

BCG

THE BOSTON CONSULTING GROUP

50  
SHAPING  
THE FUTURE.  
TOGETHER.  
YEARS

# Business Model Innovation

*Ten Lessons from Nonprofits*



The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 78 offices in 43 countries. For more information, please visit [bcg.com](http://bcg.com).



THE BOSTON CONSULTING GROUP

# Business Model Innovation

*Ten Lessons from Nonprofits*

**Zhenya Lindgardt, Wendy Woods, Charles Hendren, and Brenda Thickett**

July 2013

## AT A GLANCE

---

Private sector companies can learn much from the social sector about business model innovation (BMI). Ten key lessons span the four stages of the BMI process.

### **STAGE I: UNCOVER OPPORTUNITIES**

Reframe the problem to broaden the solution set; identify new customers; strengthen ideation efforts with an approach that asks the “unusual suspects.”

### **STAGE II: CONVERT INTO BUSINESS MODELS**

Rethink all aspects of operations to break value-proposition-delivery compromises; consider collaborating with external partners to fill gaps in assets and capabilities.

### **STAGE III: PREPARE AND TEST**

Avoid full-scale pilots and evaluate new models quicker, rapidly “pressure testing” key areas; start small and succeed somewhere first—before broader rollout.

### **STAGE IV: SCALE AND ITERATE**

Design for scalability while the model is on the drawing board; share rather than build infrastructure to speed rollouts of new models; move beyond one-off processes to embed a culture of flexibility to mobilize effectively behind new opportunities.

---

**W**HAT KEEPS BUSINESS LEADERS up at night? If it's not their company's ability to streamline operations and lower costs, it's whether their teams have the vision to see future opportunities and the flexibility to pursue those opportunities faster and more profitably than competitors.

Companies aim to improve their performance every day, but in many cases, doing business a little better is not enough. Bold, game-changing moves are risky, however, so many companies wait until their backs are against the wall before they start rethinking their business models. But by then, they may lack the cash flow, capabilities, and customer goodwill to turn things around or optimize the value of a growth opportunity.

The good news is that business model innovation (BMI) is a capability that can be developed. BMI involves changing multiple components of a business with the goal of redefining how it operates or delivers value. (See the sidebar "Value Proposition + Operating Model = Business Model.") In many cases, looking beyond one's own sector can provide new insights and inspiration. Private-sector companies can learn much from the social sector because nonprofits frequently need to reinvent themselves in the face of significant challenges and constraints.

The challenges that nonprofits tackle can be enormous. Whether they are striving to eradicate malaria, end hunger, or eliminate the inner-city achievement gap, the best nonprofits continually rethink how they pursue their missions and achieve impact. Necessity is the mother of reinvention.

Successful business-model innovators typically progress through four stages: uncover opportunities, convert ideas into business models, prepare and test the models, and scale and iterate. Nonprofits, despite the fact that they focus on "program models" rather than business models, follow a similar path. On the basis of extensive work with the social sector, The Boston Consulting Group has distilled ten lessons that span the four stages of BMI. (See the exhibit "Ten Lessons from Successful Nonprofits.") In all of the examples that follow, nonprofits reinvented their program models in fundamental ways. We'll focus on specific elements of these reinventions to illustrate key lessons for companies in the private sector.

## Stage I: Uncover Opportunities

Every new business or program model starts with an idea, a hunch. Perhaps it's an innovative way to reach customers or clients, a way to leverage technology to

---

In many cases, looking beyond one's own sector can provide new insights and inspiration.

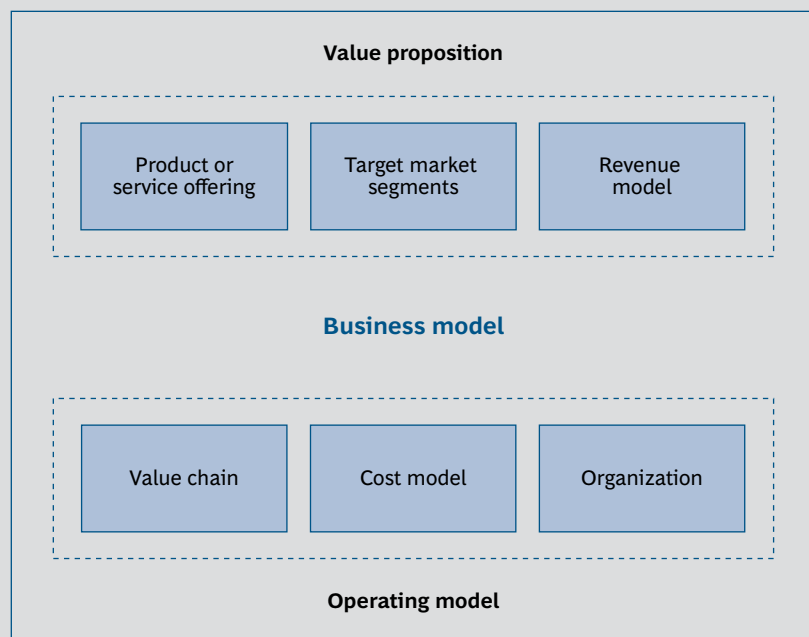
## VALUE PROPOSITION + OPERATING MODEL = BUSINESS MODEL

