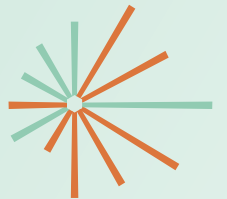


# Systems Thinking for Impact Investing

## *Playbook*



SHIFTING  
SYSTEMS  
INITIATIVE



ROCKEFELLER  
Philanthropy  
Advisors

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# Overview

This Playbook offers a flexible and practical set of tools to help investors and their advisors apply systems thinking to impact investing strategy, implementation, and measurement. Building on the Primer, it presents a curated collection of tools—diagnostics, prompts, worksheets, and planning aids—that can be used independently or in combination.

Similar to the approach used for the Primer, this Playbook provides accessible entry points while illuminating opportunities for deeper integration over time. Organizations can integrate these tools into existing processes, layering systems perspectives onto current practices, or use them to develop entirely new approaches.

This Playbook acknowledges that implementing systems thinking in impact investing requires both strategic vision and practical application, with coherent connections between four interconnected domains:

1. **Organizational Readiness:** Building shared understanding and assessing current practices to establish foundations for systems work
2. **Strategy Development:** Embedding systems perspectives in impact investment strategies, approaches, policies, and governance structures
3. **Investment Management:** Implementing systems thinking in deal sourcing, due diligence, and portfolio management
4. **Impact Management:** Capturing, interpreting, and responding to systemic effects through adaptive learning and IMM approaches

The tools employ diverse learning modalities - from reflective questions to structured frameworks to practical checklists. This variety accommodates different learning styles and organizational contexts, enabling you to select approaches that resonate with your team's preferences and organizational ambition.

# Working Through the Playbook

This Playbook recognizes that organizations have different starting points, capacities, and priorities in their systems journey. Organizations can progress through these stages at their own pace, selecting tools that align with their current priorities while building toward more comprehensive approaches over time. This staged approach acknowledges that systems integration is an evolutionary process, not a one-time implementation.

## Starting Your Journey

For those beginning to explore systems thinking, foundational tools provide accessible entry points:

- The *Expectations and Beliefs Exercise* helps surface perspectives and assumptions
- The *Rapid Review* offers a diagnostic to identify priority areas for development
- The *Where to Start* sections in both the Primer's Integrative Framework and the Investment Process mapping provide concrete first steps

Exploring the combinations of approaches outlined in the Primer and Investment Process helps identify initial focus areas that can begin to generate curiosity and buy in.

## Building Your Practice

For organizations ready to develop more comprehensive approaches:

- The *Shifting Perspectives: Framework for Investment Processes* guides holistic integration across the investment lifecycle
- *Reviewing a Theory of Change with a Systems Lens* helps enhance existing theories of change with systems perspectives
- *Systems Thinking Integration in Investment Policy Statements* embeds systems thinking in governance and reporting

Working systematically through multiple tools allows for a more holistic approach to systems thinking, and helps organizations uncover new opportunities for thinking and practice.

## Refining Your Approach

For advanced practitioners seeking to deepen and extend their systems practice:

- *Systems Thinking Integration with IMP Dimensions and Impact Risk Categories* deepen the integration of systems perspectives into IMM processes
- *Integrating Systems Thinking* into the Impact Principles integrates novel aspects of systems perspectives into the Impact Principles
- The *Where it Can Go* sections in both the Primer and Investment Process framework provide ambitious ideas and signals

Implementing advanced practices allows organizations to be fully aligned on systems thinking, creates unique opportunities to harness this positioning, and to contribute to field-building.

# Summary of Each Tool

## ***1. Systems Thinking: Expectations and Beliefs Exercise***

This reflective exercise presents a set of statements about applying systems thinking to impact investing. It is designed to surface diverse perspectives within a team and foster generative dialogue about the opportunities and challenges of adopting a systems lens. Investors can use this tool to build shared understanding and proactively identify alignments and tensions.

