



CHAPTER 6

***Theory of Change, Monitoring,
and Evaluation: Understanding
an Organization's Activities,
Outcomes, and Impact***

ONCE A NONPROFIT ORGANIZATION has identified the problem it is trying to solve and chosen an approach to solving it, it must develop and implement a strategy to achieve its goals. In the nonprofit world, the framework for describing such a strategy is called a “theory of change.”

This is one of the few jargony terms we use in the *Guide*, but it’s used pervasively enough in the nonprofit and philanthropic sectors that you might as well become familiar with it. And the concept will help you transition from understanding problems to finding and vetting organizations—the topics of the subsequent two chapters. That is, understanding an organization’s theory of change helps you make your own assessment of whether an organization has sound strategies for achieving your shared objectives.

Whether or not an organization uses any particular term is unimportant. What matters is whether it is clear about its intended ultimate outcomes, or goals, and whether it can cogently explain how its activities are likely to lead to those outcomes.

This chapter covers three questions:

- What is a theory of change and why is it important?
- How can an organization know if it is on track with its theory of change and if it is having the desired impact?
- As a donor, how might I develop a theory of change for my giving?

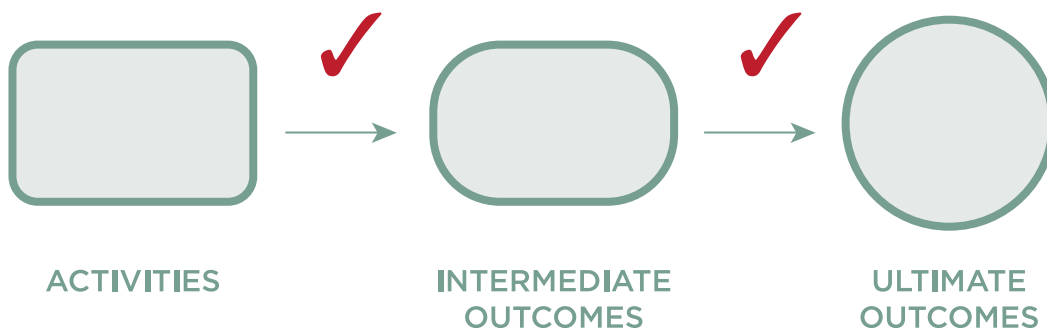
Theory of Change

A theory of change sketches the sequence of causes and effects that underlie a nonprofit's strategy, beginning with the organization's activities and ending with its intended outcome. An organization's theory of change gives you and its leadership a common framework for understanding what it aims to accomplish and how it plans to do it. If the organization is unable to describe the theory of change underlying its programs persuasively, that should raise a red flag (for more information, see **Chapter 8: Due Diligence**).

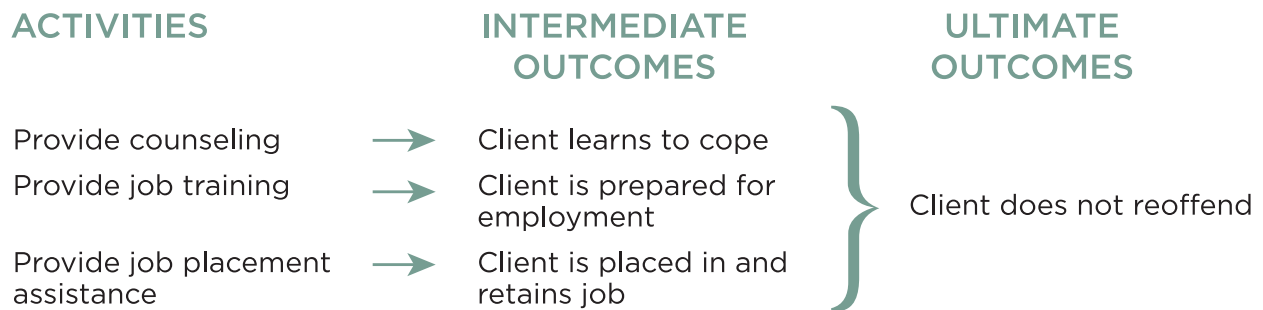
Elements of a Theory of Change

A theory of change incorporates three elements:

- *Activities* describe what the organization does, such as provide particular services.
- *Intermediate outcomes* describe changes—often in beneficiaries' behavior—that are predicted to occur as a result of the organization's activities and necessary to achieve its ultimate outcome.
- The *ultimate outcome* is what success would be in solving the problem the organization is tackling.