In essence, a business model describes how a company operates and delivers its value proposition to its customers. Reinventing that business model can help companies raise the value bar in intensely competitive markets or respond to regulatory or technological shifts that demand fundamentally new ways of operating. BMI can also help businesses compete more effectively in economic downturns by allowing them to lower prices and win share, for instance, or aggressively compete in game-changing ways.

Business models have six components. (See the exhibit below.) The first three—the company's

product or service offering, the market segments the company is targeting, and how the company will make money—are the company's overall *value proposition*. The other three components—the company's value chain, cost model, and organization—relate to the assets and activities the company will own, which it will rent or outsource, and how the company will be organized. These decisions reflect the company's *operating model*. BMI involves changing multiple components simultaneously in a coordinated manner, with the goal of delivering a superior value proposition that redefines the company's basis of competition.

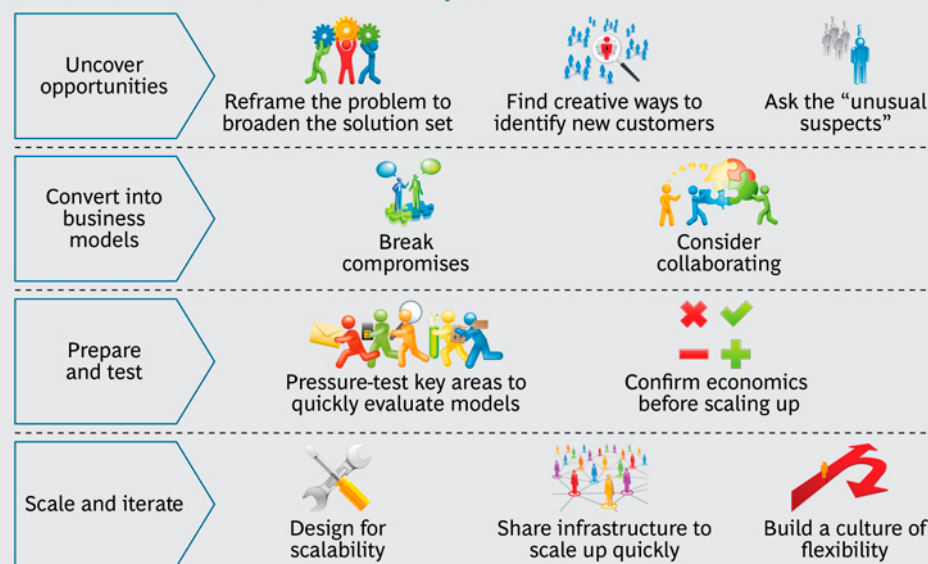
### What Is a Business Model?



Source: BCG analysis.



## Ten Lessons from Successful Nonprofits



Source: BCG analysis.

improve performance and lower costs, or a vision of an entirely new product or service.

When they are trying to come up with new ways to add value, organizations sometimes find themselves constrained by traditional beliefs about how things are done and what has worked in the past. Instead of thinking out of the box, teams stick with solutions that are too close to the current business model. And by looking backward or inward for answers, they tend to miss external threats and opportunities. These problems can limit true creativity.

Nonprofits, however, are not satisfied with the status quo: their goal is to change the world for the better. Successfully identifying radical new approaches can literally be a matter of life or death, hunger or satiety. Three lessons for how organizations can better envision new opportunities emerge from this different view of the world.

**1. Broaden the solution set by reframing the problem around a bigger objective.** The fight against mosquito-borne diseases has traditionally focused on a few points of intervention: reducing the population of mosquitoes through pesticides, preventing human contact with mosquitoes by distributing bed nets and sprays, and treating infected persons. These interventions have successfully eliminated malaria in most of the developed world and yielded impressive results in the fight against the disease, preventing more than 1 million children’s deaths in Africa since 2000. But a large gap still remains: there were more than 200 million malaria cases and an estimated 660,000 malaria deaths in 2010.