## ***2. Rapid Review: Systems Thinking Integration***

The Rapid Review tool provides a diagnostic of an investor's current level of systems thinking integration across key dimensions of the Shifting Perspectives Framework. By self-rating their practices, investors gain a snapshot of their systems orientation and can identify priority areas for development. This tool is ideal for establishing a baseline, catalyzing action, and tracking progress over time.

## ***3. Shifting Perspectives: Framework for Investment Processes***

As an alternative to the Integrative Framework described in the Primer, this tool presents a framework for incorporating systems thinking throughout the investment process. It provides inspiration and flexible entry points across six components, each with illustrative strategies and practical starting points for implementation. Investors can use this tool as a flexible navigation guide to identify where systems perspectives could enhance your existing processes, selecting aspects and combinations that align with your organizational context and readiness.

## ***4. Integrating Systems Thinking into the Impact Principles***

This tool integrates a systems lens with the Impact Principles (OPIM), offering key considerations and guiding questions for each Principle from a systems perspective. It equips investors to examine how their impact management practices align with and contribute to systemic change. Investors can use this tool to embed systems thinking, identify areas for improvement, and advance their impact management approach.



# Summary of Each Tool

## ***5. Systems Thinking Integration in Investment Policy Statements (IPS)***

This tool guides investors through the process of embedding a systems lens into the core components of their IPS. For each IPS section, it offers guiding questions and considerations to align policies with systemic impact objectives. Investors can use this tool to ensure their IPS anchors systems-oriented practices and aligns strategy, governance, and operations.

## ***6. Reviewing a Theory of Change with a Systems Lens***

This tool outlines a process for reviewing a Theory of Change (TOC) through a systems lens. It includes a rapid diagnostic checklist to identify key signals and red flags, alongside structured prompts for deeper reflection on core TOC components. Investors can use this tool to assess whether their TOC reflects system dynamics, interdependencies, and assumptions.

## ***7. Systems Thinking Integration with IMP Dimensions***

This tool integrates a systems lens with the five dimensions of impact as defined by the Impact Management Project (IMP). It proposes systems-oriented questions and considerations for each dimension. Investors can use this tool to embed systems thinking into their impact definition, measurement, and management practices.

## ***8. Systems Thinking Integration with Impact Risk Categories***

This tool provides a framework and guiding questions for evaluating potential systemic impact risks across ten categories. For each risk type, it highlights systems considerations. Investors can use this tool during due diligence and ongoing impact risk management to surface and mitigate potential unintended consequences.

## 1. Systems Thinking: Expectations and Beliefs

This reflective exercise presents a set of statements about applying systems thinking to impact investing. It is designed to surface diverse perspectives within a team and foster generative dialogue about the opportunities and challenges of adopting a systems lens. Investors can use this tool to build shared understanding and proactively identify alignments and tensions.

### Instructions

Here's a set of statements reflecting diverse and sometimes opposing perspectives on the intersection of systems thinking, systems change, impact investing, and IMM.

1. Bring your team together, and each person should pick 3 statements that resonate most.
2. Initially in pairs, and then as a larger group, ask everyone what they picked and why.

When facilitating this exercise, encourage open expression of different viewpoints by establishing that there are no “right” answers—systems thinking accommodates diverse perspectives. If divergent views emerge, invite participants to explain their reasoning rather than debate who is correct. This often reveals complementary insights that can strengthen your approach. After the discussion, document key themes, areas of alignment, tensions that emerged, and priority areas for further exploration.

