



Theory of change

Define the 'pathway to change' for your programme or organisation

Aleron

Foreword



Nicolas Ponset
CEO & Founder

Helping organisations and programmes to positively contribute to our society and planet is at the heart of our mission. There are many tools to increase the chances of success on that journey towards social and sustainable impact but the Theory of Change stands out. It is a formidable framework that allows purpose driven organisations and programmes to define their intended long-term impact and articulate the actions that they will take to enable that impact. It provides the foundation for impact management, and can be used as a basis for strategy, decision-making, and communication.

The process of developing a theory of change is also full of benefits, it is a unique opportunity to engage with internal and external stakeholders including subject matter experts, senior leaders, employees, partners and funders. It is a collaborative process that help organisations and programme to better understand the challenges they are facing and the interventions that are most likely to be effective. It can also assist teams to prioritise their activities and to make better decisions about how to allocate resources.

Strategically, it ensures that everyone involved is working towards the same goals and is aligned on the chosen approach.

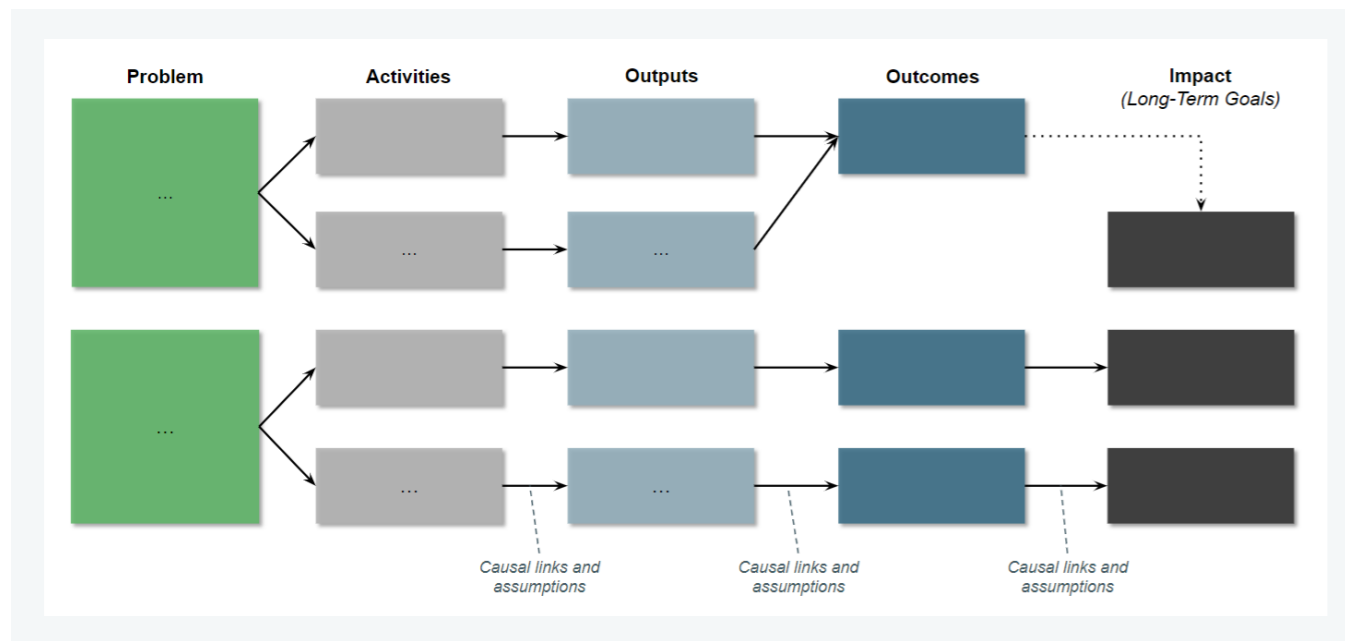
I hope this brochure provides you with some useful information about how to develop your theory of change. It is based on our lessons learned from developing over 100 theories of change in the last few years.

What is a Theory of change?

