

Theory of Change

Mapping the journey: the what, why and in practice

What is a Theory of Change?

A Theory of Change (ToC) is both a **product and a process** that helps your business articulate **what** long-term sustainability impact or change it is hoping to achieve and **how** it intends to bring about that change.

A ToC includes an articulation of your vision of success, the strategies or interventions your organization implements and the causal pathways linking short and medium-term goals to long-term goals. It also includes defining underlying assumptions behind the pathways and thinking about what external and internal factors could affect whether or not you achieve those sustainability goals.

ToC grew out of non-profit and evaluation circles, but is gaining prominence outside of those circles because it's a powerful way to articulate the logic of what an organization does in order to evaluate effectiveness. Sustainability is complex and multi-faceted. So to gain insights into whether, how and why your business is contributing to change, it is important to find tools that help articulate and clarify the complexity embedded in sustainability issues.

ToC borrows from and builds on other approaches to planning, such as 'logframes' and 'outcome mapping'. The important characteristic of a ToC, which distinguishes it from other approaches, is that it focuses on outcomes and how to get there, and how and why a given intervention will lead to specific change. Another important element of the ToC approach is that it perceives steps in the change process as complex, interlinked in a number of ways and feeding back into one another, whereas logframes and other approaches take a more linear view on change.

ToC case study: The Nestlé Experience

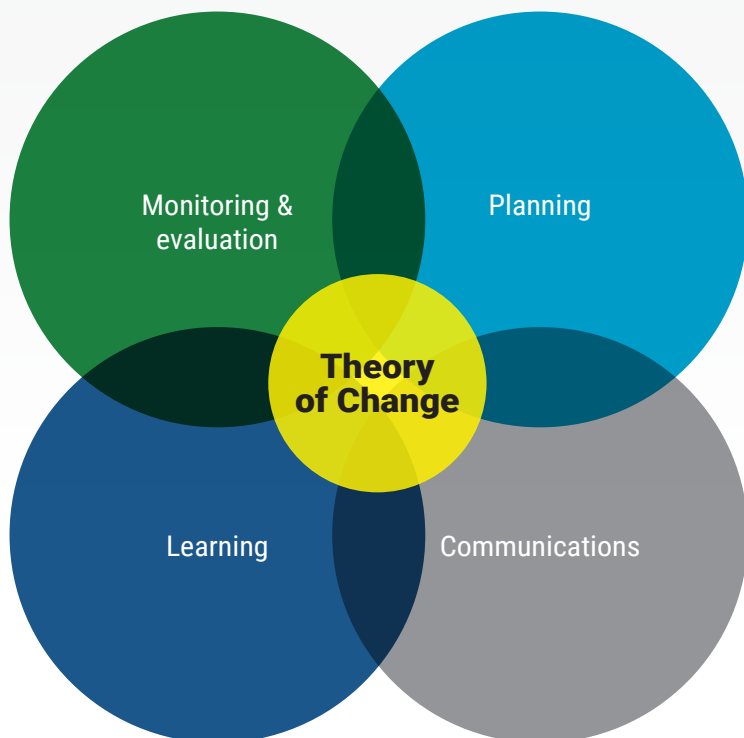
Nestlé, an Implementing Member of the Dairy Sustainability Framework, recognized that the Theory of Change (ToC) process required a 'reverse engineering' approach to addressing their material sustainability issues.

See page 5.

Why would your organization embark on a Theory of Change exercise?

While the final product(s) is an important output, it is ToC as a process that many organizations highlight as an eye-opening exercise. There is great value in engaging with and reaching agreement with stakeholders and getting their buy-in on outcomes and priorities, what defines success and what it takes to get there.

One of the added values of a ToC is that it can serve multiple purposes at the same time, making it an invaluable tool for different people and departments in an organization. It is used by organizations for strategic planning, structuring monitoring and evaluation systems, promoting learning and adaptive management and also for effective communications.



