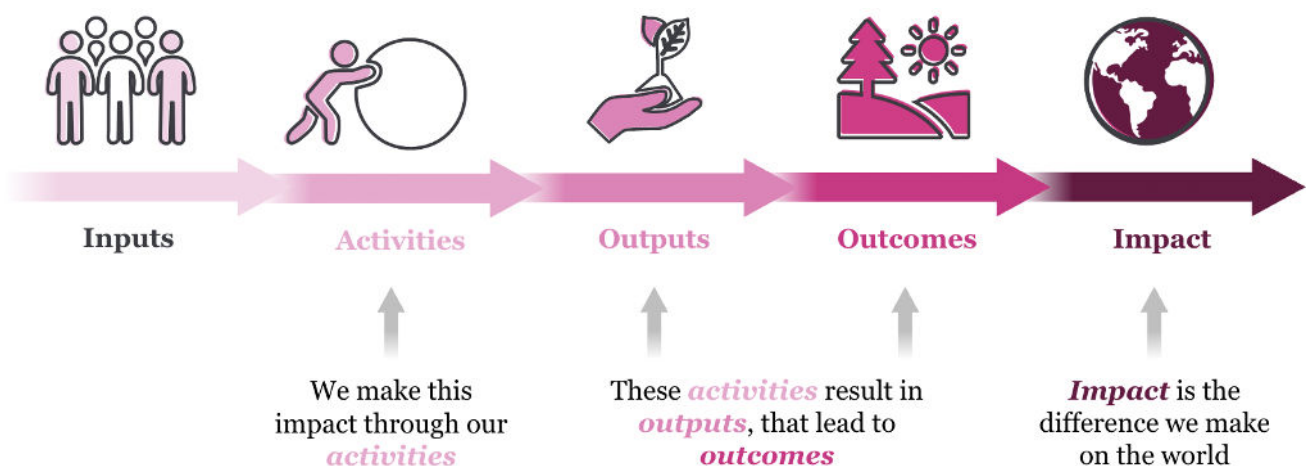


# Purpose and Theory of Change



Every organisation that makes the decision to be purpose-led needs to have a mechanism for planning and communicating how they will make it happen. Clarasys have been working with organisations to utilise a Theory of Change model to do this. We began using this technique with Not-for-Profits using frameworks first developed by [Carol Weiss](#) in the 1950s, and widely used by philanthropic organisations, Governments, NGOs, and the UN. More recently we have been exploring how the model can work for purpose-led businesses. The model that we are using enables organisations to design their Theory of Change using the following elements that demonstrate how they will change the world:



This article will articulate the value and lessons we have learned from this exercise. We will do this through three sections that demonstrate the synergy between purpose and Theory of Change thinking:

- Understanding the relationship between purpose, impacts and outcomes through the Theory of Change
- How the Theory of Change thinking can surface the negative impacts that your purpose can create
- Using the Theory of Change as a means to intentionally organise around purpose

## Relationship between purpose, impacts and outcomes

Central to the Theory of Change model is an articulation of the impacts that the organisation wants to contribute to i.e. the changes in the world that the organisation would like to support. This inherently links to purpose. Blueprint for Better Business describes an organisation's purpose as 'an enduring reason for the business to exist beyond just making a profit: a purpose that benefits society and respects people.' It helps to articulate the better world that arises through the organisation's activity. For example, let's take a purpose-led shoe company that aims to provide confidence to children with mobility difficulties, they want to create a world where children who require orthotic support feel awesome. To bring their purpose agenda to life and define a pathway to making it real they can start to look at what change is required to build confidence in kids with mobility difficulties. This could lead to them wanting to prioritise impacts around reducing social stigma around disability and improving the presence of disabled role models in the media.

Outcomes should then flow down from impact and describe the change that the organisation will specifically focus on making happen. Take the purpose-led shoe company for example when they were focused on stigma reduction they could look to partner with a brand deemed to be "cool" to launch a new shoe (*output*) that changes the perception of their orthotic shoes among children (*outcome*).

The above examples demonstrate how impacts and outcomes are inherently linked to purpose. To enable the connections between the three elements there is a series of questions that we recommend working through:





## Worldview

### What is the world you want to be a part of?

We believe it is beneficial to root your purpose and Theory of Change elements within the world that you want to operate in and how you believe the world should get to that point. What are the core tenets of how society should function? What does the natural world look like? What is the economic system that enables that view of society and the planet?

