The United States spends more money per capita on health care than any other nation, and it offers some of the most sophisticated care in the world. Yet it lags behind many less affluent countries on basic health indicators such as infant mortality and life expectancy rates. Similarly, the United States ranks second only to Norway among OECD countries in per-student spending on education, yet it comes in 24th out of 29 on the OECD’s Programme for International Student Assessment mathematical literacy test. This pattern of aggressive spending and disappointing returns in the social sector isn’t limited to the United States, of course. Throughout the world, affluent nations, institutions, and individuals generously fund social services that fail to fully deliver on their promise.

What accounts for this poor showing? It’s not a lack of solutions but rather misdirected investment. Too much of the money available to address social needs is used to maintain the status quo, because it is given to organizations that are wedded to their current solutions, delivery models, and recipients. Many provide relatively specific, sometimes sophisticated offerings to a narrow range of people. While they may do a good and important job serving those people, and while their services may steadily improve, these organizations are unlikely ever to reach the far broader populations that are in need—and that would be satisfied by simpler offerings if only they were available.

While incumbent organizations may do a good job serving a particular group, they are unlikely ever to reach the far broader populations that would be satisfied by simpler offerings.

What’s required is expanded support for organizations that are approaching social-sector problems in a fundamentally new way and creating scalable, sustainable, systems-changing solutions. Their method, which we call “catalytic innovation,” shares principal features with Clayton Christensen’s disruptive-innovation model. Like disruptive innovations, which challenge industry incumbents by offering simpler, good-enough alternatives to an underserved group of customers, catalytic innovations can surpass the status quo by providing good-enough solutions to inadequately addressed social problems. Catalytic innovations are a subset of disruptive innovations, distinguished by their primary focus on social change, often on a national scale.

To understand this argument, it’s useful to review the disruptive-innovation model first put forward in Christensen and Joseph L. Bower’s HBR article “Disruptive Technologies: Catching the Wave” (January–February 1995). The authors divide innovations into two categories: sustaining and disruptive. Most product and service innovations are sustaining. They provide better quality or additional functionality for an organization’s most demanding customers. Some sustaining
innovations are incremental improvements; others are breakthrough or leapfrog products or services.

By contrast, disruptive innovations don’t, by traditional measures, meet existing customers’ needs as well as currently available products or services. They may lack certain features or capabilities of the established goods, for example. However, they are typically simpler, more convenient, and less expensive, so they appeal to new or less-demanding customers. Southwest Airlines’ low-cost, no-frills flights were a disruptive service innovation that initially attracted leisure travelers whose alternatives were to pay through the nose or not to fly at all. The company rapidly stole market share from established carriers while also bringing new customers to air travel. Personal computers were a disruptive product innovation because, while they were less powerful than mainframes, they quickly found a huge unserved market for their affordable, if limited, capabilities.

Disruptive innovations have had a major impact on industry structures, from travel to computer retailing to communications, and have often given rise to social change in the process. But the social changes caused by disruptive innovations are largely unintended; they are simply the by-products of pursuing a business opportunity. With catalytic innovations, however, social change is the primary objective.

Thinking Catalytically

The existing players in any sector have resources, processes, partners, and business models designed to support the status quo. This makes it difficult and unappealing for them to challenge the prevailing way of doing things. Organizations are set up to support their existing business models. Because implementing a simpler, less expensive, more accessible product or service could sabotage their current offerings, it’s almost impossible for them to disrupt themselves. Therefore, the catalytic innovations that will bring new benefits to the most people are likely to come from outside the ranks of the established players.

It’s fairly easy to grasp the disruptive-innovation model when it’s applied to commercial products and services. But how, exactly, does the model work in the social sector? Catalytic innovators share five qualities:

1. They create systemic social change through scaling and replication.

2. They meet a need that is either overserved (because the existing solution is more complex than many people require) or not served at all.

3. They offer products and services that are simpler and less costly than existing alternatives and may be perceived as having a lower level of performance, but users consider them to be good enough.

4. They generate resources, such as donations, grants, volunteer manpower, or intellectual capital, in ways that are initially unattractive to incumbent competitors.

5. They are often ignored, disparaged, or even encouraged by existing players for whom the business model is unprofitable or otherwise unattractive and who therefore avoid or retreat from the market segment.