. But most of the people we were dealing with didn't qualify for subsidised housing and couldn't afford luxury housing."[6]

The responsiveness that triggered this insight was by design. After years in the non-profit sector, Menkiti relishes the rigour and intense competition of the for-profit marketplace, believing that the added pressure forces his firm to develop in a more sustainable manner so that it can better serve and understand its clients.

He had seen among traditional non-profit providers, and even other innovators, a disconnect with the consumer or client. When a firm does not rely on government or philanthropic funding, its survival and growth depend on one thing; acutely responding to consumers' needs in an efficient manner. Menkiti calls this "getting back to this core understanding of the consumer."

This discovery of the city's gap in housing prompted Menkiti to pursue developing new residential properties "priced for people from 40 to 80% of the area median income to be able to afford it." He used his own savings and borrowed money from family to begin a residential development arm.

The Menkiti Group has brokered tens of millions of dollars in sales and developed tens of thousands of square feet of residential and commercial space, providing high-quality, affordable housing for more than five hundred people. Menkiti, himself, retains some of his profits to create long-term wealth-building opportunities for employees and allocates the remainder to educational, economic, and cultural opportunities for youths and residents in the neighbourhoods in which they work.

Finally, Menkiti is an important example because he views his clients as a critical part of their own progress, rather than passive recipients of his assistance; which explains his dislike of the word "helping." "We talk about supporting people who are doing something for themselves. If an individual or a community does not bring an underlying asset base or value proposition to the table, we will be hard pressed to make an impact with them." A commitment to understanding a community and valuing its potential are early steps in successful engagement and organising.

### Case Study 3: Using Creative Financial Tools

In addition to securing a strong champion with credibility and building close ties among constituencies and stakeholders, a third strategy is the creative use of public and private dollars. Two powerful ways to do this are to underwrite financial risk or to offer the potential for new financial investment as incentive to encourage broader public support for pursuing ground-breaking solutions to difficult challenges.

For example, New York City's Center for Economic Opportunity (CEO) operates an innovation fund with a portfolio of more than 40 poverty-fighting initiatives. Under the leadership of Deputy Mayor Linda Gibbs and Director Veronica White, CEO's twelve-member staff scans the nation and globe for innovations that show promise in assisting the city's working poor, young adults and children.

CEO has $125 million in city dollars, and another $25 million in private funds, to replicate in New York City models that help lift families and individuals out of poverty with an emphasis on personal responsibility. Providers of job training, asset building or other poverty-alleviating service innovations vie for funds through competitive bidding, and must demonstrate in their applications how they would collaborate with other government and philanthropic efforts. CEO then conducts rigorous external evaluations of the selected organisations. If successful, innovations are implemented in an expanded form and if not, they are scaled back or terminated.

The programmes CEO funds fill service gaps, meet unmet needs, and provide opportunities for low-income New Yorkers to gain economic security and independence for themselves and their families. Often, CEO's portfolio includes controversial pilot plans that otherwise would not be funded and tested. One such case was the CEO-funded conditional cash transfer programme, a particularly interesting anti-poverty effort that rewarded individuals with cash when they made and kept dental appointments, improved grades, and performed other positive behaviours.

The programme, as expected, turned out to be controversial. Opponents charged that paying individuals for doing what they should want to do on their own undermines personal responsibility. At the time, Deputy Mayor Linda Gibbs described conditional cash transfers as "too controversial,

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in our opinion, to start with public funds." The active support of the Rockefeller Foundation and other philanthropic donors played an important role in the programme's political feasibility. As Gibbs put it, the city "engaged those foundations as our partners in arms to sell and defend the programme, expanding the protective force around it."[7]

How else can the government use financial incentives to encourage performance oriented risk-taking and innovation? Two current examples initiated by the US federal government show promise: The "Race to the Top" initiative in which the federal government incentivises public-sector political risk taking in education at the state and local levels, and "Pay for Success" bonds which, as proposed, would incentivise private sector investments in activities that are traditionally funded by taxpayers.

Race to the Top is a competitive grant initiative launched in 2009 by US Education Secretary and former Chicago Schools Chancellor Arnie Duncan. In 2010, states across the country competed for a piece of the grant's $4.35 billion made available through the American Recovery and Reinvestment Act. With these funds at his disposal and a clean slate for crafting the initiative, Duncan seized the opportunity to move the education playing field toward innovation and risk-taking and away from the legacy and compliance based funding that traditionally dominated public sector funding.

Duncan explicitly designed Race to the Top to reward states that "demonstrated success in raising student achievement and have the best plans to accelerate their reforms" through ambitious and promising innovative strategies.[8] In the midst of the recession and facing increasingly tight budgets of their own, states aggressively competed for much-needed additional funds.