If done well, this enables both unconstrained thinking about potential economic and social futures and a grounding in the reality of environmental boundaries. Take a purpose-led energy company that wants to provide accessible renewable energy to all. In order to make their purpose a reality they should be able to clearly demonstrate what a world with accessible renewable energy would look like, answering questions such as:

- What economic system would enable accessible energy renewable energy to all?
- Who is most in need of accessible renewable energy?
- What are the right energy pathways to provide renewable energy to all?



## Role

### What role will you play in creating the world?

To create change it is helpful to define the role you will play in making it happen. Take a purpose-led corporate events organisation that is focused on creating a movement towards corporate sustainability through its events. The organisation needs to answer questions such as:

1. What are the different ways we could create change?
2. What is the blend of different approaches that we want to follow?

They could focus on creating change by trying to attract all of the worst environmental offenders together and presenting them with the benefits of becoming more sustainable. Alternatively, they could choose to take high-ambition organisations that want to focus on sustainability and through their events provide education and connections that enable them to best meet their ambition. The choices made about the role they want to play will help refine their purpose, impacts and outcomes.



## Systems

### Where will you focus your efforts?

Systems thinking is a critical mechanism for meeting purpose and delivering impact and outcomes. This is due to the recognition that your organisation is just one player in a complex, interconnected web of relationships. The activity that you perform will only be successful if it is designed within the context of the systems that you want to operate within. We recommend setting the scope of the systems that you want to operate within and analysing the major players, the relationships, the challenges and the opportunities within those systems. This helps clarify purpose and enables decisions around the impacts that you will contribute to with other system players and the area of outcome that you should specifically own.



## Collaborators

### Who will you work with?

In a purpose-led world, private sector organisations move past competitiveness as a default. Impacts will not be delivered in isolation, so analysing those who will need to collaborate with you to deliver yours is imperative. If a purpose-led supermarket wanted to create a circular food system, they can only do this in collaboration with farmers, manufacturers, other retailers and policymakers. Identifying who you will work with to deliver your impact will enable you to better meet your purpose.



## Stakeholders

### Who will you serve?

Identifying who you will serve is critical in both defining purpose and articulating the right impacts and outcomes. This goes beyond defining the overarching ‘customer’ who will buy or access the products or services of the company. It also defines the entities an organisation will have to change, build capability with or provide capital to in order to meet its purpose. This can include traditional corporate stakeholders such as its people or investors. However, it also extends to those external to the organisation who may be intentionally or unintentionally affected such as social entities including communities or families, natural entities such as forests or seas and institutional entities like policy bodies or other businesses.

A really important concept for people to understand is how they will engage these stakeholders in the way they operate the business. How will they understand their perspectives and give them a voice in decision-making and design? Organisations that engage in participatory design or bring the voice of the unheard will make fundamentally different choices. One organisation who are trying to further this agenda are On Our Radar which enables those within unrepresented groups to tell their stories to those who impact them.

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## Challenging the negative impacts that your purpose could create

One of the really critical elements of utilising the Theory of Change is to use it as an exercise in honest reflection and intentional design. To do this organisations need to ask the question about what is the negative impact and outcomes that you risk being a part of through pursuing your purpose.

This *ongoing* exercise requires a three-level conversation on trade-offs, interventions and communications:

**1. Trade-off** – is the pursuit of our purpose *worth* the risk of potential negative impacts? Here it is critical that organisations understand where they have material impacts on the world. This can raise fundamental questions about whether the purpose is the right one. Take a fizzy drinks brand whose purpose is to create close-looped options for fizzy drinks. While they will potentially improve the environmental impact of the drinks industry they may still be contributing to social issues like childhood obesity or rising cases of teeth issues. Is this worth it?

It is very easy to make decisions to accept negative impacts when those making that call are mentally separated from the negative impacts. To have this conversation often requires representation from those who will actually be impacted by the negative elements. *Faith in Beauty* has appointed a ‘nature’ stakeholder to their board to represent and guard decision-making against harming biodiversity.