The following table gives a flavour of how Theory of Change can be useful for four integral parts of a business:

Assisting strategic planning

- It can help develop a shared understanding of long- and shorter-term goals, provide greater clarity on how your actions will help you deliver on your goals, highlight weaknesses or gaps in your strategy and help you adjust your strategy over time.
- It forces you to articulate assumptions and logic underlying every strategy.
- It can remind you why you are investing and undertaking certain activities.

Structuring monitoring and evaluation

- It becomes a framework for implementation to check milestones and track performance against the goals.
- ToCs can help define the scope of your M&E system and prioritize metrics or KPIs.
- Regular monitoring of indicators at each level and analysis of results creates feedback loops for adaptive management and enables you to communicate about your goals and strategy.
- It can help clarify what needs to be evaluated, what questions to ask and what assumptions need to be tested. It articulates the causal links and the 'what', 'how' and 'why' between steps and serves as the blueprint for evaluation.

Effective communications

- It provides the organization with a visual representation of the desired change and how you expect it to come about. It can be used as an internal and external communication tool to capture the complexity of the organization's contribution to sustainability.
- It can serve as a useful basis to discuss strategic priorities and report to the board, investors, stakeholders and other partners.
- It can help create clear statements or new graphics or diagrams to explain your organization and strategies.

Facilitating learning

- It encourages learning and innovation. It can help identify gaps in activities on the way to long term change or a wrong assumption about what leads to what.
- It can help you define the sort of learning questions you want to integrate into your M&E system.

Steps for developing a Theory of Change

1 Define long-term outcomes

Guiding questions: What change are you trying to achieve? Is it achievable? Is it measurable? Are stakeholders in agreement with your long-term goals?

Agreeing on long-term desired outcomes is the first step in building your ToC. While there are different ToC approaches, all start with a clear definition of a desired change and vision. This often sounds like the easiest step for many organizations, but the entire model builds upon this statement. If you already have a vision, start by reviewing it critically. Long-term outcomes (e.g. farming is a profitable business for producers, enhance biodiversity, reduce GhG emissions) are derived from the vision and may be partially out of your direct control. There will be many other external factors which determine whether the long term outcomes will be achieved, but you should be able to articulate how short- and medium-term outcomes that you are able to control will help contribute to the long-term ones.

2 Define intermediate outcomes and results chains

Guiding questions: What has to happen (or what has to be true) in order to achieve the desired outcome? What has to happen at one point for something to change at another? What short and medium outcomes contribute to the long-term outcome? What barriers and threats prevent us from achieving this outcome?

Defining interim outcomes and linkages between the vision and activities is usually the most challenging part of a ToC. This step forces you to do backward thinking from the long-term goal through the intermediate and early changes necessary. This backwards thinking helps you check your logic and avoid strategies that will not take you to your end goal(s).

Pathways of change are a set of connected steps, also sometimes referred to as 'causal pathways' or 'results chains'. They map the relationships between inputs, activities, outputs, outcomes and impacts, with inter-linkages – in other words how results are going to be achieved. It should be simple but complete enough to see the logic, without missing steps out.

Example of a very simple causal pathway



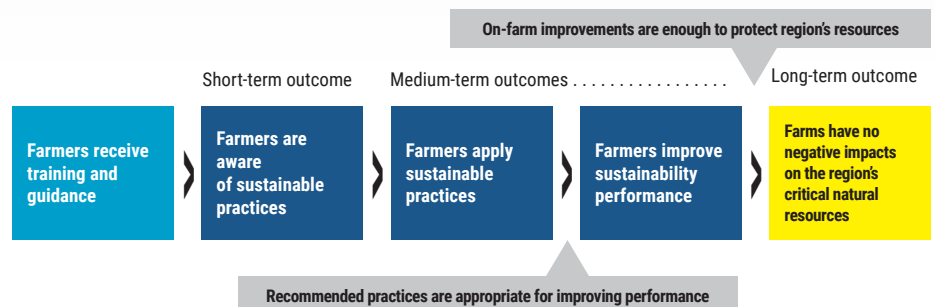
Steps for developing a Theory of Change

3 Think about assumptions

Guiding questions: What assumptions underlie the logic in our results chains?

