



HBR SPOTLIGHT

In the social sector, too much attention is devoted to providing more of the same to narrow populations that are already served. It's time for a fundamentally different approach.

Disruptive Innovation for Social Change

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Included with this full-text *Harvard Business Review* article:

1 [Article Summary](#)

The Idea in Brief—*the core idea*

The Idea in Practice—*putting the idea to work*

2 [Disruptive Innovation for Social Change](#)

9 [Further Reading](#)

A list of related materials, with annotations to guide further exploration of the article's ideas and applications

Disruptive Innovation for Social Change

The Idea in Brief

The U.S. spends more money on health care than any other nation. Yet many *less* affluent countries best it on basic health indicators—including infant mortality.

Why this poor showing? Most social investments are used to maintain the status quo. Hospitals, for example, typically use endowments to develop more sophisticated services for the limited number of patients they already serve. Result? They exclude the far broader population needing basic health care.

How to ensure your philanthropic dollars drive *real* social change—in health care, education, and other sectors? Christensen, Baumann, Ruggles, and Sadtler suggest investing in organizations creating **catalytic innovations**—low-cost and simple but useful services for people whom traditional social sector organizations ignore.

Consider MinuteClinics, located in stores such as CVS: Nurse practitioners, armed with software-based protocols, provide fast, affordable walk-in diagnosis and treatment for common health problems. Less expensive for uninsured people than physician office visits—and convenient for the insured—MinuteClinics have a 99% customer satisfaction level.

The Idea in Practice

IDENTIFYING CATALYTIC INNOVATIONS

How to identify social innovations worthy of your investment? The authors recommend these guidelines:

- 1. Look for evidence of existing catalytic innovators.** For instance, at least one relatively new player is already providing a lower-cost, simpler alternative to a customer segment underserved or ignored by the dominant provider.
- 2. Identify specific catalytic innovations.** Focus on innovative solutions—not organizations—that satisfy these criteria: They meet a significant underserved need. They're simpler and less costly to use than existing alternatives. And they're considered "good enough" by users.
- 3. Assess prospective recipient's ability to implement the desired innovation.** Ask: Can this innovator's business model enable it to effectively introduce the innovation as well as scale it up and sustain it? Has it aligned its resources, processes, and values to support its innovation? Is its work in one location transferable to other locations?

CATALYTIC INNOVATION IN ACTION

► Example:

Health care: Working Today provides low-cost health insurance to independently employed individuals in the New York City area. By handling individual policyholders as if they belonged to a group working for a large employer, Working Today can offer comprehensive health insurance for 30% to 40% less than incumbent insurers. Its growth has enabled it to gain bargaining power with its insurance carriers, allowing it to lower its premiums even further.

Education: Apex Learning provides special online classes (for instance, in certain languages) to tens of thousands of U.S. high school students. This catalytic innovation enables school systems to offer good-enough courses at a fraction of what live courses cost and expands students' op-

tions. As education budgets are squeezed and online learning alternatives improve, organizations like Apex may well become the de facto educators for many subjects, particularly noncore classes.

Economic development: Bangladesh's Grameen Bank makes small loans to latent entrepreneurs who otherwise have little or no access to capital. By the end of 2005, it had 4.6 million borrowers. Since its inception in 1976, it has lent over \$5.2 billion, with a recovery rate of more than 98%. And it has generated a profit for its owners in every year but three.