We'll illustrate a theory of change by looking at a program designed to reduce the recidivism rate among ex-offenders recently released from prison. The program encompasses three activities: psychological counseling to help beneficiaries cope with everyday problems, job training, and assistance with job placement. Here is a theory of change for this program:

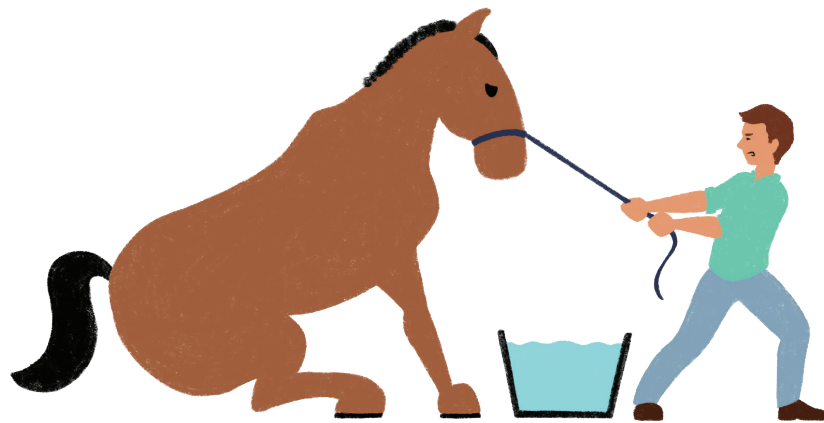


This theory of change proposes that **if** the organization provides its clients with psychological counseling, job training, and job placement assistance, **then** they will learn to cope with the world outside prison, succeed at job training, and acquire jobs. Counseling, job training, and placement are the *activities* the organization conducts. Learning to cope in society, being prepared for employment, and getting and maintaining a job are *intermediate outcomes* that result from those activities. As in this example, intermediate outcomes often involve changes in the beneficiaries' skills and behavior.

Next, **if** beneficiaries learn to cope, acquire new skills, and get jobs, **then** they will be less likely to engage in criminal activities. In other words, the intermediate outcomes will lead to the *ultimate outcome*: not reoffending.

In short, a theory of change is composed of a series of **if-then** statements, or causal claims, that certain activities will result in specified outcomes.

The difference between activities and outcomes is captured in the saying “you can lead a horse to water, but you can’t make it drink.” Leading the horse to water is an activity that the organization conducts. The horse drinking is an outcome for the horse. You might think of the horse’s drinking as an intermediate outcome, with the ultimate outcome being that the horse is adequately hydrated to be healthy and continue on its journey.



At the end of this chapter, we provide a few examples of more complex theories of change from Nurse-Family Partnership and Global AIDS Interfaith Alliance (GAIA).

The Empirical Basis for a Theory of Change

A theory of change is only as good as its empirical underpinnings. Its causal claims must be based on sound evidence. If the causal claims underlying the anti-recidivism program are not empirically sound, the organization likely will fail to achieve its ultimate outcome. For example, the psychological counseling may not be adequate to help an ex-offender from being drawn into criminal activities with his former associates, or the job assistance may be ineffective.

A theory of change that seems intuitively appealing may not actually work in the face of evidence. Consider the Drug Abuse Resistance Education (DARE) program, in which police officers went into classrooms to teach students about the hazards of using illegal drugs. Because of its intuitive appeal and its founders' aggressive marketing, DARE spread to 5,200 communities in all 50 states. At its height, it was operating in 75% of American school districts.¹⁶ Beginning in the 1990s, however, evaluations demonstrated that the program had no positive effects and, indeed, made some students more likely to try drugs.¹⁷ Despite much pushback from DARE, the program eventually made changes based on the evaluation results.¹⁸ Today DARE teaches youth decision-making skills.

