

Theories of Change

Acknowledgements: The process described here is based on the Social Impact Assessment Project work done by Clark, Rosenzweig, Long and Olsen for The Rockefeller Foundation in 2003, and on Carol Weiss's articulation of the Theory of Change concept in 1972.

Theories of Change is a process of aligning stakeholder goals and expectations with business strategy by:

1. making underlying assumptions explicit; and
2. highlighting what will be critical to the social enterprise's success, both financially and in terms of its social mission.

The five steps are:

1. Big Theory of Change

What is the one sentence that describes the overarching change your organization seeks to affect in the world? Be as specific you can.

2. Brainstorming

- What are you trying to impact or change?
- What results do you and your constituents seek?
- What resources (**inputs**) and points of leverage (**activities**) do you have to create that change?
- What are your assumptions about causes and effects that lead from your activity to your desired **outcome**? (Example: You run a seed distribution company in East Africa your desired outcome is to raise incomes and improve health in communities where large numbers of the population are subsistence farmers.)

3. Alignment

Determine areas of consensus and non-consensus. Identify issues to resolve.

4. Grouping

Take all cause and effect assumptions and categorize them by desired outcome.

5. Categorization

Highlight key assumptions that:

- reflect the highest risks to success; and
- are under the control of management.

STEP 1: BIG THEORY

Think about the one sentence that describes the overarching change your organization seeks to affect in the world. Try to describe this change in terms that are specific enough that it could actually be measured.

STEP 2: BRAINSTORM

Hypothetical Example: “Lushfield Distribution Inc.,” a seed distribution company in East Africa whose objective is to deliver high quality seeds to smallholder farmers at an affordable pricepoint, enabling them to go from subsistence to commercial farming and increase the security of and access to food supplies in the region.

Potential performance goals (which translate into output indicators) may surface during the brainstorming.

- Individuals in healthier families will live longer, healthier lives
- Farmers who spend their money on their families will have healthier families
- Farmers with more money will spend it on their families.
- Farmers who sell their larger crops (commercial farmers) will make more money
- (Commercial) farmers with excess crops will be able to sell them
- Some proportion of farmers who buy improved seed will become commercial farmers
- Seeds with higher yields generate saleable crops (crops in excess of what a farmer’s family needs to subsist)
- Farmers who use these seeds will be able to more reliably feed their families, and their families will be healthier
- Farmers who buy seeds will use them, and if they use them these seeds will have higher yields
- Small farmers will buy seed when the price of seed is at \$1/kg,
- Manager will stay
- LDI will distribute to small farmers because Manager can control this
- Seed companies that become profitable will reliably distribute quality seeds to small farmers
- Etc.....

STEP 3: ALIGN

Determine areas of consensus and non-consensus. Identify issues to resolve.

STEP 4: GROUP

Classify all the mini theories according to 3-6 overarching desired **outcomes**. **Outputs** (social indicators or metrics) are also further clarified.

STEP 5: CATEGORIZE

Specify control of the key assumptions according to whether the desired outcome is in the company's control, the investor's control, or outside of the control of either.

It's your turn now! Use the back of these pages to list your detailed assumptions of cause and effect that must all add up to make your overarching Theory of Change be true.

In the next exercise we will group them using the Impact Value Chain framework.