The Power of a Theory of Change

Nonprofit Education Initiative, College of Southern Idaho

October 16, 2013

Nell Edgington
President of Social Velocity
“It’s so obvious to me why people should support us. I don’t understand why they don’t get it.”
A Nonprofit Must…

Recruit
- Funding
- Clients
- Advocates
- Partners
- Volunteers
- Staff

Board

Chart a future direction

Prove results
What is a Theory of Change?
Determine what you want to achieve

Figure out if you are

Raise more money

Focus resources

Engage board & funders

Achieve more results
Theory of Change

Strategic Direction

Proven Results

More Support

Sustainable Community Change
The Theory of Change

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Activities</th>
<th>Outputs</th>
<th>Outcomes</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
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We Are Readers

<table>
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</thead>
<tbody>
<tr>
<td>• Staff</td>
<td>• Reading one-on-one twice per week with struggling K-2nd grade students</td>
<td>• # of students</td>
<td>• Increased student reading level</td>
<td></td>
</tr>
<tr>
<td>• Board</td>
<td></td>
<td>• # of schools</td>
<td>• Increased student performance on standardized tests</td>
<td></td>
</tr>
<tr>
<td>• K-2nd Students</td>
<td></td>
<td>• # of reading hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Teachers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Schools</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• School Districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Parents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Funders</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Volunteers</td>
<td></td>
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Our community has:

• More students reading at grade level by 3rd grade
• More academically acceptable schools
• More educated citizens
• More economic parity
Inputs
($, kids, volunteers, staff)

Activities
(read to at-risk kids)

Outputs
(# kids, # hours)

Outcomes
(better reading, better scores)

Impact
(stronger schools, educated citizens, economic parity)
We Are Readers brings at-risk students to grade level in reading, resulting in:

More succeeding students
Better schools
A more educated workforce
A more equitable economy and community
### Your Turn…

**Create a draft Theory of Change**

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<th>Impact</th>
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<tr>
<td>Financial &amp; human resources needed to operate</td>
<td>The main work of your organization</td>
<td>Units of production</td>
<td>Short and long term changes to program participants</td>
<td>Changes to communities, systems, institutions when outcomes are achieved</td>
</tr>
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</table>

**Or, if you already have one, answer:**

When and how do board/staff revise your TOC?
How do you integrate your TOC & your strategic plan?
How do you measure outcomes and impact?
How do you articulate your TOC to outsiders?
Create a strategic direction
   To guide action

Prove results
   To demonstrate value

Attract investors
   To create sustainability
Chart a Strategic Direction
Where Are You Going?

What is your value proposition?
What is your long term vision?
What are your 3-5 year goals?
How will you get there?
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<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial &amp; human resources needed to operate</td>
<td>The work done in your organization’s main program(s)</td>
<td>Units of production</td>
<td>Short and long term changes to program participants</td>
<td>Changes to communities, systems, institutions when outcomes are achieved</td>
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Relates to Mission

Relates to Vision
Before:

Mission: Social services, adoption, disaster response, homeless, hungry, seniors…
Competence: Undefined
Money: Dwindling

After:

Mission: People of faith helping people in need to transform their lives
Competence: Transformational services
Money: Diversified
Prove Results
Inputs ($, kids, volunteers, staff)

Activities (read to at-risk kids)

Outputs (# kids, # hours)

Outcomes (better reading, better scores)

Impact (stronger schools, educated citizens, economic parity)

Prove Outcomes & Impact
Increased student reading level

Increased student performance on standardized tests

Can You Prove Outcomes?
Can You Prove Impact?

Our community has:

More students reading at grade level by 3rd grade

More academically acceptable schools

More educated citizens

More economic parity
LEAP OF REASON
MANAGING TO OUTCOMES
IN AN ERA OF SCARCITY

Mario Morino

WITH ESSAYS BY EXPERTS AND PRACTITIONERS "WALKING THE TALK"

A VENTURE PHILANTHROPY PARTNERS PUBLICATION

"A MUST-READ FOR NONPROFIT LEADERS."
—GEOFFREY CANADA, FOUNDER, HARLEM CHILDREN'S ZONE
Attract Investors
Give based on values

Want to be engaged

Focus on impact

Pave their own way

Source: [www.nextgen.org](http://www.nextgen.org) Johnson Center for Philanthropy and 21/64
Invest Donors

Donor invests in nonprofit with shared values

Nonprofit translates $s into change

Community change occurs

Nonprofit is an intermediary that causes change
“With your $500, we can buy more books for needy children.”
With your $500, we can buy books for children who don’t have them…

Which leads them to…

Learn to read
Stay in school
Succeed and graduate

As a donor, you help create…

More educated children
More contributing citizens
A stronger, safer community
Your Turn…

On your own answer:
Why should someone give to your nonprofit?
What do they get in return?

Find a partner and explain it to them

Then, switch
The Case for Investment

The Need
Solution
Impact
Financial Model
Strategic Direction
Resources Required
Social Return on Investment
The Need

What problem(s) exist?

Why are they significant?

Why should a donor/member care?

Just 8% of kids growing up in low-income communities graduate from college by age 24

Source: postsecondary.org
What is your model?

How does it work?

Why is it the best solution?
What results have you achieved?

What quantitative/qualitative proof of impact can you share?

English at Work

2x faster & better English proficiency than competitors
## Financial Model

How do you fund your work?

Why is this financial model sustainable?

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td>$250,000</td>
<td>$262,500</td>
<td>$288,750</td>
</tr>
<tr>
<td>Corporations</td>
<td>$75,000</td>
<td>$78,750</td>
<td>$86,625</td>
</tr>
<tr>
<td>Government</td>
<td>$300,000</td>
<td>$315,000</td>
<td>$346,500</td>
</tr>
<tr>
<td>Earned Income</td>
<td>$15,000</td>
<td>$15,750</td>
<td>$17,325</td>
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<tr>
<td>Foundations</td>
<td>$150,000</td>
<td>$157,500</td>
<td>$173,250</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td>$790,000</td>
<td>$829,500</td>
<td>$912,450</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff &amp; Benefits</td>
<td>$525,000</td>
<td>$551,250</td>
<td>$606,375</td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td>$26,000</td>
<td>$27,300</td>
<td>$30,030</td>
</tr>
<tr>
<td>Materials</td>
<td>$35,000</td>
<td>$36,750</td>
<td>$40,425</td>
</tr>
<tr>
<td>Marketing &amp; Website</td>
<td>$45,000</td>
<td>$47,250</td>
<td>$51,975</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$20,000</td>
<td>$21,000</td>
<td>$23,100</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td>$701,000</td>
<td>$736,050</td>
<td>$809,655</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$89,000</td>
<td>$93,450</td>
<td>$102,795</td>
</tr>
</tbody>
</table>
What is your long term vision?

What are your 3-5 year goals?

How will you get there?
Resources Required

How much money do you need to achieve your strategic goals?

What (broadly) will this money buy?
Social Return on Investment

What are the benefits to the changes you create?

How do those benefits compare to the costs?
Graduated 63 ex-offenders in 2011

**Benefits**

- Save $1,500,000
  - Lower law enforcement, shelter, welfare costs
- Add’l $200,000 in payroll taxes

**Costs**

- $600,000 to place ex-offenders in jobs

**SROI**

\[ \frac{600K}{1.7M} = 350\% \text{ SROI each year} \]
Nell Edgington
President, Social Velocity
nell@socialvelocity.net
(512) 694-7235

www.socialvelocity.net
Twitter: @nedgington
Facebook: Social Velocity