The competition drove elected leaders in many of the 41 applicant states to take political risks in their policy choices, passing typically "untouchable" measures such as performance pay for teachers, alternative teacher certification and more rigourous teacher evaluation measures; shifting policies on school improvement; and seeking expansion of charter schools or other innovative school management model.[9] Many of these changes initially faced significant organised opposition, but Race to the Top changed the political equation and enabled leaders to overcome resistance and, in some cases, open the door to unlikely alliances for dramatic reforms.

Our second federal example also hails from the Obama Administration. In his 2012 budget, the President proposed a $100 million experiment called "Pay for Success." The measure is subject to congressional approval, but its philosophy and approach makes it ripe for bi-partisan support.

Drawing upon the recently launched UK social impact bond model, "Pay for Success" seeks to infuse a performance-based market discipline into social and human services. In the proposed US pilot, the private sector can buy government issued bonds to help fund privately run programmes in such areas as education, juvenile justice and job training. The government sets advance performance measures for these programmes. If performance targets are met over a specified period of time, the government pays the investors back with interest or bonuses. If targets are not met, the government pays nothing.

The approach would incentivise private sector investors and providers to drive toward results and gives long-suffering taxpayers, who routinely watch their money disappear into ineffective programmes and policies, something to cheer about. The private sector bears all the financial risk with potential for financial and social rewards.

### What Do We Now Know?

So how do we apply these strategies to the highly unpopular cuts to broad based entitlement programmes like Social Security and Medicare that take up so much of the federal budget?

First, is the opportunity for leadership from a strong champion with substantial credibility and authority. The LA Urban League's Taylor was the highly credible leader of a strong organisation. As champion of the effort, he staked his organisation's reputation—as well as his own—on actual progress. Taylor also made clear that while LAUL would absorb much of the risk of the effort failing, he would ensure that partners would receive ample credit for their contributions.

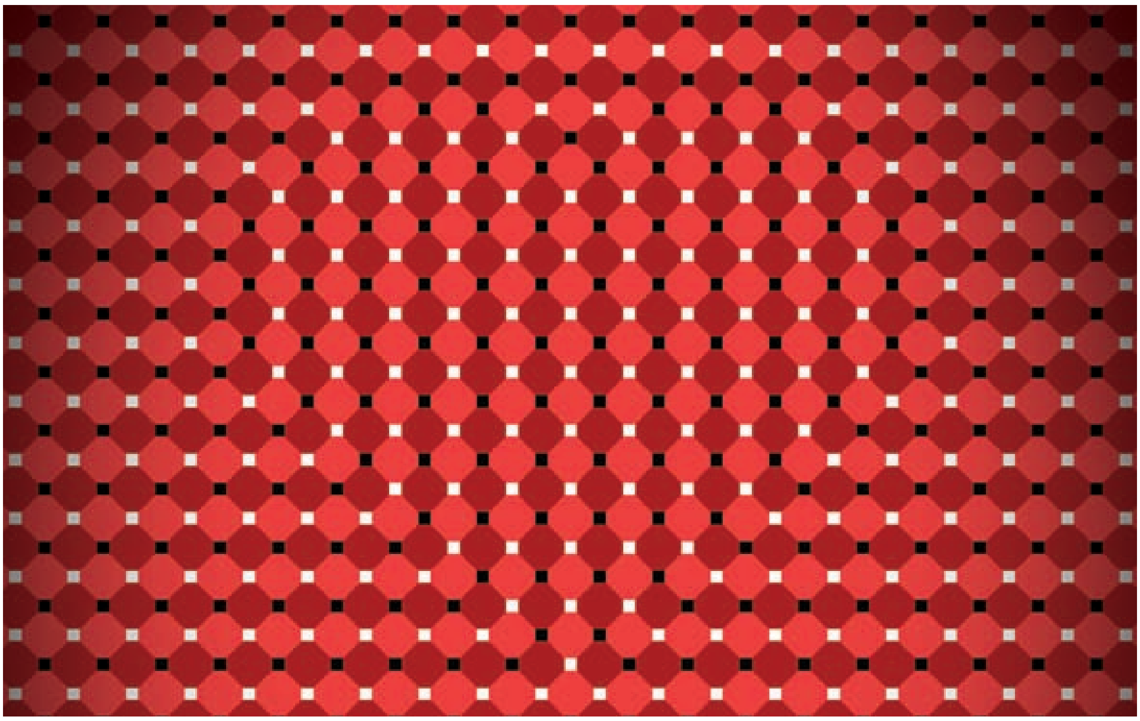
Governors like Mitch Daniels of Indiana, Chris Christie of New Jersey and Scott Walker of Wisconsin have publicly confronted the unsustainable levels of public employee pension and health care commitments in their states, judging them to be severely under-funded burdens for state and municipal governments alike. While it remains to be seen whether their leadership will yield long-term results or positive outcomes for their political futures, we need this type of courageous championing to resolve budget problems that are related to broad-based entitlements.