# 1. Systems Thinking: Expectations and Beliefs

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>❑ A systems-oriented portfolio includes “safe bets” and high-risk potentially transformative investments.</li></ul> | <ul style="list-style-type: none"><li>❑ Portfolio performance assess contribution to system health, not just individual investment returns.</li></ul>      |
| <ul style="list-style-type: none"><li>❑ Systems-oriented portfolios should include a mix of market-rate and concessionary investments.</li></ul>          | <ul style="list-style-type: none"><li>❑ Portfolio construction should include interventions that address different leverage points in a system.</li></ul>  |
| <ul style="list-style-type: none"><li>❑ Non-financial support is more critical than capital in achieving systemic change.</li></ul>                       | <ul style="list-style-type: none"><li>❑ IMM should focus on an investment’s specific contribution, not broader systemic outcomes.</li></ul>                |
| <ul style="list-style-type: none"><li>❑ Systems change requires actively using non-financial assets and influence beyond investment activities.</li></ul> | <ul style="list-style-type: none"><li>❑ IMM should focus more on leading indicators of systems change than lagging outcomes.</li></ul>                     |
| <ul style="list-style-type: none"><li>❑ Immediate outcomes are as significant as long-term impacts in evaluating investment success.</li></ul>            | <ul style="list-style-type: none"><li>❑ It is necessary to share proprietary impact data to build a collective understanding of system dynamics.</li></ul> |
| <ul style="list-style-type: none"><li>❑ Systems-oriented portfolios include a balance of interventions targeting different time horizons.</li></ul>       | <ul style="list-style-type: none"><li>❑ Effective collaboration for systems change requires giving up individual credit for impact.</li></ul>              |
| <ul style="list-style-type: none"><li>❑ Investors should be willing to stay invested longer than traditional timelines to see systemic changes.</li></ul> | <ul style="list-style-type: none"><li>❑ Non-financial support should strengthen the adaptive capacity of investees to respond to system shifts.</li></ul>  |
| <ul style="list-style-type: none"><li>❑ Engaging with negative or unintended effects is as important as promoting positive impacts.</li></ul>             | <ul style="list-style-type: none"><li>❑ Support for investees should extend to helping them build collaborations with other system actors.</li></ul>       |
| <ul style="list-style-type: none"><li>❑ Due diligence should include mapping an investment’s potential ripple effects throughout the system.</li></ul>    | <ul style="list-style-type: none"><li>❑ The best evidence comes directly from the beneficiaries or those most affected by interventions.</li></ul>         |
| <ul style="list-style-type: none"><li>❑ Screening criteria should include an assessment of an investment’s potential to shift power dynamics.</li></ul>   | <ul style="list-style-type: none"><li>❑ The most effective systemic interventions often have the least measurable immediate impacts.</li></ul>             |



## 2. Rapid Review: Systems Thinking Integration

The Rapid Review tool provides a diagnostic of an investor's current level of systems thinking integration across key dimensions of the Shifting Perspectives Framework. By self-rating their practices, investors gain a snapshot of their systems orientation and can identify priority areas for development. This tool is ideal for establishing a baseline, catalyzing action, and tracking progress over time.

### Instructions

For each statement on pages 9-10, mark your current status:

- Not Started (NS): We haven't yet begun implementing this practice
- In Progress (IP): We've started but haven't fully implemented this practice
- Fully Implemented (FI): We've thoroughly integrated this practice

After completing all items, use page 12 to identify patterns, strengths, and priority areas.

## 2. Rapid Review: Systems Thinking Integration



### 1. Valuing Systems Perspectives

- ☐ We regularly map interconnections and feedback loops in our target systems
- ☐ Our strategy explicitly considers potential ripple effects and unintended consequences
- ☐ We engage diverse stakeholders in understanding system dynamics
- ☐ We use systems mapping tools to inform investment decisions
- ☐ Our team has received training in systems thinking approaches



### 2. Reimagining Capital Deployment

- ☐ We strategically combine different forms of capital (grants, equity, debt) to address systemic challenges
- ☐ We actively collaborate with diverse capital providers (philanthropic, public, private)
- ☐ We structure investments with longer time horizons aligned with systemic change
- ☐ We use catalytic capital tools to unlock additional resources
- ☐ Our investment terms are flexible and adaptable to system needs



### 3. Transforming Investment Strategies and Portfolios

- ☐ Our portfolio is designed to address multiple leverage points in target systems
- ☐ We assess investments based on their potential for catalyzing systemic change
- ☐ Our screening criteria consider both immediate outcomes and long-term systemic effects
- ☐ We regularly evaluate portfolio-level contributions to systemic change
- ☐ Our investment strategy explicitly links individual deals to broader system transformation