Thus, even when a strategy seems intuitively obvious, you should ask your potential grantee what evidence it has about the strength of the causal links in its theory of change.

DONOR STORY

Good Intentions, Ineffective (Even Harmful) Plan— *Jason Sadler*

Jason Sadler, a Florida businessman, started a charity to improve the lives of Africans. His strategy was to collect one million t-shirts and send them to Africa. His website ambitiously explained the idea in these words: "Share the wealth, share your shirts—we're going to change the world." Experts on foreign aid were skeptical, to say the least. First, shirts are not in short supply in Africa, and second, flooding the market with free goods could bankrupt the people who already sell them. After Sadler announced his plan, criticism flooded in, and he abandoned the strategy.¹⁹

Implementing the Theory of Change: Feedback, Monitoring, and Evaluation

Developing a theory of change is not a hypothetical exercise. Before an organization and its funders put time, effort, and money into implementing a program, the theory of change offers a framework for setting out the necessary steps and seeking evidence—typically from research or the evaluation of similar programs—that they are likely to lead to the intended outcome (or not).

If the organization decides to go forward, the theory of change also provides a framework for learning about how its implementation is actually working and to make appropriate course corrections. Among other things, an effective organization seeks answers to these important questions:

- Is the organization reaching its target population and serving their needs? Are there major gaps in its theory of change?
- Are its beneficiaries satisfied with the program? What works well and what can be improved?
- Are the programs creating any unintended harms? If so, how can those harms be avoided or mitigated?

As a donor, you will want to see what the organization plans to do and how well it is meeting its ultimate outcomes or goals (see **Chapter 8: Due Diligence**). Equally important, you will want to know whether the organization is equipped to obtain and use the feedback necessary to make course corrections when things don't go according to plan.

The information that an organization seeks when implementing a program can be described in three general categories: getting beneficiary feedback, monitoring activities and outcomes, and evaluating the ultimate outcome.

Beneficiary Feedback

Virtually every consumer-facing business gets customer feedback—whether through Yelp reviews or questions following an Amazon purchase—that can lead to improving its products and services. Feedback from the beneficiaries of nonprofit organizations is no less important for improving their products or services to ensure achieving their ultimate outcomes.²⁰ Depending on the nature of their beneficiaries, organizations may use anything from open-ended qualitative questions to surveys culminating in net promoter scores.

Monitoring

Monitoring involves tracking activities, intermediate outcomes, and ultimate outcomes as the organization implements its theory of change. We'll illustrate this through the recidivism program described above on page 100:

- **Activities.** To how many clients did the organization provide counseling, job training, and job placement assistance? At what dosage? (Ideally, it also would be valuable to have indicators of the quality of these activities.)
- **Intermediate outcomes.** How many clients are well-prepared for employment, and how many actually get and retain jobs?
- **Ultimate outcome.** How many of the clients do not reoffend within, say, five years?

An effective organization will have metrics for assessing progress at each stage, and it will also have targets—for example: 70 percent of its clients will be in stable employment 12 months after program completion, 60 percent will not reoffend within five years. Ambitious but realistic targets keep the staff accountable to the organization's management and keep the organization's management accountable to its beneficiaries and funders. They are an indication that the program is on course or in need of course correction.

Evaluation

Returning to the anti-recidivism program, suppose that a year after the program was initiated, the incidence of recidivism among its participants has declined by 25 percent compared to the previous year. This seems like a pretty good outcome, but is it the result of the program or some other factors?

Impact evaluation asks and answers an important question that goes beyond whether the intended outcome occurred: did the program contribute to the outcome—or might its clients' reduction in recidivism have happened anyway? Perhaps the anti-recidivism program cherry-picked clients who it thought were most likely to succeed, or perhaps those ex-offenders who were most likely to succeed chose to participate in the program. Perhaps the rate of unemployment had dipped so low that it was easy for participants to find jobs even without the program's assistance.