In several labs around the world, scientists have reframed the problem to focus on the mosquito itself, and their new focus has led to fundamentally different approaches for preventing the disease. Instead of killing the mosquitoes—or even

keeping them from biting humans—one of these new efforts seeks to biologically modify the insects, blocking their ability to carry the parasite that transmits the disease. By supporting this approach with a robust program model, including new testing, development, and distribution capabilities, researchers hope to roll out the new breed of mosquito to fight dengue fever first. If the approach is successful, they will apply it to other diseases, including malaria. The ultimate goal is to eliminate mosquito-borne diseases by eliminating the vector's ability to carry disease.

The organization Feeding America faced a different but similarly daunting challenge: how to end hunger in the U.S. This challenge had been exacerbated by the recent economic downturn, which increased the number of people who needed the organization's services. At the same time, donations from large manufacturers—the organization's primary source of foodstuffs—were declining for two reasons: food companies were streamlining their production processes and had less excess production to share, and discounters such as Big Lots Stores were giving large manufacturers an opportunity to sell rather than donate their surplus food. Feeding America needed new sources of food to close the growing gap.

Responding to the heightened challenge, Feeding America broadened its operating objective from seeking food donations to orchestrating food waste prevention. This expanded focus allowed the organization to pursue a significant untapped source of food. In the U.S. alone, more than 20 billion pounds of prepared, consumable food is wasted every year, and an additional 48 billion pounds of usable food is lost even before it makes it to the production line. Today, only about 1 percent of all edible food waste is captured for reuse. Increasing this to just 10 percent—an achievable goal—would deliver a tenfold increase in the amount of food available to the hungry.

---

Feeding America  
broadened its  
operating objective  
from seeking  
food donations to  
orchestrating food  
waste prevention.

To this end, Feeding America is embarking on a series of coordinated program-model innovations up and down the food value chain. The organization will work upstream with growers to prevent and capture waste and encourage retailers to offer deeper discounts on perishable items to Feeding America's clients. Downstream, an online marketplace will make food available to agencies, and a national network of volunteers will collect and deliver smaller donations of excess food from nearby restaurants and other local providers. This new collection model requires a Web-based portal to coordinate food pick-up and delivery across the donor-recipient network.

By expanding its approach from collecting more food from existing large donors to preventing waste across the entire value chain, Feeding America put itself on track to reduce the amount of food wasted every year in the U.S.—and to better meet the needs of those at risk of going hungry.

The implications for private-sector companies are clear. For instance, “How can we build a better car?” can become “How can we transport people more effectively from A to B?” And “How can we sell better insurance products?” can become “How can we provide people with greater security?” Reframing problems in such a way can unlock many new ideas.



## 2. Find creative ways to look beyond the end user and identify new customers.

Grameen Distribution operates as a “social business,” which, as defined by Grameen Bank founder Muhammad Yunus, is a company that works for social benefit rather than private profit. Like a nongovernmental organization (NGO), it has a social and environmental mission, but like a business, it generates its own revenues and covers its costs. Investors may recoup their initial investment, but all further profits are reinvested for growth and innovation and to seed new social-business ventures.

The organization originally focused on distributing products such as mobile handsets throughout Bangladesh, using established distribution channels. But Grameen Distribution recognized that Bangladesh’s more rural populations lacked access to essential products such as light bulbs, mosquito nets, solar lights, and clothing. Reaching the more remote areas—the “last mile” of distribution—presented major logistical challenges, however. The country’s poor infrastructure and seasonal floods made access virtually impossible through normal distribution channels alone.

To address this problem, Grameen Distribution set up the Grameen Marketing Network to manage distribution. Using a unique microfranchise distribution system, the organization recruits and trains large groups of “Grameen ladies”—village women who become the distributors in their communities. Because the women have direct access to rural customers, Grameen Distribution can bypass traditional distribution channels. It provides the women with valuable employment opportunities—rare in rural Bangladesh—and extensive sales training. The commissions these women earn by working, on average, three to six hours per day help them provide for their families. With this new microfranchise model, Grameen Distribution opened an unserved new market for its products, overcame Bangladesh’s rural-distribution challenge, and was able to offer valuable employment opportunities that provide a living wage to hundreds of local women.

Every business has multiple sets of potential customers, which can include sellers, suppliers, distributors, and even competitors. By identifying these alternate customers and exploring new ways to provide value to their ecosystem’s stakeholders, companies may gain more than they do by focusing on traditional customers alone.