## 2. Rapid Review: Systems Thinking Integration



### 4. Evolving Ecosystem Dynamics and Relationships

- ☐ We provide substantial non-financial support to build systemic capacities
- ☐ We actively facilitate connections among portfolio companies and other system actors
- ☐ We participate in or initiate collective impact initiatives
- ☐ We co-create goals and metrics with investees and stakeholders
- ☐ Our relationships emphasize long-term partnership over transactions



### 5. Reframing IMM for Adaptability and Learning

- ☐ Our IMM processes emphasize learning and adaptation over static reporting
- ☐ We regularly experiment with new approaches to measuring impact
- ☐ We focus on contribution to systemic change rather than attribution
- ☐ We engage stakeholders in defining what success looks like
- ☐ We have mechanisms for rapid feedback and course correction



### 6. Enhancing IMM for Systemic Impact

- ☐ We track system-level indicators beyond individual investment metrics
- ☐ We integrate diverse data sources and methodologies in our impact measurement
- ☐ Our measurement approach captures changes in system dynamics
- ☐ We use both quantitative and qualitative methods to assess impact
- ☐ We regularly update our metrics based on evolving system understanding

## 2. Rapid Review: Systems Thinking Integration

### *Instructions*

For each box, reflect on what you are doing for each component (including strategies and strengths), as well as priority areas for action (including what you can explore or enhance).



#### **1. Valuing Systems Perspectives**



#### **2. Reimagining Capital Deployment**



#### **3. Transforming Investment Strategies and Portfolios**



#### **4. Evolving Ecosystem Dynamics and Relationships**



#### **5. Reframing IMM for Adaptability and Learning**



#### **6. Enhancing IMM for Systemic Impact**

### 3. Shifting Perspectives: Framework for Investment Processes

As an alternative to the Integrative Framework described in the Primer, this tool presents a framework for incorporating systems thinking throughout the investment process. It provides inspiration and flexible entry points across six components, each with illustrative strategies and practical starting points for implementation. Investors can use this tool as a flexible navigation guide to identify where systems perspectives could enhance your existing processes, selecting aspects and combinations that align with your organizational context and readiness.

## Instructions

1. Review the components in this framework as inspiration, not prescription.
2. For each component, work through these three reflection questions:
  - Reflect: Where do systems considerations already exist in your work, even if not explicitly labeled as such? What gaps or opportunities exist?
  - Action: Identify 2-3 specific strategies, including “Where to start” ideas for immediate action and the “Where it can go” possibilities for longer-term ambition.
  - Enablers: Determine what resources, capabilities, or organizational changes would be necessary to implement these actions.
3. Document your responses in a structured format that can be shared with colleagues and revisited over time. Prioritize 1-2 components to focus on initially.

# Developing Your Customized Approaches and Tools

Throughout this framework, we reference various tools like *Systems-Aware Due Diligence Checklist*. These references are intended to inspire your own tool development, adapted to your specific organizational context and needs, with some preliminary guidance provided below (but not intended to be prescriptive or normative). Details on some tools, like *Theory of Change* and *IMP Dimensions*, are provided in later sections of this playbook.

A *Systems-Aware Due Diligence Checklist* could include questions about the investment's: relationship to broader system actors, potential ripple effects beyond direct impact, alignment with system-level theories of change, and capacity to influence key leverage points.

A *Portfolio System Map* visualizes how your investments relate to each other and to key system elements. This can be created using mapping software like Kumu or simple diagramming tools, showing investments as nodes connected to each other and to system elements like policies, markets, and stakeholders."

A *Portfolio Balance Scorecard* can illustrate how you balance direct service and system change investments in your portfolio by establishing ratios or allocation targets for different types of systemic interventions.

A *Collaboration Fund Framework* establishes the criteria, processes, and resources for supporting joint initiatives between portfolio organizations. This framework can define eligible activities (e.g., joint research, coordinated advocacy, shared infrastructure).