Why incur the expense of assessing the program's contribution to the outcome? From a service provider's point of view: to improve, expand, revise, or abandon the program depending on the results. From a funder's point of view: to extend, withdraw, or set conditions for further support. And from the broader field's point of view: to improve similar programs.

What makes evaluation difficult is that it tries to compare a program's actual outcome with the outcome that would have occurred even without the intervention—what's technically called the “counterfactual,” because it didn't happen.

In theory, the evaluation technique that can instill the most confidence that the intervention did or did not make a difference is a randomized controlled trial (RCT), in which beneficiaries are randomly assigned to receive or not receive the intervention. This is essentially how new drugs are tested before the FDA allows them on the market. Analogously, the state might randomly assign ex-felons to the anti-recidivism program or leave them to cope on their own—an unfortunate choice but one that may in any event be dictated by budgetary constraints.

In reality, it is often difficult—as well as cost-prohibitive for many nonprofits—to conduct RCTs on social interventions. But other evaluation techniques are available, including comparing the ex-offenders' success in one program to their success in similar programs or in no program at all, even in the absence of random assignment.

Although every organization can gather feedback and monitor its progress, many organizations do not have the ability to evaluate their outcomes. Especially for small organizations, the most that one can expect is that they are faithfully implementing interventions that have been evaluated elsewhere and shown to be effective.

Developing Your Philanthropic Strategy

Most readers will use this chapter to scrutinize an organization's theory of change during the due diligence process (for more in-depth information on due diligence, see **Chapter 8**). If you are confident that the organizations that you support in a focus area are working effectively toward your goals, there's seldom a need to develop your own theory of change for that area.

As you perform due diligence and monitor organizations' work in an area over a number of years, you may develop your own views about which theories of change work or don't work to achieve your goals. For example, you might learn that public awareness campaigns, by themselves, are seldom successful in changing individuals' behavior unless accompanied by targeted behavioral strategies. In effect, you will have developed your own theory of change and use this as a filter for future due diligence.

Beyond this, there may be situations in which you can only solve a problem that concerns you through a set of coordinated grants. Suppose, for example, that you wish to clean up a polluted river and this requires advocating for regulation, providing companies with technical expertise to reduce pollution, and monitoring water quality and health effects. If

you cannot find an organization that's conducting all these activities, you may need to articulate your own theory of change, make gifts pursuant to it, and monitor the progress and impact of your various grantees.

The Theories of Change Underlying Diversity, Equity, and Inclusion (DEI)

For another example of how donors may develop a theory of change for their own philanthropy, we turn to the issue of diversity, equity, and inclusion (DEI), which is extremely important in its own right. With the caveat that the term encompasses overlapping clusters of practice, its component parts might be defined as follows:²¹

- **Diversity** means variation—staff members and beneficiaries who reflect different demographic characteristics and life experiences from a range of identities, perspectives, and experiences.
- **Equity** means ensuring equal outcomes by providing staff members and beneficiaries with the support needed to eliminate unfair disparities.
- **Inclusion** means creating an environment of involvement, respect, and connection—where diverse ideas, backgrounds, and perspectives are harnessed to create value.

Donors and private foundations may have several reasons for incorporating DEI factors in their grantmaking and other practices. The Hewlett Foundation captures the breadth of rationales for DEI in its *Guiding Principles*:²²

The foundation embraces the importance of diversity, equity, and inclusion both internally, in our hiring process and organizational culture, and externally, in our grantmaking and related practices. We care about and hold these values essential both because this is the right thing to do and because it is the smart thing to do.

It is right because, as an endowed institution with significant resources, our choices about how we use our assets have important consequences. In hiring staff and supporting partners to help address critical social problems, we also empower the individuals and organizations we choose. We have a duty to exercise this privilege—for it is a privilege—thoughtfully, mindful of the larger society of which we are part, and of the historical, economic, and cultural forces that shape it. We believe this duty includes a responsibility, in hiring staff and choosing grantees and other partners, to recognize that some groups have been historically disadvantaged, whether by virtue of race, ethnicity, socioeconomic status, gender identity, sexual orientation, ideology, religion, or other characteristics that reflect significant social categories or fractures.