## 3. Strengthen ideation efforts with an open-source approach that asks the “unusual suspects.”

The Saving Lives at Birth partnership was formed to improve maternal and child health in rural communities with limited medical facilities, a lack of skilled personnel, and hard-to-reach populations. The program seeks to integrate technical and scientific expertise, often the domain of established academic and public-health experts, with the practical and innovative perspectives of communities, business leaders, and others not traditionally associated with large development organizations. Instead of targeting established scientists, the partnership—which includes the Bill & Melinda Gates Foundation, USAID, and Grand Challenges Canada—encouraged submissions from a broader universe of inventors by offering small grants of \$250,000.

One example of a winning idea came from an Argentinean mechanic with no medical background who had been inspired by a party trick he had seen in a

---

By providing value to their ecosystem’s stakeholders, companies may gain more than they do by focusing on traditional customers alone.

—  
If needed capabilities  
or other resources are  
lacking, consider  
partnering with  
external stakeholders.

YouTube video. His idea became the Odón Device, which helps make childbirth easier for mothers and those assisting delivery. Currently in clinical trials, this low-cost device can be used by midlevel providers should complications arise. It minimizes trauma and lowers the risk of infection during childbirth. “If approved, the Odón Device will be the first simple new tool for assisted delivery since forceps and vacuum extractors were introduced centuries ago,” according to Margaret Chan, director general of the World Health Organization (WHO).

Private-sector companies can also benefit from moving beyond traditional customer-research efforts to soliciting input from a more diverse range of stakeholders. This can involve examining parallels in other industries, holding an open-source innovation challenge, and looking to noncustomers for insights. Asking the unusual suspects in this way can increase the diversity of new ideas and the likelihood of uncovering the next breakthrough innovation.

## Stage II: Convert into Business Models

A new idea is only as valuable as the business model wrapped around it. Consider the digital music player. The technology had been around for years, but it was only after Apple developed its iTunes “ecosystem” that the technology really took off.

Although organizations may find it tempting to try to implement new ideas within the framework of their existing business model, this approach may lead to suboptimal outcomes—or worse: it could kill the ideas altogether. It always makes sense to explore whether a different model, potentially separate from the core business, can deliver radically better results.

Consider starting from scratch by building and optimizing a new business or program model around a new idea. And if needed capabilities or other resources are lacking, consider partnering with external stakeholders. This different mindset is reflected in the next two lessons, which emerge from how nonprofits convert their ideas into workable models.

**4. Rethink all aspects of your operations to break value-proposition-delivery compromises.** India’s Aravind Eye Care System was a small, 11-bed hospital when, in 1976, its physician founder, Govindappa Venkataswamy, decided to tackle a growing problem: the prevalence of mostly preventable blindness in the country’s population. But providing affordable eye care for the poor was a challenge because of India’s weak infrastructure, low income levels, and aging population.

Venkataswamy set a goal: to deliver free—or nearly free—eye care and surgeries to India’s poor by offering treatment to those who could afford to pay for a fraction of what it would cost in developed countries. Since there was no established blueprint for success, he had to rethink all aspects of Aravind’s operations and develop a fundamentally new program model.

In Aravind’s financially self-sustaining model, paying patients subsidize treatments for the poor. This model contravenes the long-standing belief that low-cost care

implies low-quality care. Aravind hospitals are designed to deliver premium health care at remarkably low cost.

Aravind keeps costs down by running a fast and efficient eye-care “factory,” achieving economies of scale by treating exceptionally high volumes of patients. Doctors sit between two operating tables, and as they finish treating one patient, they literally turn to the next, who is already prepped and ready for treatment. Aravind also invented a new kind of cataract surgery that doesn’t require sutures, further speeding up the process. As a result of these innovations, a typical cataract surgery at Aravind takes only about ten minutes, and each doctor performs, on average, around 2,000 eye surgeries per year—far more than the typical doctor in the U.S.

Despite this low-cost factory-like approach, Aravind delivers premium service. Because of its high volume, Aravind can buy the newest high-tech equipment and quickly recover its investment. It attracts the best doctors by offering competitive salaries, excellent training, and strong staff support. As a result, Aravind delivers world-class care: for comparable procedures, its patients experience only about half as many complications as those in hospitals of the U.K. National Health Service. Today, Aravind is the largest eye-care provider in the world, performing more than 300,000 eye surgeries per year.

Every new business model starts with a fundamental objective, such as delivering lower costs, superior value, or an integrated customer experience. Success depends on relentlessly pursuing the objective and reconfiguring all other elements of the business model to support it.

**5. Consider collaborating with external partners to fill gaps in assets and capabilities.** Nonprofits have long understood that tough problems require the efforts, collaboration, and funding of many interested parties. Great examples are the public-private partnerships known as product development partnerships (PDPs).

