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Disruptive Innovation for Social Change

Key ideas from the [Harvard Business Review](#) article By Clayton M. Christensen, Heiner Baumann, Rudy Ruggles, Thomas M. Sadtler

Good enough innovations may be the best drivers of 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. **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. **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. **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

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' options. 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 99% recovery rate. And it has generated a profit for its owners in every year but three.

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Further Reading

Articles

Will Disruptive Innovations Cure Health Care?

Harvard Business Review

June 2004

by Clayton M. Christensen, Richard Bohmer, and John Kenagy

The authors shed additional light on the kinds of health care innovations that can boost companies' profits *and* revitalize the industry. These cheaper, simpler, and more convenient products and services provide better care to more people *and* stem hospitals' and managed-care institutions' financial hemorrhaging. Consider angioplasty, used by cardiologists with patients who not long ago

would have needed invasive, costly surgery by open-heart specialists. Or blood glucose meters, which enable diabetics to monitor their own health--accurately, conveniently, and inexpensively.

How to drive such innovations? One suggestion is to invest in technologies that simplify diagnosis and treatment--especially of common diseases. By launching such ventures, major health care companies can spur significant growth--with less investment.

From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation

Harvard Business Review

May 1999

by Rosabeth Moss Kanter

To drive real social change, Kanter recommends going beyond simply giving money to the social sector. Instead, partner with community organizations to create social innovations that benefit both your business and society. View community needs as opportunities to develop ideas and demonstrate business technologies; find and serve new markets; and solve long-standing business problems. Invent sophisticated solutions through a hands-on approach: This isn't charity; it's R&D--a strategic business investment.

Successful partnerships between private enterprise and public interest organizations share six characteristics: a clear business agenda, strong partners committed to change, investment by both parties, rootedness in the user community, links to other organizations, and a commitment to sustain and replicate their results.

About the Authors

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