Here we summarize several different rationales for DEI, some or all of which may be relevant to your own philanthropy:

- *Focus areas and goals.* Your own philanthropic goals may center around issues of equity—for example reducing the over-incarceration of people of color or disparities in their health. In this case, you would support organizations that have sound theories of change and the capacity to achieve these outcomes.
- *Increasing philanthropic impact through improved decision making.* There is considerable evidence that, whatever your particular philanthropic goals may be, having a diversity of perspectives among your staff, consultants, and partners tends to result in better decisions.²³ A commitment to DEI may counteract tendencies toward unconscious, or implicit, bias to which all decision makers are susceptible.

To make progress on social issues, one needs to have a deep understanding of the challenges from the perspective of those who are most affected. A successful entrepreneur does not develop a product without engaging potential end-users early in the design process. Similarly, in philanthropy, it is important to engage those

who are closest to the problem in developing solutions. Almost every issue or problem affects different groups of people in different ways. Understanding those who are least well-served is a good first step. Seeking and supporting leaders within these communities and engaging them as partners can lead to greater impact.

One important aspect of a funder's decision making is *selecting* the most effective grantee organizations. Your own commitment to DEI will broaden the search for grantees—particularly smaller organizations led by people of color or with diverse characteristics—that otherwise might be overlooked.²⁴

Another important aspect of decision making is getting accurate and candid *feedback* from grantees. Whatever your goals, you will almost surely benefit from feedback from a broad range of beneficiaries and other stakeholders. Staff and consultants who share backgrounds with beneficiaries and other stakeholders increase the likelihood of open, trusting communications.

- *Increasing grantees' impact.* For many of the reasons just mentioned, your grantees' commitment to DEI will likely improve their performance as well.
- *DEI for equity's sake.* The nonprofit sector is a non-trivial part of the U.S. economy, contributing 5.4 percent to the country's GDP. Nonprofit organizations provide important jobs and opportunities for economic and social mobility. Therefore, you may wish to ensure that your grantee organizations are committed to DEI independent of their mission goals.

How DEI Influenced My Funding Strategy

—**Karen Grove**

As an upper-class, white woman with the privilege to engage philanthropically, the issue that inspired my first philanthropic activism was abortion rights. In 2004, I was incensed about anti-choice efforts to block access to abortion, and I wondered why women of color and low-income women were not putting abortion rights at the top of their agenda. I had no idea how much I did not know.

Thankfully, at reproductive health funder conferences, there were always a few tables of women of color talking about a thing called “reproductive justice.” I didn’t understand what that was, but I could tell it was important, so I introduced myself to the women and started a conversation which grew into a multi-year learning journey. I learned some pretty disturbing things. For example, while women of all races face unacceptable obstacles to abortion in much of the country, women of color experience a range of unconscionable challenges to their ability to have and raise children with safety and respect.

Reproductive justice is just one example of a larger theory of change, which posits that the leaders best able to solve problems are the people most impacted by those problems.

In 2010, we—the Grove Foundation and other reproductive health funders—embraced that strategy and ensured that women of color, immigrant women, low-income women, young women, and other marginalized organizers had the unrestricted multi-year funding they need to collaborate, innovate, and act together. Within ten years, the coalition has achieved goals that had previously eluded the movement for decades.

To develop authentic relationships with impacted communities, the Grove Foundation has applied diversity, equity, and inclusion (DEI) strategies to build our cultural competency as individuals and as an organization. Through concrete changes to our practices, we have hired a more diverse staff and created a more inclusive work environment.

Continued next page

We strive to build equity within our organization by delegating grant decisions to program committees consisting of board and staff members and including all staff members in many decisions, including budgeting. Most significantly, we try to direct most of our funding to underrepresented leaders who are impacted by the problems we seek to solve. We track race, gender, and sexual orientation, and we consider leadership within the executive team and board as well as the executive director and front-line staff.