Research into and treatments for many serious diseases such as tuberculosis, malaria, and typhoid receive relatively little funding because most outbreaks occur in populations with limited ability to pay. A frequently cited study found that from 1975 through 1999, out of a total of 1,393 new medicines, only 16 targeted neglected and tropical diseases. To help fill the R&D void, PDPs combine funding and expertise from the public and private sectors in support of product development for otherwise neglected diseases. Governments, pharmaceutical companies, foundations, and NGOs join forces and work together to deliver results that a single player could never achieve alone.

Developing a PDP begins with an understanding of the critical scientific challenges posed by a specific disease and the universe of capabilities needed to overcome them. PDPs use many distinct operating models, engage varied and diverse partners, embrace a range of approaches to intellectual-property ownership, and exhibit various degrees of R&D outsourcing. But common to all PDPs is the recognition that progress can be achieved and accelerated only through partnership. The

---

Success depends on relentlessly pursuing the objective and reconfiguring all other elements of the business model to support it.

approach is succeeding. For example, the number of R&D projects focusing on medicines and vaccines for a subset of diseases of the developing world rose from 32 in 2005 to 93 in 2011. Of these R&D projects, 82 percent involved PDPs and only 18 percent involved companies working on their own.<sup>1</sup> Similarly, under the leadership of a single PDP, the number of R&D projects investigating new pesticides for fighting insect-borne diseases such as malaria and dengue has risen from 1 project in the pipeline to 12 since the 1990s.

But collaboration alone is not enough. Clear time limits and accountability are important to ensure that collaboration spurs action and delivers results. A disciplined approach was essential in helping to address the global challenge of ensuring that all individuals and communities enjoy lives free from vaccine-preventable diseases. In 2010, the Bill & Melinda Gates Foundation announced that it would provide \$10 billion in funding to support a Decade of Vaccines. In order to help define a roadmap, a diverse group of stakeholders under the leadership of WHO, Unicef, the GAVI Alliance, the National Institute of Allergies and Infectious Diseases, and the Bill & Melinda Gates Foundation combined their efforts to create the Decade of Vaccines Collaboration.

---

It takes time to develop effective business models, and companies often go through many trial-and-error stages.

The Decade of Vaccines Collaboration has been time-limited from the outset. The group consulted with more than a thousand individuals to define an immunization agenda and a ten-year global vaccine action plan (GVAP) that secured the endorsement of the World Health Assembly (WHA) in May 2012—within a two-year time frame. To keep the effort on track, the GVAP reiterates existing immunization goals and sets new goals for the decade. It has outlined six strategic objectives and developed a monitoring and evaluation accountability framework that includes metrics and targets, stakeholder responsibilities, and a process for monitoring progress—including the WHA’s annual review of key metrics. It is estimated that the immunization community’s achievement of the vision of the Decade of Vaccines Collaboration during the next ten years will contribute to averting at least 26 million deaths.

Despite constraints such as antitrust regulations, companies have numerous opportunities to collaborate—even with competitors. For instance, they can share some R&D expenses, cross-promote products and services, and build common standards and platforms. New “industrial ecosystems”—in which one company’s waste becomes another’s raw input—are emerging. Partnerships such as these can provide missing assets and capabilities, transform challenging economics and incentives, and accelerate the partner organizations’ collective progress.

### Stage III: Prepare and Test

Many business-model ideas fail to live up to their hypothetical promise. Value propositions fail to lure enough customers. Breaking even remains an elusive goal. It takes time to develop effective business models, and companies often go through many trial-and-error stages before they reach scale and profitability. That’s why it’s crucial to find smart, low-risk ways to test and fine-tune new models before scaling them up. Success or failure in this step can mean the difference between a breakthrough innovation and a wasted investment. Organizations bear a heavy cost from

mistakes at this step—either launching good ideas before they’re ready or killing bad ideas too late in the process.

Often nonprofits need to raise funds for new ideas, and many have become adept at developing pilots to prove the assumptions that underlie a new program model. Much like shareholders or business leaders, funders are willing to risk a small upfront investment to support a rapid proof-of-concept initiative if there is the promise of significant additional funding should the pilot work. This kind of approach can help companies maximize their return on BMI investments. The next two lessons reflect this approach.

**6. Avoid lengthy full-scale pilots and evaluate new models more quickly by rapidly “pressure testing” key areas.** Full-scale pilots may be unnecessary, as Feeding America discovered. The organization’s new sourcing and distribution model sounded good on paper, but it was unproven in the field. Before moving forward with implementation, Feeding America tested the most critical, high-risk aspects of the new online marketplace, running a series of 12 parallel “minitests” over the course of six weeks. The tests included a mockup of a website for feedback from the volunteers who would be using it and a simulated online marketplace to test the concept with agencies seeking food for clients. Given that many companies take six weeks or more just to build one prototype, this level of testing in such a tight time frame was a novel approach. When the testing confirmed that the model would make the best use of the people and resources in the Feeding America network, the organization decided to move forward with it.