This step means thinking about why specific short and medium term changes will lead to longer-term change and what you are assuming will or won't happen. Because there is not always evidence that specific interventions lead to specific outcomes, there is the need to make some assumptions about how change happens. Assumptions are important for communicating the logic of the ToC with people and useful in evaluating the strategy and seeing whether the assumptions hold. Remember to include assumptions about the influence of external environment. Beware of implicit assumptions that have become 'facts' within your organization - question those 'facts' in the ToC process.

Example of assumptions along a results chain



4 Define and evaluate interventions, actions, strategies

Guiding questions: What are your current strategies? Where do your current strategies fit in the results chains? Do you see the link between your actions and end goals? What's missing? How can you improve them?

Intervention or strategies are the programs and activities to bring about change. They should clearly show how they feed into the long-term sustainability goals. The above questions are useful if you already have defined strategies that you want to evaluate. However, a ToC is best used for strategic planning, where the starting point is not current actions or strategies, but with backward mapping that identifies the actions that you should be doing to reach the long-term goal. This shifts the focus onto the desired change: what activities and strategies are necessary to achieve the early and intermediate outcomes, what resources are required to implement the activities on a long term basis, what is realistic under current plans, time and budgets? Strategies that are typically implemented to drive change in sustainability issues include: training and other forms of capacity building, access to finance, compliance, partnerships etc.

Getting started

If your business is keen to embark on a ToC process, give it the time that it deserves, build on existing resources (e.g. strategic planning documents) and ensure that there is commitment and engagement from the

leadership. As for the process itself, this can be led by an internal team, or external consultants can be used to facilitate it. Avoid seeing it as a theoretical exercise and use key moments such as already planned stakeholder meetings

to advance and reflect. Finally a reminder that it is also useful to document the thinking at all stages of the process and be transparent with stakeholders about who are you engaging and when you are doing so.

Theory of Change: The Nestlé Experience



Nestlé, an Implementing Member of the Dairy Sustainability Framework, recognized that the Theory of Change (ToC) process required a 'reverse engineering' approach to addressing their material sustainability issues. Hence a Theory of Change approach was adopted.

This started with identifying the desired outcomes and bringing this back to daily actions in the field or at the processing plant.

The Nestlé team found that all actions implemented needed to focus on those desired outcomes and that no part of the 'delivery chain' was neglected.



Impact areas:

There were several considerations when investigating the main impact areas:

- Ensuring that all three pillars of sustainability were included.
- Consideration of the challenges and needs perceived by Nestlé in its respective value chains where goals need to be met in order to secure long-term, sustainable agricultural inputs that are economically viable.
- A company-wide materiality analysis that identified four key 'impact areas'
 - **Economically** viable farms that produce the required raw materials.
 - Farm model development looking to the future, creating the jobs and **social** stability.
- The **environmental** aspects of raw material production.
- The value that the supply chain needs to generate to operate effectively.
- The process implemented by the drivers of this initiative involved reviewing the current 'Company-wide commitments', internal and external stakeholder engagement.
- Casting the net wide at this early stage was extremely important as what was identified was a considerable overlap between several of the desired long-term outcomes.

Materiality assessment

Identify and define the impact area

Joint activity with stakeholders (business, farmers, government, KOLs, universities, NGOs, etc.)

Ensure alignment with global KPIs. Note: Global KPIs are set at high level only and are aligned with industry at large

Reverse engineering

Backwards mapping

Connect preconditions or requirements necessary to achieve that goal

Define long term and short term outcomes

Explain why these preconditions are necessary and sufficient.