A Theory of Change is a strategic tool that outlines the path from activities to intended impact

A theory of change (ToC) is a framework that explains how an intervention or programme is expected to achieve its desired outcomes. It is a visual and textual representation of the causal relationships between the inputs, activities, outputs, and outcomes of an initiative.

Please note that the inputs (e.g. resources) required to deliver the activities are typically included in the definition of the activities and can vary overtime. We have therefore excluded the inputs from our diagram.



	Description	Example
Problem	The problem or issue that your organisation is trying to solve This might affect one or multiple groups of stakeholders (e.g. service users, local authorities, schools)	Disadvantaged young people struggle to get a job due to a lack of employability skills
Activities	The work that your organisation undertakes to try and address the problem This will usually be the different products and/or services you provide	Development of materials, training programmes, delivery of training
Outputs	The direct result of your organisation's activities Direct 'evidence' of your activities and usually easily measured/counted	Number of booklets produced, workshops held, people trained
Outcomes	Short, medium and long-term changes or benefits that are achieved through your organisation's activities All of these separate changes lead to your organisation's ultimate goal i.e. impact	Increased skills and knowledge, increased confidence, improved job prospects
Impact	The long-term change that your organisation is trying to achieve to address the problem that has been identified This is your organisation's ultimate goal(s)	All young people have a fair chance of getting a job irrespective of their background



The benefits of a Theory of Change

A Theory of Change can be used to guide the planning, design, implementation and evaluation of an intervention or programme

Below are some of the benefits to you programme or organisation

- **Clarity of Purpose:** Organisations often operate with limited resources and must make strategic decisions to maximize their impact. A ToC clarifies the organisation's purpose, showing how various activities contribute to the desired outcomes and overall mission. This clarity helps focus efforts on what truly matters.
- **Alignment of Efforts:** A ToC brings everyone within an organisation onto the same page by illustrating how different components work together. It ensures that all team members, volunteers and stakeholders understand how their roles and contributions fit into the bigger picture, leading to greater synergy and collaboration.
- **Transparency and Accountability:** For any organisation, transparency and accountability are vital, as they often rely on donor support. A well defined ToC demonstrates to all stakeholders exactly how resources are being utilised and how they translate into positive change. This transparency enhances the organisation's credibility and fosters trust.
- **Strategic Decision-Making:** Organisations need to make strategic choices about where to allocate their resources. A ToC provides a logical framework for decision-making by showing which activities are most likely to lead to the desired outcomes. This helps teams invest their time, energy and funds more effectively.
- **Demonstration of Impact:** Organisations are constantly under pressure to demonstrate their impact to various stakeholders. A ToC defines the outcomes and indicators that matter most, making it easier for the organisation to track and communicate its progress. This evidence based approach enhances the organisation's ability to attract funding and support.
- **Adaptation and Learning:** A ToC encourages organisations to regularly review and adjust their strategies based on real-world feedback. This adaptability fosters a culture of learning, enabling them to continuously improve their approaches and remain relevant.
- **Stakeholder Engagement:** Engaging stakeholders is central to the success of any organisation. When creating a ToC, involving beneficiaries, partners, volunteers and other stakeholders in the process can lead to more comprehensive strategies that address their actual needs and concerns.
- **Communication with Beneficiaries:** A ToC allows organisations to clearly communicate their intended impact and how they plan to achieve it to their beneficiaries. This fosters better understanding and engagement among those the organisation aims to help.
- **Long-Term Sustainability:** Purpose-driven organisations often aspire to create lasting change. A ToC helps in defining strategies that not only produce short-term results but also contribute to sustained impact over time.
- **Capacity Building:** Developing a ToC requires thoughtful consideration of an organisation's capacity to deliver on its strategies. This process can highlight areas where the organisation needs to build or enhance its skills, resources and partnerships.



Developing a Theory of Change

Developing a Theory of Change is a complex and iterative process that requires structure and collaboration

The objective of the theory of change is to define a 'pathway to change' for a programme or an organisation, from the problem that you are looking to tackle to the impact that you are aiming to achieve.

Prior to developing your theory of change, you need to be clear on the purpose of it and who to involve in the development process.