---

By isolating and testing only specific elements, companies can avoid the time and expense of full-scale pilots.

In many cases, the success of a new business model can be broken into a handful of key assumptions. By isolating and testing only these specific elements, companies can avoid the time and expense of full-scale pilots.

**7. Start small and iterate to succeed somewhere first—before broader rollout.** Grameen thought that the concept of using village ladies as distributors had significant promise, but there was also significant uncertainty. Rather than trying to perfect a theoretical model, the organization quickly put a small-scale prototype in the field, iterated, and scaled it up only after proving it could work in a single village. The organization started by isolating the key product and pricing elements of the model and then designed tight feedback loops to support rapid learning and retesting of each element.

Many organizations rely on market researchers disconnected from the actual business or program process, but Grameen Distribution uses the Grameen ladies themselves to conduct the testing. They travel door-to-door, go into customers’ homes, display the full range of products, and get customer feedback on new products, product changes, and pricing in actual sales settings. Since the women are part of the Grameen network, they are positioned to share feedback quickly with their regional distributors, district-level employees, and so on. As a result, information spreads quickly to each level of the organization.

By using this iterative approach, Grameen Distribution has achieved breakeven operations and rapidly expanded its new model in less than two years, eventually reaching more than 30,000 rural households.

Although it is not always effective to leverage an existing business's or program's core operations to test ideas for new models, it is worth considering small "live" tests. Refining and confirming the economics on a small scale can help weed out unsuccessful initiatives and get the most out of those that are successful.

## Stage IV: Scale and Iterate

Even after testing proves that a new business model works in practice as well as in theory, another hurdle remains: the ability to reach scale. The process of scaling introduces a new set of questions: Which team should manage the new model? What processes and procedures are needed? How should performance be measured?

Sometimes organizations stumble at this crucial step or fail to fully address these practical but important questions. As a result, potentially great ideas never take off in the marketplace. The remaining three lessons illustrate how some nonprofit organizations have overcome this challenge.

### 8. Design for scalability while the model is still on the drawing board.

Ascend Learning, a nonprofit network of public college-preparatory charter schools based in Brooklyn, New York, wanted to close the achievement gap that plagues inner-city students. Nearly all of Ascend's students were black or Hispanic, and 80 percent were from low-income families. Other successful charter networks relied heavily on philanthropy, so their networks were financially unsustainable. To drive superior outcomes at scale, Ascend designed a model that was financially self-sustaining from the outset. Steven F. Wilson, the founder and president of Ascend, said, "The absence of large-scale capital was very focusing. It forced us to concentrate on the business model, what we do, and where we innovate."

Even after testing proves that a new business model works, another hurdle remains: the ability to reach scale.

Ascend recognized that staff costs are the largest driver of school expenses. Other charter networks achieved strong results through a combination of a "no excuses" culture and labor-intensive staffing models that incorporated such features as team teaching, small classes, and teachers with elite educational backgrounds. Ascend embraced the no-excuses culture, but it developed a fundamentally different staffing model. Leveraging educational technology from Sabis, a global education-management organization, the schools take a systematic approach to building knowledge in each subject and at each grade level. The technology helps teachers identify and overcome key knowledge gaps—before they accumulate—for each student on a weekly basis. As a result, a single teacher can deliver strong academic results with larger class sizes while still moving through the curriculum at an accelerated pace. This more efficient academic engine permits individual schools to operate at a financial surplus and pay a larger share of Ascend's central-office costs.

The results have been impressive. In 2012, Ascend students outperformed the statewide average, their district, and their Caucasian peers statewide on New York State math and English-language tests. On the 2012 test, fourth and fifth graders (the school's oldest students) at the network's first school posted the highest English scores of all charter-management-run Brooklyn schools.



By designing for scalability from the outset, Ascend built a model that can scale without limit, creating a path to college for thousands of children from the city's—and ultimately the nation's—most challenged communities.

Rapid scaling-up is a process that should be actively managed, but it should also be a design feature of new business models. For Ascend, this meant using technology to keep faculty costs low and ensure that each school could break even financially, but for other organizations, the key to scalability might be different. Companies can embed scalability during the early design phase, incorporating elements such as network effects, flexible cost models, and diversified revenue streams. Doing so can help companies address scalability challenges before the new model leaves the drawing board.