Assumptions

Define the assumptions taken about the context

Interventions

Identify the interventions that will be performed to create your desired change

Indicators

Define the KPIs at each level KPIs should lead to outcome indicators such as adoption rates etc.

Write a narrative to ensure that the logic and assumptions are duly captured in written form

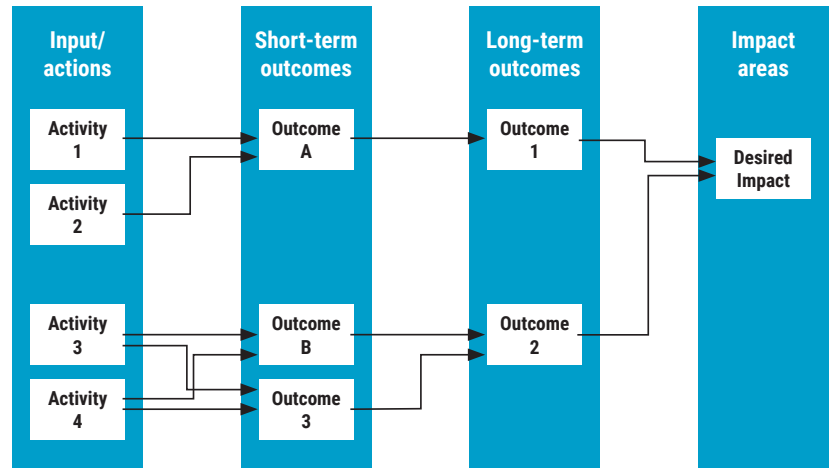
Theory of Change: The Nestlé Experience

Short- and long-term outcomes:

It became clear when breaking down the individual impact areas, that these are the key points; effectively the critical points between the action and the desired outcome, allowing measurement of progress.

- The identification of the key points was undertaken initially by involving a team of raw material sourcing experts.
- Clarity was essential between the action and their short-term outcomes and how this fed into the desired long-term outcome.

Linking actions to outcomes to desired impacts

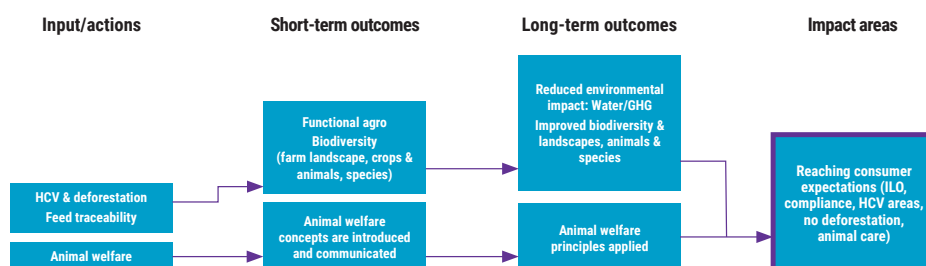


Inputs and actions:

- Identifying possible actions to support the delivery of intermediate and long-term outcomes, it became clear that the possibilities were numerous!
- It was important to start wide and then focus, as by grouping the potential inputs into 'clusters' and then narrowing these down into 'action boxes,' this provided the desired outcome along the journey.

- This process of focusing within the clusters involved consultation with many internal and external tools that could support the delivery of a specific action e.g. *FAO Good Farming Practices Handbook*.
- The team found it a valuable exercise to capture the meaning behind each of the 'action boxes' to ensure all were aligned to what was meant by the individual actions. This would then allow us to identify appropriate indicators for each.

- Another key point was the investment of time at this stage of the process on how to integrate these actions into the company's market operational plans without causing duplication or the need for new internal delivery structures.