Purpose and scope of the theory of change

You should start by defining why you are developing a theory of change as it will influence the scope, the work to be done, who you involve in the process, and ultimately the goals you want to achieve. For example, if you are considering systemic change and want to define your organisation or programme's place in that system, you will spend time analysing the issues, mapping stakeholders and their activities, identifying gaps and exploring assumptions about how change comes about. You will need to perform primary and secondary research, and involve people with knowledge and views in those areas. However, if you want to develop a monitoring and evaluation framework, you will want to have a greater focus on your own activities so that you can develop measurable goals and indicators. You may document the assumptions and hypothesis supporting your theory of change but the work is primarily targeted to defining your operational model.

Stakeholders and experts involvement

The development of a theory of change is a collaborative process and an opportunity to engage internal and external stakeholders. There are two important considerations when defining who to bring into the process: expertise and ownership. You need to involve people with the knowledge, experience and insight to help you answer the questions you are asking. You also need to involve the people who are in charge of implementing the theory of change. They need to feel that they have been part of its development.

To build your theory of change, it is critical to follow a logical, structured and collaborative approach. The pathway has to be clear and tested. You should seek to achieve consensus amongst your team and your stakeholders. A series of workshops is typically used to focus on each area of the theory of change (e.g. problem definition, impact, outcomes and activities). By the end of the process, participants to the workshops should feel a sense of comfort and clarity about the 'why', 'what' and 'how' of the programme or the organisation.

Methodology

We recommend six steps to develop a Theory of Change



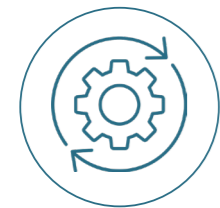
Problem Definition & Analysis

Define and analyse the problem(s) or issue(s) that your organisation or programme is trying to solve



Long-Term Change

Articulate the long-term change that your organisation or programme is trying to achieve to address the problem(s) identified



Short & Medium-Term Changes

Determine the short and medium-term changes or benefits that are achieved through your organisation or programme's activities



Activities

State the activities that your organisation or programme undertakes to address the problem



Linkages

Explain how the activities lead to the desired change



Final review

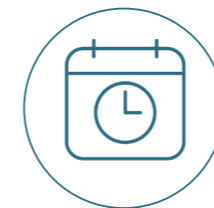
Build, review and refine your Theory of Change



Step 1 - Problem Definition & Analysis

Objective: Define and analyse the problem(s) or issue(s) that your organisation or programme is trying to solve.

The process starts with a situation analysis that identifies what the causes are for the problem, who is affected by it, and how the problem affects them. This step may include primary and secondary research, and a mapping of the ecosystem in which you operate and the areas of focus of the different stakeholders. It is important to have factual data about the scale of the problem and its root causes. You also want to understand what other organisations are doing, how it may have been solved elsewhere and why it remains an issue in the context and scope that you focus on. You should refer to this analysis during the development of the theory of change to test if you are addressing the root causes of the issues.



Step 2 - Long Term Change

Objective: Articulate the long-term change that your organisation or programme is trying to achieve to address the problem(s) identified.

The long-term change is your organisation or programme's ultimate goal or intended impact. It is something that the organisation or programme contributes to, alongside other factors that you may want to document in your assumptions and hypothesis. The articulation of your intended impact needs to be as specific as possible and relate to the problems identified. The way it is phrased and the terms you use are really important as you want to avoid any ambiguity. For example, if you use the term "all" in a sentence like "All children have access to education", does it mean that all of them will be educated or that any child can have access to education? The difference is important as you will want to measure your progress towards the impact you define.



Step 3 – Short & Medium-Term Changes

Objective: Determine the short and medium-term changes or benefits that are achieved through your organisation or programme’s activities.

These outcomes are a direct consequence of your organisation or programme’s activities, and lead to the long-term change that you are seeking to achieve. The outcomes serve as proxy to ensure that you are on track to deliver your intended outcomes. To define the outcomes you need to think about what needs to happen so that your intended impact can be achieved. If you are already delivering some of the work or have an idea of the work to be done, think about the ‘why’. Why are you doing it? What do you want to achieve? We recommend to use a MECE approach as much as possible when defining short and medium-term changes. Test if the outcomes you are defining are mutually exclusive (ME) and collectively exhaustive (CE).



