PERSPECTIVES

THEORY OF CHANGE

The “theory of change” is a critical framework that non-profit organizations use to articulate their long-term goals, define their strategies, and measure their impact. It provides a structured roadmap for how an organization intends to create meaningful and sustainable change in the world.

Is it essential to align this theory of change with investments that the organization makes? Should a non-profit, for example, focused on humanitarian aid and relief, consider investments in ammunition manufacturers, or is such alignment irrelevant?

Should a non-profit, for example, focused on humanitarian aid and relief, consider investments in ammunition manufacturers, OR is such alignment irrelevant?

Can theories of change map to investments?

When it comes to investing, there are two broad categories: public and private investing. In public markets, active engagement with companies on disclosure practices can lead to meaningful, long-term change. Divestment from certain companies can redirect financing away from them. Thematic investing allows for a deliberate allocation of funds to specific focus areas. On the other hand, private impact investing can provide a more targeted approach to driving positive change in alignment with mission and values.

Advantages of Alignment

Aligning investments with grantmaking goals is crucial for maintaining mission consistency within non-profits. This strategic alignment reinforces commitment to a non-profits mission and values. Such synergy not only magnifies the impact of their efforts but also leads to ethical and strategic consistency, ensuring alignment with overarching objectives and principles. By adopting this approach, non-profits can effectively pursue their investment goals while remaining true to their core values.

ALIGNING INVESTMENTS & MISSION

Key Issues to Consider ...

Non-profits frequently prioritize liquid stocks and bonds in their investment portfolios due to their practicality. These assets are well-suited for deploying substantial capital, allowing for cost-efficient diversification. However, while shareholders and bondholders have the capacity to influence company practices, it may not provide the same degree of control as private investments, and change often unfolds over the long run. Private impact investing can offer more control and swifter transformative effects. However, it may lead to illiquidity or below-market returns, limiting a non-profit's capacity to grant funds in times of urgency. Recognizing these limitations is essential to uphold your mission and mitigate the risk of financial constraints during critical periods.

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