A *Participatory Impact Assessment Toolkit* includes the use of participatory methods to gather diverse perspectives on system changes, such as stakeholder workshops, community feedback sessions, or developmental evaluation approaches.

A *System Health Indicator Framework* tracks changes in key system conditions like relationship quality between actors, resource flows, policy environments, and social norms. These indicators complement traditional impact metrics by capturing shifts in the underlying system.

A *Systems-Aware Portfolio Review Template* expands traditional portfolio reviews to assess collective impact and system-level changes. It can include sections for evaluating progress on system indicators, identifying emerging opportunities and threats, and assessing how investments are reinforcing or complementing each other's efforts.

A *Systemic Scenario Planning Guide* is the use of scenario planning exercises to anticipate potential future states of your target systems and their implications for your strategy.



### 3. Shifting Perspectives: Framework for Investment Processes

## Strategy Design

Strategy design involves developing systemic investment theses, identifying key leverage points within complex systems, and setting impact goals that address root causes rather than just symptoms. This encourages investors to think holistically about the interconnected nature of social and environmental challenges.

### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Conduct system mapping exercises: Create visual maps of stakeholders, relationships, and feedback loops in your target impact area.
- Develop investment theses around “keystone” organizations: Identify and prioritize investments in organizations that can influence entire sectors or value chains.

#### Where to start

- Begin with a single impact area: Map the education system in a specific region, identifying key actors, funding flows, and policy influences.
- Identify 2-3 key leverage points in your current portfolio: Analyze your existing investments to find those with the most potential for systemic influence, such as a policy advocacy organization or an innovative supply chain solution.

#### Where it can go

- Develop comprehensive system maps for all impact areas: Create interactive, dynamic maps for each sector you invest in, regularly updated with new data and insights.
- Create a “systems change” investment thesis for each sector: Develop detailed strategies for how your investments will collectively shift system dynamics in areas like renewable energy or sustainable agriculture.

### 3. Shifting Perspectives: Framework for Investment Processes

#### Investment Selection

Investment selection involves applying screening criteria and due diligence processes that consider an organization's potential for catalyzing broader systemic change, rather than just its individual impact. This approach prioritizes investments that can create ripple effects throughout a system.

#### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Incorporate systemic impact questions in screening: Develop a Systems-Aware Due Diligence Checklist that assesses an organization's understanding of and influence on system dynamics.
- Evaluate theories of change for systemic understanding: Use a Systems-Aware Theory of Change Template to assess how organizations conceptualize their role in broader change processes.

#### Where to start

- Add 2-3 systems-focused questions to your current screening process: Ask about an organization's partnerships, policy engagement, or plans to scale their systemic impact.
- Map the ecosystem connections of a prospective investee: Create a simple network diagram showing how the organization interacts with other actors in its system.

#### Where it can go

- Develop a comprehensive systems-aware due diligence framework: Create a scoring system that weighs an organization's potential for systemic impact alongside traditional investment criteria.
- Use predictive modeling to assess potential systemic impacts: Develop sophisticated models that simulate how an organization's activities might ripple through a system over time.

### 3. Shifting Perspectives: Framework for Investment Processes

## Portfolio Construction

Portfolio construction moves beyond simply diversifying across sectors or impact areas. It involves intentionally building a portfolio of interconnected investments that can collectively influence system dynamics and create synergies for greater impact.

### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Map portfolio investments onto system diagrams: Use a Portfolio System Map to visualize how your investments relate to each other and to key system elements.
- Balance direct service and system change investments: Use a Portfolio Balance Scorecard to ensure you're addressing both immediate needs and long-term systemic shifts.

#### Where to start

- Create a simple system map of your current portfolio: Plot your existing investments in one sector, identifying potential gaps and overlaps.
- Allocate a small percentage of your portfolio to "system change" investments: Commit 10% of your funds to organizations focused on policy change, market transformation, or other systemic approaches.