Step 4 – Activities

Objective: State the activities that your organisation or programme undertakes to address the problem.

Activities are the strategies and methods employed to bring about change. In this step, you need to state what you are doing or plan to do to achieve the short and medium-term changes using the available inputs. This includes a description of the features of the activities, as well as what is required to deliver them (inputs) and the direct quantifiable results of these activities (outputs). To be clear, inputs are resources, both tangible (e.g., funding, personnel, equipment) and intangible (e.g., expertise, relationships), that an organisation or initiative has at its disposal. Outputs are the direct and immediate results of the activities or interventions. They represent the tangible products or services that are created as a result of the programme or organisation's efforts. In some occasions, it may be useful to break down the activities into functional areas or stakeholder groups so that each team or function can clearly see the activities that relate to them.

Using a physical or virtual dashboard will help you to identify and group the activities. Below is an example of the output of such session.



Step 5 – Linkages

Objective: Explain how the activities lead to the desired change.

This is the ‘golden thread’ in the theory of change, which links the activities to the outcomes and impacts, and explains how change is created, what assumptions are made, and what other contextual factors play a role in creating change. Laying out these elements in a logical and interconnected manner helps to understand and test the sequence of events and the logic behind your strategies.

It is important at this stage to document the assumptions and dependencies i.e. the beliefs or conditions that must hold true for the theory of change to work as expected. Identifying and testing these assumptions is important to ensure the validity of the theory. You may want to incorporate a feedback loop that allows for continuous learning and adaptation.

Step 6 – Final review

Objective: Build, review and refine your Theory of Change.

Now that you have collected the required information, you can go about structuring your theory of change. Decide which sections to display, and what the logical flow is from problems, activities, outcomes and impacts. The visual representation of the theory of change is very important. The theory of change should be clear and easy to understand for a wide range of audiences, including stakeholders, partners, funders, and beneficiaries. You should also avoid using jargon or technical language that might confuse people. Even though stakeholders may have been involved in each of the previous steps, you should also involve them and potentially a broader audience in this final step. Their input can help ensure that the theory accurately reflects the context and dynamics of the situation, and that the theory of change makes sense to your targeted audience.

Your theory of change document should also clearly outline how you will measure and evaluate the progress and success of your theory of change.





What makes a good Theory of Change?

Here are some key elements that contribute to a good Theory of Change

- **Clarity and Simplicity:** Your theory of change should be clear and easy to understand for a wide range of audiences, including stakeholders, partners, funders and beneficiaries. You should avoid using jargon or technical language that might confuse people.
- **Logical Flow:** Present a logical sequence of events that explain how the inputs, activities, outputs and outcomes are connected. Make sure that the cause-and-effect relationships are coherent and make sense.
- **Visual Representation:** Consider using visual aids like diagrams, flowcharts or infographics to illustrate your theory of change. Visuals can help make complex concepts more accessible and memorable.
- **Stakeholder Involvement:** Involve relevant stakeholders in the development of the theory of change. Their input can help ensure that the theory accurately reflects the context and dynamics of the situation.
- **Evidence-Based:** Base your theory of change on available evidence, data and research. Use existing knowledge and experience to inform the assumptions and connections in your theory.
- **Realistic Assumptions:** Clearly state the assumptions you are making about how different elements will interact and lead to the desired outcomes. These assumptions should be realistic and grounded in the context.
- **Flexibility:** Acknowledge that real-world situations can be unpredictable and dynamic. Your theory of change should allow for some flexibility in adapting strategies and activities based on changing circumstances.
- **Feedback Loop:** Incorporate a feedback loop that allows for continuous learning and adaptation. Regularly assess whether the actual outcomes are aligning with the expected outcomes and adjust your approach if necessary.
- **Context Sensitivity:** Consider the broader social, cultural, economic, and political context in which your theory of change operates. This will help ensure that your theory is relevant and applicable.
- **Alignment with Values and Goals:** Ensure that your theory of change aligns with the values and goals of your organisation, project or initiative. This alignment will enhance the credibility and authenticity of your communication.
- **Engagement Strategy:** Plan how you will engage different stakeholders with your theory of change. This could involve workshops, presentations, one-on-one discussions or online platforms.
- **Narrative:** Craft a compelling narrative that not only presents the technical aspects of the theory but also highlights the human impact and the larger purpose behind the intervention.
- **Long-Term Perspective:** Consider both short-term and long-term outcomes in your theory of change. Highlight how short-term achievements contribute to the broader, more sustainable goals.
- **Monitoring and Evaluation:** Clearly outline how you will measure and evaluate the progress and success of your theory of change. This demonstrates accountability and helps refine your approach over time.
- **Feedback Incorporation:** Be open to feedback from stakeholders and other experts. Incorporating their insights can strengthen your theory of change and improve its effectiveness.