Testing and adjusting:

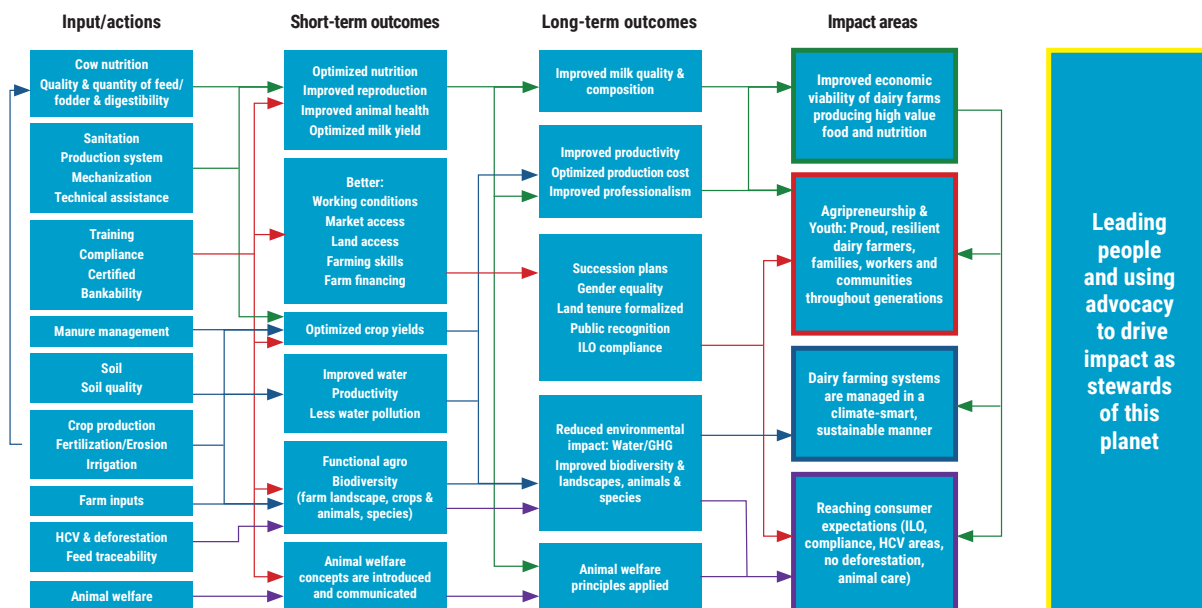
- Using simulated and actual examples the ToC approach was tested to ascertain if coherent end to end strategies could be established.
- During this process several high level KPIs were developed in alignment with each of the ‘action boxes’
- It was recognized that for an organization like Nestlé, operating in many different markets, many of the actions within the boxes would need to be adapted for the different geographies to ensure relevance.

- It is essential that these measures can feed directly into the overall higher-level outcome and measures of progress.
- Once completed, the ToC was then circulated to different regions for beta-testing.

Setting targets:

- It was clear that higher level targets established by the organization needed to be fully understood by those responsible for developing the lower level performance indicators – they need to align.
- Involving key delivery personnel in this process is always valuable.

- This process creates ownership (and motivates) at the various delivery levels and allows those involved to be able to appreciate the contribution they are making to the total ambition and, of course, the organization’s strategic targets.



On completion of the draft ToC tree, stakeholders were provided with the opportunity to test for gaps, seek points of clarification, suggest missing or surplus elements/actions.

The ToC development is now in the process of being rolled out across the various Nestlé markets, acknowledging the different starting points of the different geographic regions.

Regardless of this, the ToC has provided an excellent focus to what the company aspires to achieve from a sustainability perspective in the future.

The Dairy Sustainability Framework (DSF) is the umbrella mechanism the dairy value chain uses to track and report the dairy sector's performance in producing food responsibly and sustainably. It serves to align, connect and accelerate the progress the sector is making towards efficient food production and reducing environmental impacts.

The Governors of the DSF recognize the value of pre-competitive collaboration and will pursue efforts where they support the delivery of the DSF Vision.

Dairy Sustainability Framework's Vision:

A vibrant dairy sector committed to continuously improving its ability to provide safe and nutritious products from healthy cattle, while:

- 1 > Preserving natural resources
- 2 > Ensuring decent livelihoods across the industry

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