#### Where it can go

- Develop a dynamic portfolio modeling tool for systemic impact: Create software that allows you to simulate how changes in your portfolio might affect system dynamics over time.
- Implement a "systems change overlay" across your entire portfolio: Ensure every investment, regardless of sector or approach, has a clear link to your systemic change objectives.

### 3. Shifting Perspectives: Framework for Investment Processes

#### Stakeholder Engagement

Investee support goes beyond traditional capacity building to help organizations develop their own systems thinking capabilities and strategically engage with their broader ecosystem. It involves strategically facilitating connections, collaborations, and engagement with other ecosystem actors.

#### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Support collaborative initiatives between investees: Develop a Collaboration Fund Framework to incentivize and resource joint projects.
- Provide support for policy engagement: Offer resources and connections to help investees influence systemic policy changes.

#### Where to start

- Allocate a small fund for collaborative projects: Set aside funding to support a pilot collaboration between two or more investees.
- Connect one investee to relevant policymakers: Facilitate a meeting between an organization and local government officials to discuss potential policy improvements.

#### Where it can go

- Develop a large-scale collective impact initiative: Launch a multi-year, multi-stakeholder initiative to tackle a complex systemic challenge, with your investees playing key roles.
- Create a policy advocacy arm within your organization: Develop in-house expertise to support coordinated policy engagement efforts across your portfolio.

### 3. Shifting Perspectives: Framework for Investment Processes

## Impact Measurement and Management

IMM involves developing indicators that capture changes in system dynamics, integrating diverse data sources, and implementing dynamic approaches. It seeks to understand both direct and indirect impacts, as well as unintended consequences, and the importance of contextually relevant IMM approaches and choices.

### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Develop system health indicators: Create a System Health Indicator Framework that tracks changes in key system conditions.
- Use participatory methods for stakeholder feedback: Apply a Participatory Impact Assessment Toolkit to gather diverse perspectives on system changes.

#### Where to start

- Add 1-2 system-level indicators to your existing IMM framework: For example, track changes in policy environments or shifts in market dynamics related to your impact area.
- Conduct a participatory feedback session with beneficiaries: Host a workshop with community members to understand their experiences of systemic shifts.

#### Where it can go

- Create a comprehensive systems change measurement framework: Develop a set of indicators that capture changes across multiple dimensions of system health, from resource flows to cultural narratives.
- Develop a network of “system sensors”: Train and support a diverse group of stakeholders to provide ongoing, real-time feedback on system dynamics and changes.

### 3. Shifting Perspectives: Framework for Investment Processes

#### Adaptive Management

Adaptive management involves using data and insights to understand system dynamics and engaging in collaborative learning processes. It recognizes that in complex systems, strategies need to evolve based on emerging information and changing contexts.

#### *Instructions*

1. Reflect – What is our current practice?
2. Action – What can we try or enhance?
3. Enablers – What do we need to do this?

#### Strategies

- Implement regular portfolio review sessions: Use a Systems-Aware Portfolio Review Template to assess collective impact and identify emerging opportunities.
- Engage in scenario planning exercises: Apply a Systemic Scenario Planning Guide to anticipate potential future states of your target systems.

#### Where to start

- Add a “systems change” section to your regular portfolio reviews: Dedicate time in each review to discussing systemic shifts and their implications for your strategy.
- Conduct a simple scenario planning exercise for one impact area: Identify 2-3 possible future scenarios for a system you’re working in, and discuss implications.

#### Where it can go

- Implement a comprehensive adaptive management system: Develop processes for continuous learning and strategy adjustment across all levels of your organization and portfolio.
- Create a cross-sector learning community focused on systems change: Convene investors, practitioners, and researchers to regularly explore emerging trends and share insights on systemic approaches.



## 4. Integrating Systems Thinking into the Impact Principles (OPIM)

This tool integrates a systems lens with the Impact Principles (OPIM), offering key considerations and guiding questions for each Principle from a systems perspective. It equips investors to examine how their impact management practices align with and contribute to systemic change. Investors can use this tool to embed systems thinking, identify areas for improvement, and advance their impact management approach.