Case Study: Fair4All Finance

A sector-wide theory of change for the affordable credit sector



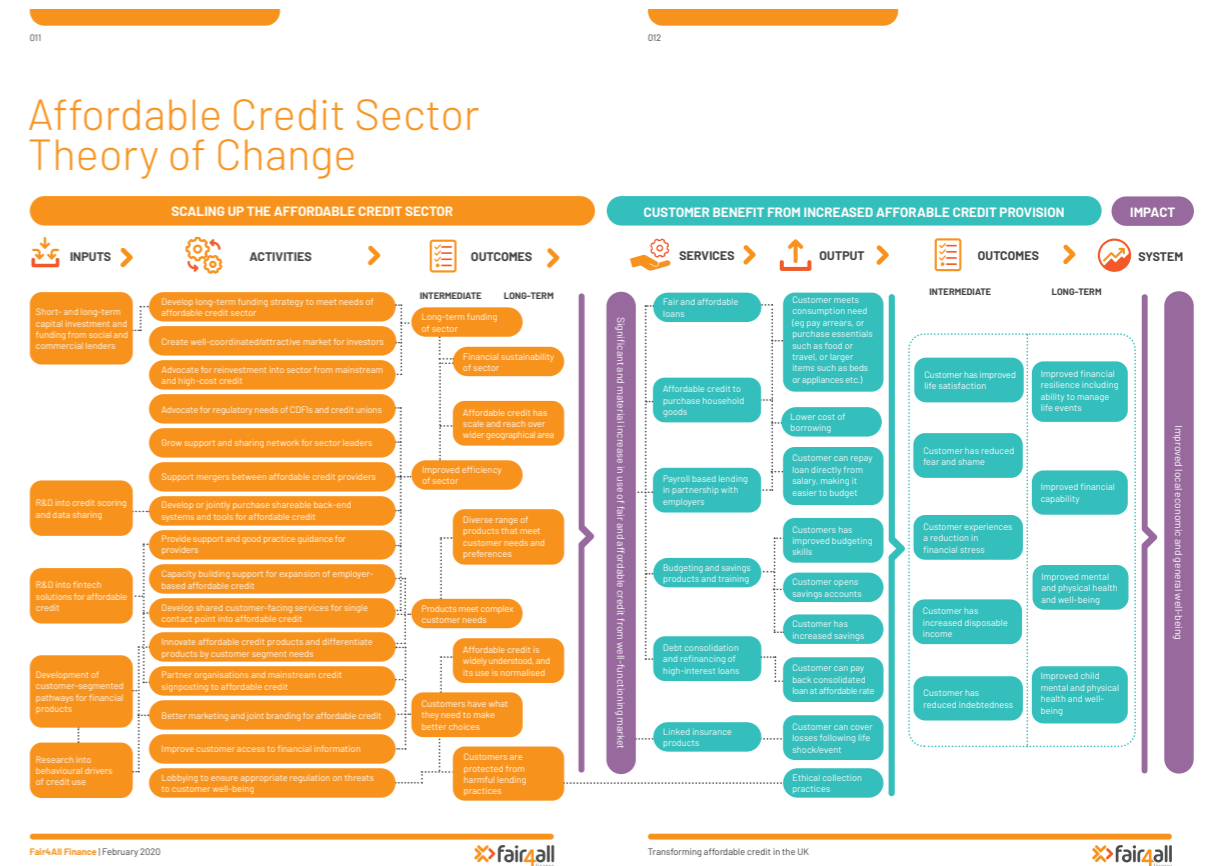
Too many customers in the UK are drawn to use high cost credit (e.g. payday loans) due to lack of available alternatives. It is generally the most financially vulnerable customers who end up using these products, paying a much higher price than other people to access money. There is an urgent need to build up the market for affordable lenders to offer a fairer alternative source of credit to these customers.