### **9. Share rather than build infrastructure to speed the rollout of new models.**

Providing insecticide-treated nets (ITNs) to African children under five years of age is a key intervention in the fight against malaria. But as of 2001, coverage was only 2 percent in 19 sub-Saharan African countries. A key challenge was distribution: delivering ITNs to rural areas of developing countries presented significant logistical problems.

In 2002, the Ghana Health Service, with support from the Ghana Red Cross and Unicef, developed a fundamentally distinct distribution model. Rather than building a distribution system for delivery of ITNs, Ghana became the first African country to pilot a program that distributed the nets in conjunction with a mass measles-vaccination campaign, ensuring that ITNs were available at all vaccination sites: health centers, markets, churches, and schools. By giving the nets to children and caregivers who were being vaccinated, the initiative was able to leverage the existing infrastructure and quickly reach those most in need.

By using existing channels, infrastructure, and local community organizations for logistics, these campaigns drove significant impact: in one district of Ghana, coverage for children under five years of age increased from about 4 percent before the campaign to more than 60 percent afterward. This approach to bundling interventions was subsequently expanded, and by 2007, WHO and Unicef reported that 36 million ITNs had been delivered through collaboration with measles vaccination campaigns.

Similarly, collaboration in the fight against polio and micronutrient deficiency has been effective and efficient. Vitamin A deficiency, the leading cause of preventable blindness in children in developing countries, increases the risk of disease and death from severe infections. The vitamin deficiency is a major public-health problem among low-income families in Africa and Southeast Asia, hitting young children and pregnant women the hardest. WHO estimates that about 1.5 million deaths have been averted by delivering vitamin A supplements to at-risk populations at the same time that polio vaccines are given.

Fundamentally rethinking a business model doesn't mean starting from scratch. Organizations should look for opportunities to leverage existing infrastructure—their own and that of their business partners—when rolling out new business

---

Organizations should look for opportunities to leverage existing infrastructure when rolling out new business models.

models. Existing networks, capabilities, and channels can all help new business and program models reach scale quickly.

**10. Move beyond one-off processes to embed a culture of flexibility in order to mobilize effectively behind new opportunities.** The ability of Save the Children International (SCI) to rapidly scale up in times of disaster has helped countless children. For example, the organization was an important presence following the massive earthquake that hit Haiti in 2010. SCI responded immediately to the disaster and reached more than 600,000 children and adults in the months that followed.

Underlying this scalability was a crucial realization: to deploy people quickly on a massive scale, the organization had to move beyond processes and procedures and truly embed flexibility within the culture. To this end, SCI is revisiting how it hires and retains staff members who respond to emergencies. Using a soccer analogy, Mike Penrose, a humanitarian director at SCI, described this as a shift from a Chelsea mindset of buying short-term top talent to a Manchester United mindset of attracting the youngest and brightest candidates and continually developing their skills. To attract this ambitious talent, SCI is shifting its culture. Rather than viewing disaster response personnel as members of a list or roster, SCI aims to offer a “career path in humanitarianism” that includes a diverse range of experiences and advancement opportunities.

Building a flexible culture can enable companies to rapidly scale up new models on an ongoing basis as the external environment changes.

And because burnout is always a risk, given the long hours of disaster relief work, SCI is developing flexible staffing models. Staff who work in extremely intense disaster situations for approximately nine months get additional time off but get paid for a full year. Moreover, after serving in high-intensity sudden-onset crises, staff members are assigned to less grueling work, such as chronic or slow-onset crises. Later, when they are needed, they can be pulled back into sudden-onset emergencies. These policies, along with diverse incentives, are being developed with a view to creating a unique and flexible culture that can scale up quickly to respond effectively to emergencies around the world.

Just as it is impossible for SCI to predict when or where the next disaster will hit, companies also face significant uncertainty in anticipating future threats and opportunities. Building a flexible culture—through novel staffing approaches and incentives that encourage taking risks—can enable companies to rapidly scale up new models on an ongoing basis as the external environment changes.

**L**IKE COMPANIES IN THE private sector, nonprofits face financial pressures, changing client needs, and complex problems they can’t solve alone. As a result, nonprofits must find innovative ways to do more with less—and increasingly, they turn to BMI to do so.

Some nonprofits approach innovation with a fundamentally distinct mindset. They are driven by broad and ambitious missions that can’t be solved by optimizing and extending existing blueprints for success. They must leverage external stakeholder networks to perform activities that private-sector companies—many of which are

large and have broad capabilities—would generally perform in-house. And, given their financial constraints, nonprofits are, in many cases, forced to innovate on a shoestring budget.