**2. Interventions** – if you are prepared to accept the fundamental negative risks it is imperative that you agree on what you are going to do to minimise them. How will you change the way you design your activities and outputs to factor in protection against negative impacts?

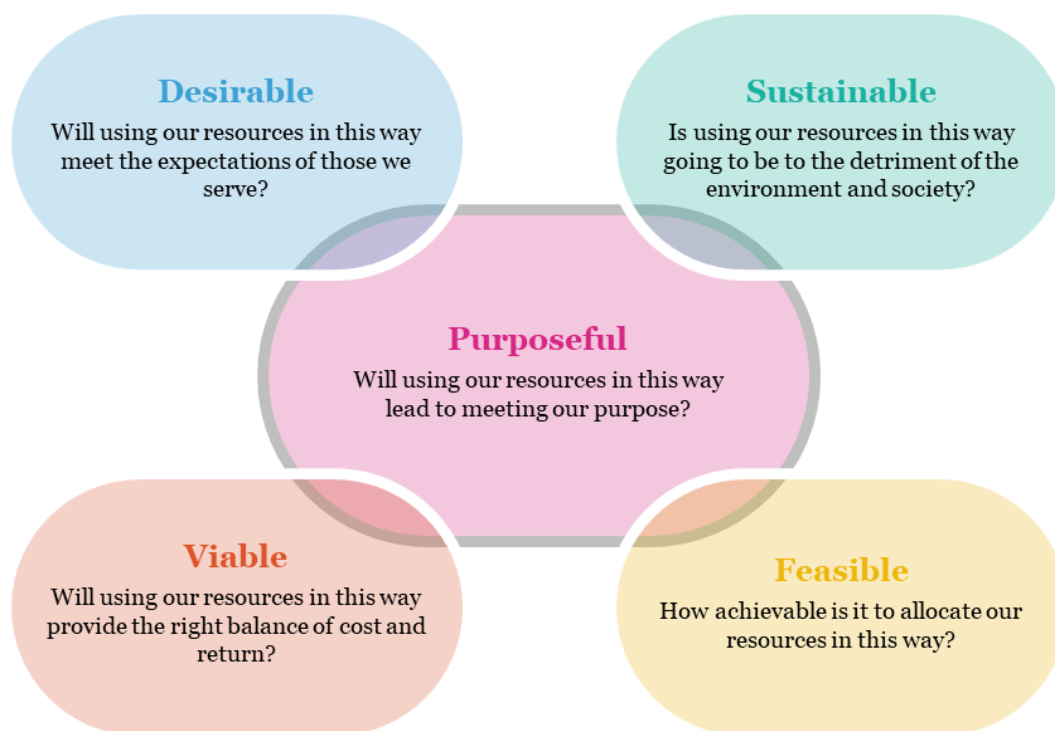
**3. Communications** – how are you going to be open and honest with stakeholders about the negative impacts your business may have in order to enable you to run an authentic purpose-led organisation whose work they can believe in?

To have these conversations you need effective evaluation approaches that enable holistic assessment of the outcomes that the organisation is driving. This is important as not all of the impacts will be foreseen up front and you need to continuously review what ripple effects you are creating and adapting your activity to improve further. This requires both a culture of inspect and adapt that embraces failure as learning opportunities and the processes and governance that provide a forum for such conversations.

## Using the Theory of Change as a means to intentionally organise around purpose

The second half of the Theory of Change model focuses on how to utilise and organise the resources that are available to your organisation to create the intended outcomes. Building this mechanism that blueprints how you will create change is fundamental to shifting from a traditional organisation that plans around commercial outcomes to those centred on holistic impact.

Working in this way does not mean that you plan resource allocation and the creation of outcomes without an understanding of traditional financial cost and reward elements. This is all about building a successful business that finds 'sweet spots', and therefore we like to employ an adapted model of the innovation model to do this:



What you are essentially assessing through the Theory of Change and this sweet-spot model is a holistic return on investment. You are taking capital (*inputs*) and processing it to enable the creation of (*outputs*) that provide a return to both you and broader stakeholders (*outcomes and impacts*).

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## Conclusion

Purpose and Theory of Change work together in tandem as the Theory of Change takes the galvanising sentiment that comes from Purpose and makes it real. Theory of Change provides a mechanism to articulate what it means to meet your purpose whilst also organising your resources and activities to make it happen.

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