My personal learning journey (which ultimately became a learning journey about racial justice more broadly) makes me a better funder, board member, friend, and neighbor to people of color and white people alike. The DEI work we've done at the Grove Foundation has made us better funders to our grantees and closer colleagues to each other. And in these dark times, we are inspired and our spirits lifted by the work of the front-line leaders we are honored to support and learn from.

Theory of Change, Monitoring, and Evaluation Takeaways

- ➔ A theory of change provides a framework for understanding an organization's ultimate outcomes or goals and how it plans to achieve them. It does not suffice that a theory of change is intuitively appealing if it isn't based on sound evidence.
- ➔ As it develops and implements a theory of change, an organization should get feedback from beneficiaries and other stakeholders, monitor its activities to assess what is actually working, and make course corrections as needed.
- ➔ Ideally, an organization will rely on some form of evaluation to assess whether it is actually achieving its intended outcomes. But some organizations do not have the resources to conduct evaluations. It may suffice that an organization is faithfully implementing an intervention that has been evaluated elsewhere and shown to be effective.
- ➔ If you have interest and time, you may wish to develop a theory of change and a plan for monitoring the progress of your own strategy in a focus area. These are useful tools for keeping your activities strategic and on course for impact.



CHAPTER 6 ANNEX

Nurse-Family Partnership's Theory of Change

The Nurse-Family Partnership (NFP) works to improve health outcomes for low-income families with young children. Its core activities are home visits from registered nurses to low-income first-time mothers. The intermediate outcomes include lower rates of cigarette smoking among expectant mothers and parents and fewer instances of child abuse and neglect. Ultimate outcomes include fewer neurodevelopmental impairments and higher preschool language scores.

The NFP has been evaluated in randomized control trials in several different locations. Its theory of change has been shown to be robust.²⁵ This means that given similar cultural and community circumstances, a donor considering funding an organization replicating NFP's approach can feel reasonably confident about achieving positive outcomes.

Nurse-Family Partnership's Theory of Change

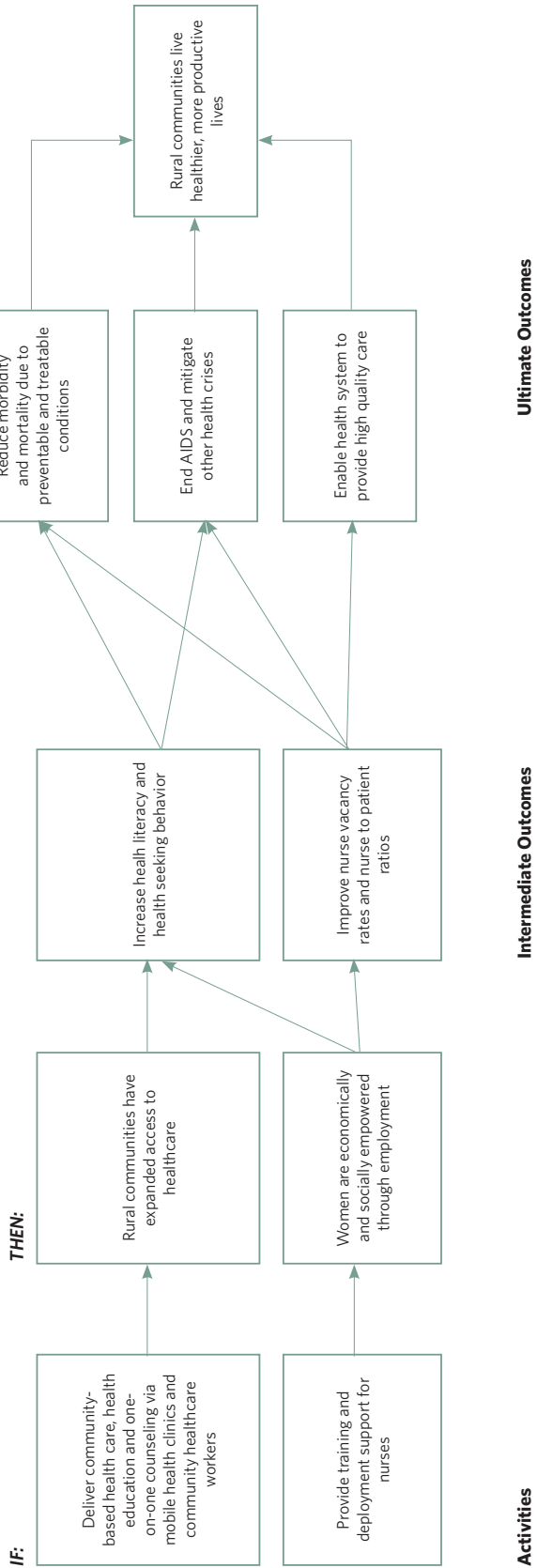
GOAL	ACTIVITIES
<p>Improve pregnancy outcomes by improving prenatal health</p>	<p>Home visits weekly in the first month following program enrollment, then every other week until birth of infant</p> <p>Nurses address:</p> <ul style="list-style-type: none"> ▪ Effects of smoking, alcohol and illicit drugs on fetal growth ▪ Nutritional and exercise requirements during pregnancy ▪ Preparation for labor ▪ Basics of newborn care ▪ Family planning following delivery of infant ▪ Adequate use of office-based prenatal care 
<p>Improve child outcomes by helping parents become sensitive and competent caregivers</p>	<p>Home visits weekly postpartum period, every 2 weeks until toddler is 21 months, monthly until child is 2 years</p> <p>The nurses:</p> <ul style="list-style-type: none"> ▪ Educate parent on infant/toddler nutrition, health, growth, development and environmental safety ▪ Promote and assess parent-child interactions that facilitate developmental progress ▪ Promote adequate use of well-child care ▪ Provide guidance in building and fostering social support networks ▪ Assess safety of potential/actual child care arrangements ▪ Refer to other health and human services as needed 

