What Is a Theory of Change and Why Is it Important?

A theory of change is a clear statement describing an organization’s approach to creating social change, which links its big-picture mission and strategy to its program operations on the ground. This theory includes a description of the nonprofit’s target population, intended outcomes, codified program activities, indicators, measurement tools and uses of data. It provides a complete framework for understanding why the nonprofit exists, what success looks like, how the nonprofit creates value in its community, and how it can use data to improve its mission attainment. Theory of change is the key foundation of nonprofit performance management, using key data to drive decision making toward improved effectiveness on the mission.

A strong theory of change requires surfacing hidden assumptions and challenges from people in different roles, levels, and perspectives within the nonprofit, facilitating agreement between them, and negotiating shared commitment among them. For this reason, we strongly recommend hiring an expert facilitator to support the process.

The foundational step in a theory of change is to clarify the nonprofit’s mission and strategy, including these components in this order:

1. **Target population**: A group of people or entities to which an organization is accountable for outcomes. This is the first mission commitment: WHO do you exist for? The target population is defined by demographics and circumstances describing the need for support: Why do you believe they need your help? There may be other participants you serve for different practical reasons, which are not your target population, they are your service population. By definition, you are not accountable to them for outcomes. Finally, there are potential participants which you decline to serve, because you do not have the resources or skills or commitment to do so effectively.

2. **Outcomes**: Measurable, meaningful changes in the people, organizations or communities that a program serves. Initial outcomes (knowledge, skills, values, attitudes) lead to intermediate outcomes (changes in behavior, milestones), which, in turn, lead to long-term outcomes (new life condition). These first two serve as bookends to frame the program which connects them.

3. **Codified program activities**: The quantity and duration of program activities and relationships needed to engage target population participants and help them achieve outcomes. Codified program activities include enrollment, program requirements and any necessary quality standards, including relationships with staff and volunteers.

A strong theory of change will address many of the following questions in this process:

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1. Much of this material was learned or adapted from David E. K. Hunter, whose 4-day theory of change sessions are outlined in his free book, *Working Hard and Working Well*.
2. There are three kinds of nonprofit missions, each a different way to answer the question “to what end”:
   - Some nonprofits provide for basic needs, for example a food pantry or the Red Cross.
   - Some nonprofits are accountable to deliver a specific quality service, for example universities, some health care organizations, some museums and arts organizations.
   - Some nonprofits commit to help participants achieve outcomes.

All three kinds of mission may identify indicator data that represents mission attainment. All three may complete a theory of change and may manage performance to improve mission effectiveness.
• What is the problem your nonprofit seeks to address? What do you believe about that problem’s root causes?
• How do you define key terms in your target population and outcomes sequence?
• What do you believe about the environment that influences your assumptions about your theory of change? What are other assumptions about your participants and their engagement in your program?
• Why do you believe these intermediate outcomes will get your participants to their long-term outcome?
• Why do you believe that if you do these activities, your participants will achieve intermediate outcomes?
• Are there any unintended negative outcomes you can imagine from these activities? How will you mitigate these?
• What strategic partnerships are necessary to get the job done?
• Are there any important steps you’ve left out?
• How will you know when your work is completed here?

Mission agreement at this level can inspire leadership to identify and address long-standing barriers to effectiveness and move forward powerfully.

To complete your theory of change, you can agree on five simple sets of key data, which staff can realistically gather, analyze, and learn from to improve performance. This leads us to the last three steps in a theory of change:

• **Indicators**: Measurable data that reveal whether individual participants have achieved success on a priority outcome.
• **Measurement tool**: Written or electronic source of measurable indicator data. Examples include surveys, interview protocols, pick-list scales and measurement logs, which are completed in accordance with a plan to collect data.
• **Data use** (see description below).

What pieces of data tell if a participant:
1. Meets criteria for target population?
2. Has completed sufficient program dosage to achieve outcomes?
3. Has completed the program requirements?
4. Has engaged in the program to meet your quality standards?
5. Has achieved initial outcomes? Intermediate outcomes? Long-term outcomes?

The goal of data analysis is to answer the question, *How many of our target population reach long-term outcomes?* And for the ones who did not reach the desired destination, *Where did we lose them? How can we intervene sooner and do better next time?*

**Finally, how will you use the data?** You want to gather data about each individual participant’s progress, so that your front line staff have real-time data on each one to make optimal daily decisions to help them. This process is called tactical data use. At the same time, you want to compile data about groups of participants’ progress, so that your program leadership can identify patterns of success or lagging behind, to make needed program adjustments and provide support to staff. Finally, your organization’s management and board of directors can use compiled data to make better decisions about raising and allocating resources, and about staffing, partnerships and program strategy. This process is called strategic data use. Together they become a powerful engine for organization-wide learning and improvement, in the hands of leadership and staff committed to mission effectiveness.
This approach is an all-hands-on-deck, relentless pursuit to improve participant outcomes, which requires that a nonprofit make changes in the way it manages its operations. As more and more nonprofits complete and use theories of change, it’s important to find the inspiration and support we need to pursue improvement and high performance. The Leap Ambassadors are a national community of nonprofit thought leaders and practitioners who promote high performance in the nonprofit sector. They have published the Performance Imperative, representing seven practices of highly effective nonprofit organizations. Here are some additional resources:

- Nonprofit Performance Management Consultant Network
- Leap of Reason, by Mario Morino
- Working Hard and Working Well, by David E. K. Hunter
- PerformWell, a website including knowledge and measurement tools for outcomes management