Business Resilience Toolkit

Theory of change

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Transcript:

A theory of change is a model for planning how you will achieve social change. It can be a really useful tool for not for profits and other purpose-led organisations. Today we're going to look at how you can use theory of change to help you understand and adapt your business model.

Hello, I'm Jane Arnott and I'm the general manager of consulting at Community Business Bureau (CBB).

Theory of change starts by defining the problem and works with the end in mind – what's the impact you want to achieve for your community?

It works backwards in terms of what outcomes or changes you want to achieve for your community; what outputs you will deliver to achieve those changes; what are the activities you need to undertake, and what resources – or inputs – are required.

To do a theory of change well, you really need to understand the needs of the community you work with, and the gaps in systems or supports that are impacting them. Theory of change helps you to work through different ways that you can address those needs to deliver positive impact.

So, for example: if you can see that people with disabilities from Culturally and Linguistically Diverse (or CALD) communities are not accessing available services:

▶ you can identify the impact that you want to achieve for people with disabilities from CALD communities. This might be increased community participation and independence;
▶ you can identify some of the changes that would need to happen for you to achieve this impact – perhaps existing service providers being more accessible for CALD clients, and better trained on diversity and inclusion;
▶ you can work out what deliverables or outputs will help them to achieve that – perhaps it would make a difference if service information was available in community languages; and if the service provider employed staff from the CALD community;
▶ and then you can plan the activities to get there, which is likely to include direct engagement with community groups;
▶ finally, now you have identified the activities and outputs or deliverables you need in order to increase engagement, you can define the resources needed – such as more workers from CALD communities.

By working through your theory of change you'll draw the link from the services you provide to the changes you plan to achieve.

So how is Theory of Change useful from a business model perspective?

- It builds a granular understanding of who your customers are, the services that you'll offer in order to deliver social impact, and the resources you need to deliver those services.
- It enables you to create measures so you can track your progress against the outcomes you want to achieve, and
- if you work thoroughly through your theory of change, you will identify the key stakeholders you need to engage in order to achieve your planned outcomes, and you will test out your underlying assumptions.

In our example – we've assumed that engaging with community groups, employing more workers from CALD communities, and producing materials in community languages will increase access to services for people with a disability from a CALD background. But it may not. By talking to your stakeholders, you may realise that supporting a CALD community organisation to develop their own disability services may deliver better results.

That's why it's important to identify and engage your stakeholders early in the process of developing your theory of change.

For not for profits, developing your theory of change, with good stakeholder engagement – is a really useful way to build your profile of your customer segment, understand the market conditions, design your service model, identify resourcing requirements, and develop impact measures.

It enables you to test out which interventions are most effective in achieving change, so you can invest your efforts in the activities that will deliver most benefits.

However, from a business resilience perspective, it doesn't necessarily look at how your service is funded or paid for. The weakness of Theory of Change is that it's primarily a social change, or service design model, rather than a full commercial business model. Looking at your 'inputs' in your theory of change will help you to identify the costs of delivering your service, but you will need to do additional work on how you will generate the revenue to cover those costs.

Related video to watch next: Business model canvas.