Fair4All Finance was founded in 2019 to support the financial wellbeing of the most vulnerable groups in society. It was established out of the government's commitment to allocate dormant assets money to help improve financial inclusion. Aleron worked with Fair4All Finance and the Esmée Fairbairn Foundation to develop a sectorwide theory of change for the affordable credit sector.

We conducted an evidence-based literature review into the size and state of the affordable credit markets and the key consumer factors influencing decisions about credit usage. On the back of this research we facilitated a series of workshops with Fair4All Finance and around 35 leaders, experts and affordable credit providers from around the United Kingdom.

Together we helped develop a collective view on how to achieve change to grow the size of the affordable credit market. The theory of change outlines the key challenges facing the affordable credit sector and the levers available to achieve change. It sets out the roles that need to be played by a range of actors across the affordable credit sector.

The theory of change we co-developed has been used to guide future action to tackle this complex problem. The end product was a shared strategy for the affordable credit sector that not only enabled Fair4All Finance to implement their own activities but also ensured a joined-up approach to achieving change across all stakeholders.



Theory of Change

Our Theory of Change has been developed alongside the Esmée Fairbairn Foundation in consultation with the affordable credit and financial inclusion sectors. It is intended to be a shared Theory of Change for every organisation that is contributing to solving the problem of a sub-scale provision of affordable credit in the UK. Fair4All Finance will work on part of this and in collaboration with others to drive systemic change.

The first part of the Theory of Change focuses on the affordable credit sector: those inputs and activities which will enable the sector to grow in scale, and those outcomes which mean the affordable credit sector is healthier and having more impact.

The second part of the Theory of Change focuses on the effects that an increased provision of products should have on customers - eventually impacting on their financial resilience, financial capability, and health and wellbeing.

“Since its creation in March 2019 Fair4All Finance has created a comprehensive theory of change, and through its pilot it has provided a robust assessment of what best practice for the sector looks like. We are excited to work with them on the next phase of the scale-up programme to substantially expand the capacity of the whole of the CDFI affordable credit sector, to create a new and improved normal for people building their financial resilience.”

Theodora Hadjimichael, CEO, Responsible Finance

How we can help

We bring a unique set of expertise, methodologies and tools to help you successfully develop and implement your theory of change

We recognise that while most organisations understand the principles of a theory of change, some find it challenging to develop it. Aleron's specialist consultants provide the expertise, guidance and structured approach necessary to ensure that the theory of change is well-designed, well-communicated and capable of guiding the organisation or programme toward meaningful and sustainable impact.

Here is how we can contribute to the development of your theory of change:

- **Expertise and Knowledge:** Our team has developed over 100 theories of change for a wide range of private, public and non-profit organisations. We can bring insights from different sectors and contexts, which can enrich the development of your theory of change by incorporating best practices and lessons learned.
- **Facilitation:** Developing a theory of change involves multiple stakeholders within and outside of an organisation, including staff, leadership, beneficiaries and partners. We believe in the importance of co-designing and using a participatory approach. We facilitate workshops and discussions that engage these stakeholders, helping them articulate their goals, strategies and assumptions more effectively.
- **Asking Critical Questions:** Our team is skilled at asking probing and critical questions that can help your team and stakeholders to think deeply about their goals and strategies. By challenging assumptions and encouraging reflection, we ensure that the theory of change is robust and well-founded.
- **External Perspective:** We bring an external perspective that can be valuable in identifying blind spots or assumptions that might be overlooked by those closely involved in the programme or organisation. This perspective can lead to a more comprehensive and realistic theory of change.
- **Tailoring to Context:** Our team will tailor the process of developing a theory of change to the specific context and needs of your programme or organisation. This ensures that the theory of change is relevant, practical and achievable.
- **Structuring the Process:** Developing a theory of change can be a complex and iterative process. We provide a structured framework and timeline to guide the team through each step, from defining goals to identifying outcomes and assumptions.
- **Data and Evidence:** We assist in performing research and integrating data and evidence into the theory of change. We also help you identify key indicators and sources of information that will be used to track progress and measure outcomes.
- **Clear Communication:** A well-developed theory of change should be communicated effectively to stakeholders, funders and partners. Our team is experienced in crafting clear and compelling narratives that explain the logic and expected impact of the programme or organisation's efforts. Our designers can also develop the visuals and final materials.
- **Capacity Building:** Along the way, we aim to build the programme or organisation's capacity to continue using the theory of change framework beyond our engagement. This empowers the team to adapt and update the theory as circumstances change.

Aleron

Aleron was established to bring a new approach to creating positive and sustainable change

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About Us

In 2010, Aleron was established to bring a new approach to creating positive and sustainable change around the world. After over a decade of working in social impact and sustainability, we have seen the incredible benefits carefully targeted action can have on society and the environment and how to make sustainable change happen at scale.

We actively partner with our clients to co-create strategies and capabilities that deliver positive and sustainable economic, environmental, and social impact. No matter the industry, Aleron helps organisations define and achieve their purpose.

Through our work we have enabled critical advances in medical research, build resilience in local vulnerable communities, accelerate investments towards alternative ways to generate electricity or guide organisations to achieve net zero emissions.

Collaboration is key to tackling complex social and environmental challenges. At Aleron, we believe public, private and non-profit actors must work together to be effective forces for good. We work across sectors, bringing public bodies, corporates, non-profits, social enterprises, foundations and investors together to address and achieve the UN's Sustainable Development Goals (SDGs).

Our Services

We support you at each point of your sustainability journey

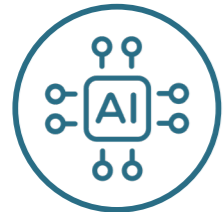


Purpose

Stating your intended contribution to our society and planet

The purpose of an organisation is the very reason why the organisation exists –beyond simply making a profit. Purpose gives direction and informs your decisions and culture.

Leveraging over 12 years of experience in social impact and sustainability, our approach helps you clearly define your purpose and embed it in your organisation and decisions.



Research

Generating the insight required to develop impactful strategies

Our team brings unique expertise in primary and secondary research, data analysis, and real-world experience to identify solutions to complex social and environmental issues. We use a combination of surveys, interviews, focus groups, data collection and site visits to conduct our primary research. Our analytics team leverages the latest techniques and tools in machine learning and generative AI to generate actionable insights.



Strategy

Developing impact and ESG strategies to create social value and achieve your purpose

We provide insight to stimulate thinking, generate new ideas and guide our clients towards making the right ESG strategic choices. Beyond our research capabilities, we offer a wide range of proprietary tools and services that support every element of strategy development. Our reputation for collaborating with clients to achieve exceptional results is unmatched in the social impact and ESG industry.



Transformation

Building the capabilities to drive action, and accelerate impact

We help organisations identify their potential for ESG transformation through a proprietary suite of diagnostics and tools. With this informed evidenced-based view, we work with our clients to design and implement the operating models, capabilities and ways of working they need to deliver their strategy and purpose. Our transformation approach follows an agile model to ensure rapid and realistic change.



Impact

Evaluating and communicating the impact of ESG initiatives

Our team brings extensive experience in social impact and ESG reporting, including social return of investment (SROI), health economics including QALY, impact evaluations and sustainability reporting standards (SECR, ESOS, SASB, SFDR, etc.) We help you gain the insight to make ongoing informed decisions about your purpose, strategy and operations.