As reflected in the ten lessons above, the successes of these nonprofits can provide other nonprofits and private-sector companies with new ways of thinking about and tackling their own BMI efforts—especially when obstacles arise along the way.

#### NOTE

1. The analysis includes the following diseases: tuberculosis, malaria, human African trypanosomiasis, leishmaniasis, dengue, onchocerciasis, American trypanosomiasis, schistosomiasis, leprosy, and lymphatic filariasis. International Federation of Pharmaceutical Manufacturers & Associations, *Pharmaceutical Industry R&D for Diseases of the Developing World* (IFPMA Status Report), November 2011.

## About the Authors

**Zhenya Lindgardt** is a senior partner and managing director in the New York office of The Boston Consulting Group. You may contact her by e-mail at [lindgardt.zhenya@bcg.com](mailto:lindgardt.zhenya@bcg.com).

**Wendy Woods** is a senior partner and managing director in the firm's Boston office. You may contact her by e-mail at [woods.wendy@bcg.com](mailto:woods.wendy@bcg.com).

**Charles Hendren** is an associate in BCG's New York office. You may contact him by e-mail at [hendren.charles@bcg.com](mailto:hendren.charles@bcg.com).

**Brenda Thickett** is a senior manager in the firm's New York office. You may contact her by e-mail at [thickett.brenda@bcg.com](mailto:thickett.brenda@bcg.com).

## Acknowledgments

The authors would like to thank Sam Anaokar, Sarah Cairns-Smith, Matthew Clark, Paulo Gonçalves, Martin Hoff, Jim Larson, Erin McCusker, Violetta Ostafin, Andrew Rodriguez, Emily Serazin, Trish Stroman, Fabian Uhrich, and Ulrich Villis for their support in developing the content; Martha Craumer and Sachpreet Chandhoke for their writing assistance; and Katherine Andrews, Gary Callahan, Angela DiBattista, Elyse Friedman, Abigail Garland, and Sara Strassenreiter for their contributions to the editing, design, and production of this report.

## For Further Contact

If you would like to discuss this report, please contact one of the authors.

## BCG and Business Model Innovation

BCG has deep expertise and diverse experience in business model innovation (BMI). We have supported clients—across a wide range of industries—in developing and implementing new business models. Our BMI work has enabled clients to turn around declining value propositions, adapt to changing competitive landscapes, and capture exciting new opportunities.

BCG approaches BMI as a capability, with a robust set of tools to support clients at each step. Our BMI toolkit includes detailed business-model diagnostics, a broad suite of ideation techniques, and proven implementation roadmaps.

## BCG and Social Impact

BCG is deeply committed to making a difference in the world. We believe that the same insights and approaches we use to solve business problems are applicable to social problems.

Working at the community, regional, and global levels, we focus our social-impact work on seven areas: poverty and hunger, public health, education, community and economic development, the environment, arts and culture, and corporate social responsibility. We partner with multilateral organizations, nongovernmental organizations, foundations, governments, and—for our corporate social-responsibility work—with businesses.

To find the latest BCG content and register to receive e-alerts on this topic or others, please visit [bcgperspectives.com](http://bcgperspectives.com).

Follow [bcg.perspectives](#) on Facebook and Twitter.

© The Boston Consulting Group, Inc. 2013. All rights reserved.



# BCG

THE BOSTON CONSULTING GROUP

Abu Dhabi  
Amsterdam  
Athens  
Atlanta  
Auckland  
Bangkok  
Barcelona  
Beijing  
Berlin  
Bogotá  
Boston  
Brussels  
Budapest  
Buenos Aires  
Canberra  
Casablanca

Chennai  
Chicago  
Cologne  
Copenhagen  
Dallas  
Detroit  
Dubai  
Düsseldorf  
Frankfurt  
Geneva  
Hamburg  
Helsinki  
Hong Kong  
Houston  
Istanbul  
Jakarta

Johannesburg  
Kiev  
Kuala Lumpur  
Lisbon  
London  
Los Angeles  
Madrid  
Melbourne  
Mexico City  
Miami  
Milan  
Minneapolis  
Monterrey  
Montréal  
Moscow  
Mumbai

Munich  
Nagoya  
New Delhi  
New Jersey  
New York  
Oslo  
Paris  
Perth  
Philadelphia  
Prague  
Rio de Janeiro  
Rome  
San Francisco  
Santiago  
São Paulo  
Seattle

Seoul  
Shanghai  
Singapore  
Stockholm  
Stuttgart  
Sydney  
Taipei  
Tel Aviv  
Tokyo  
Toronto  
Vienna  
Warsaw  
Washington  
Zurich  
  
bcg.com