INTERMEDIATE OUTCOMES	ULTIMATE OUTCOME
<p>Pregnant women display improved health behaviors</p> <ul style="list-style-type: none"> ↓ cigarette smoking ↓ pregnancy-induced hypertension ↑ use of community resources 	<p>Newborns are born at full term and with normal weight</p> <ul style="list-style-type: none"> ↓ pre-term delivery among smokers ↑ birth weight of babies born to young teens ↓ neurodevelopmental impairment
<p>Parents demonstrate sensitive and competent caregiving for infants and toddlers:</p> <ul style="list-style-type: none"> ↓ childrearing beliefs associated with child maltreatment ↓ verified cases of child abuse & neglect ↑ stimulating home environments ↓ safety hazards in home ↓ incidents of injuries 	<p>INFANTS AND TODDLERS Child displays age and gender appropriate development</p> <ul style="list-style-type: none"> ↓ language & cognitive/mental delays ↑ responsiveness in interactions with mothers ↓ distress to fear stimuli <p>EARLY CHILDHOOD (4-6 YEARS)</p> <ul style="list-style-type: none"> ↑ preschool language scale scores ↑ executive functioning ↓ child behavior problems

GAIA's Theory of Change

GAIA seeks to end AIDS and related health crises by improving access to healthcare services in rural Africa. GAIA's community-based healthcare and health worker training programs directly address the needs of the vast majority of the population living in rural areas without access to services, with the overall aim of improving health and productivity in the rural communities where they work.

GAIA collects data; monitors progress; includes outcome evaluations and impact assessments in every program's monitoring, evaluation, and learning plan; and conducts implementation science research to understand and quickly respond to unexpected program results. The organization has published 20 peer-reviewed journal articles and made more than 20 scientific presentations since 2008, disseminating knowledge of what works in remote and rural, high disease-prevalence areas to the global health community.



Rural communities and women specifically experience a unique set of health challenges placing them at a disadvantage economically.

Success requires community led solutions, partnering with local stakeholders, and integrating within existing structures and in line with country level strategic objective.

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GUIDE

TO EFFECTIVE PHILANTHROPY

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