Funding

Raising and investing funds to implement ESG and impact strategies

Because of our corporate finance and investment banking heritage, we are passionate about supporting the growth of the sustainable investment market, from helping entrepreneurs to raise capital from impact investors, and embedding ESG practices in private equity to designing social impact bonds.



Training

Building the knowledge and skills to drive an ESG agenda

Leveraging our on-the-ground experience and conscious of the need for greater workforce development across the sector, we offer bespoke training support across the ESG spectrum from culture and DEI assessment, social impact measurement to decarbonisation and carbon emission life cycle analysis.

Areas of Expertise

Since our inception, we have worked on some of the most pressing sustainability issues



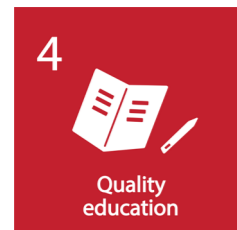
No Poverty

Fair4All Finance was founded to help the financial wellbeing of people in vulnerable circumstances. We co-designed a strategy with the team and sector professionals to improve access to affordable credit, and more recently developed a theory of change on financial inclusion in the UK.



Good Health & Wellbeing

We have worked with many healthcare and medical research organisations helping them deliver the best outcomes for the communities they target. Notably, we worked with Cancer Research to develop the operating model and capabilities required to realise their ambitious research strategy.



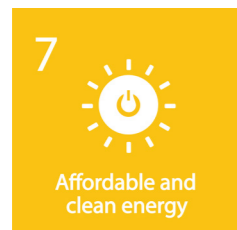
Quality Education

We supported the University of London in transforming their online education provision through the redesign of its operating model including the embedding of new capabilities in business development, course design and student services.



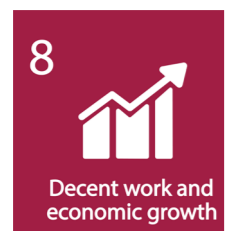
Gender Equality

We worked with the Ignite partnership - a charitable initiative to support greater diversity and inclusion in motorsport launched by Mercedes-AMG Petronas F1 Team and Sir Lewis Hamilton in UK motorsport including gender equity.



Affordable and Clean Energy

We have assisted a start-up that invented a solution to convert air into electricity to developing their strategy and raise the investment required to build a large-scale prototype.



Decent Work & Economic Growth

We co-produced a digital product to support disadvantaged young people in employment with the Prince's Trust. Our work was informed by a youth board we established to develop ideas through the discovery phase.



Industry, Innovation & Infrastructure

We have supported the Global Innovation initiatives launched by Bloomberg Philanthropies, by developing a performance framework, we help them communicate and improve the overall impact of the programmes, including What Works Cities, i-Teams and Mayors Challenge.



Reduced Inequalities

Following the British Red Cross' development of their 2030 strategy, we worked with the NGO to design a new operating model to support its work to provide practical, local and emotional support to people in need throughout the UK.



Sustainable Cities & Communities

Our Parklife is a social enterprise that was set up to support the regeneration of Queen Elizabeth Olympic Park in London. We have worked with the team and Engie - a French multinational utility company - to develop a growth strategy to become financially sustainable.



Responsible Consumption & Production

Our multi-staged methodology allowed us to map out the sector-wide issues and navigate through this complex space, focusing the strategy on the areas where Esmée had the greatest opportunity for impact.



Climate Action

We have helped Jisc – a leading technology provider to the education sector - to implement their CSR strategy, assess climate risks and embark on their journey to net zero. More broadly, we have been active climate advocates through our research activities and participation in climate initiatives.



Life on Land

Aleron has been involved with numerous national and global animal welfare organisations, including Brooke, Woodgreen and World Animal Protection. We assisted them in a range of areas, from strategy development and impact measurement to process improvement.



Get in Touch

To find out more about what we do visit our website
www.aleronpartners.com

Or contact us at
e: team@alerongroup.com
t: +44 (0)800 246 1319