Second is the potential of building consensus or coalitions among citizens and stakeholders. Taylor not only provided leadership for the additional city investment, but also aggressively sought out consensus among stakeholders to take action in an integrated way, while providing the community with a voice and opportunity to engage. In particular, he held those stakeholders accountable to the reform vision and implementation plans. He insisted that partners in the effort must subject themselves to clear metrics, transparency, and public meetings.

Mobilize is an example of a non-governmental organisation that combines the potential of social media to organise large groups with shared interests and traditional grassroots consensus-building strategies. Hosting "Democracy 2.0" summits, Mobilize has engaged 1,500 people directly and over 10,000 virtually on issues from civic participation to higher education for young veterans returning from Iraq and Afghanistan. While Blair Taylor and Bo Menkiti's engagement is confined to one community, Mobilize uses the power of online media to amplify locally based mobilisation of public will to communities across the country. It is an excellent example of the new non-partisan models we need for capturing and amplifying the voice of more citizens who might not otherwise be engaged in large-scale national challenges.

### Sparking Change Online

Whatever your cause or wherever you fall on the ideological spectrum, social media offer unprecedented tools for organising. In the US, the Tea Party sparked and grew into a national movement in 2010 in large part through Twitter and Facebook, as like-minded voters coalesced around a shared frustration with the size and direction of government and mobilised into a political force with a rapidity that would not



have been possible in a pre-social media world. An earlier version of this story, although more centralised and organised around a single national candidate can be told about Moveon.org, the Internet-based political action committee that rocketed Democrat Howard Dean's 2004 presidential campaign into the national spotlight and helped galvanise many of its three million members around Barack Obama in 2008. More recently—and most dramatically—much has been written about the role of Facebook and Twitter in sparking regime change in Egypt, Tunisia and beyond.

Finally, political cover when enacting change can come from the creative use of public and philanthropic dollars to either underwrite financial risk or create new financial incentives. We must identify and test our most innovative solutions—what we might call positive deviants—that haven't gained wide recognition, and support the expansion of those that demonstrate early results. New York City's CEO innovation fund is an attractive model for investment in this approach.

Similarly, innovative financial arrangements can be used to incentivise the tough changes required for entitlement reforms, public pension reductions and other spending cuts. While tackling necessary Medicare cuts, for example, the federal government might create incentives for programme efficiencies, reward choices that cut waste and limit unnecessary procedures, and catalyse private investment in health-related innovations that focus on doing more with less.

Innovators like Blair Taylor, Bo Menkiti and Linda Gibbs have shown us how to tackle the political hurdles of change through calculated risk-taking, stakeholder engagement, and creative risk capital. They also show that the more disruptive an innovator is in pursuing a goal, the more risk-taking is required and the greater the tension between the desire to disrupt and the impulse (and need) for collaboration/consensus-building.

This risk-taking can come in a number of forms, but political, organisational, and financial are among the most prevalent. Executed successfully with the right tools, high-risk, high disruption strategies can yield dramatic results. True, leading the way might feel like jumping blindly off a cliff. On the other hand, staying on the current path almost certainly will lead to a fall.

1. "Rethinking Budget Cutting: Fewer want spending to grow, but most cuts remain unpopular," Pew Research Center, February 10, 2011, http://pewresearch.org/pubs/1889/poll-federal-spending-programs-budget-cuts-raise-taxes-state-budgets.

2. Portions of the case studies discussed in this paper were first published in *The Power of Social Innovation* by Stephen Goldsmith with Gigi Georges and Tim Glynn Burke (Jossey-Bass, 2010)

3. Marge Nichols, "State of Black Los Angeles," United Way of Greater Los Angeles and Los Angeles Urban League, July 2005, www.unitedwayla.org/getinformed/rr/socialreports/Pages/StateofBlackLosAngeles.aspx.

4. Blair Taylor, interviewed by Tim Glynn Burke, Miami, Florida, February 27, 2008.

5. Ibid.

6. Direct quotations from remarks made by Bo Menkiti at a meeting of The Executive Session on Transforming Cities through Civic Entrepreneurship, April 24, 2008, Cambridge, MA, USA.

7. Linda Gibbs, comments at an online meeting of the Executive Session for Transforming Cities through Civic Entrepreneurship, September 24 – 26, 2009, www.newtalk.org.

8. U.S. Department of Education, "Race to the Top," Program Executive Summary, November 2009, http://www2.ed.gov/programs/racetothetop/executive-summary.pdf.

9. Learning Point Associates recently analysed the 41 phase 1 Race to the Top state applications and published an informative series on emerging state trends. "Race to The Top," http://www2.learningpt.org/catalog/category.asp?SessionID=866174&ID=16.