### Instructions

- For each Principle, review the key considerations and discuss how they resonate.
- Use the guiding questions to dive deeper into each Principle from a systems perspective. Encourage debate and diverse viewpoints.
- Identify 2-3 Principles where you see the greatest opportunity for embedding systems thinking in the near term. Determine concrete steps you will take to enhance your practice.
- For the remaining Principles, outline longer-term shifts you aspire to make as your systems lens matures over time. Set directional goals to guide your journey.
- Codify your near-term and long-term systems commitments in your Impact Principles disclosures and reporting. Share progress and learnings transparently with stakeholders.

## 4. Integrating Systems Thinking into the Impact Principles (OPIM)

| Principle  | Systems Considerations  | Questions to Consider   |
|--|---|---|
| 1. Define strategic impact objective(s)                            | <ul style="list-style-type: none"> <li>• Systemic goals</li> <li>• Interconnections</li> <li>• Leverage points</li> </ul>             | <ul style="list-style-type: none"> <li>• How do our impact objectives relate to systemic changes?</li> <li>• What are the key interconnections between our objectives and other system elements?</li> <li>• Are we targeting high-leverage points in the system?</li> </ul>         |
| 2. Manage strategic impact on a portfolio basis                    | <ul style="list-style-type: none"> <li>• Portfolio synergies</li> <li>• System-wide effects</li> <li>• Adaptive management</li> </ul> | <ul style="list-style-type: none"> <li>• How do our investments interact to create systemic impact?</li> <li>• What is the collective impact of our portfolio on the system?</li> <li>• How can we adapt our portfolio to emerging system dynamics?</li> </ul>                      |
| 3. Establish the Manager's contribution to impact                  | <ul style="list-style-type: none"> <li>• Systemic role</li> <li>• Collective impact</li> <li>• Indirect contributions</li> </ul>      | <ul style="list-style-type: none"> <li>• What is our unique role in the broader system of change?</li> <li>• How does our contribution align with or amplify others' efforts?</li> <li>• What indirect or catalytic effects might our involvement have?</li> </ul>                  |
| 4. Assess expected impact using systematic approach                | <ul style="list-style-type: none"> <li>• Systems mapping</li> <li>• Feedback loops</li> <li>• Unintended consequences</li> </ul>      | <ul style="list-style-type: none"> <li>• Have we mapped the system our investment will affect?</li> <li>• What feedback loops might our investment create or influence?</li> <li>• What potential unintended consequences should we consider?</li> </ul>                            |
| 5. Assess, address, monitor, and manage potential negative impacts | <ul style="list-style-type: none"> <li>• System-wide risks</li> <li>• Resilience</li> <li>• Trade-offs</li> </ul>                     | <ul style="list-style-type: none"> <li>• What are the potential negative impacts at a system level?</li> <li>• How might our investment affect overall system resilience?</li> <li>• What trade-offs are we making and how do they affect different parts of the system?</li> </ul> |

## 4. Integrating Systems Thinking into the Impact Principles (OPIM)

| Principle  | Systems Considerations  | Questions to Consider   |
|--|---|---|
| 6. Monitor progress of each investment in achieving impact | <ul style="list-style-type: none"> <li>• Dynamic indicators</li> <li>• Emergent outcomes</li> <li>• Adaptive metrics</li> </ul>     | <ul style="list-style-type: none"> <li>• How can we track both direct and systemic changes over time?</li> <li>• What emergent outcomes should we be watching for?</li> <li>• How can our monitoring approach adapt to evolving dynamics?</li> </ul>              |
| 7. Conduct exits considering effect on sustained impact    | <ul style="list-style-type: none"> <li>• System continuity</li> <li>• Long-term effects</li> <li>• Transition planning</li> </ul>   | <ul style="list-style-type: none"> <li>• How will our exit affect the broader system?</li> <li>• What long-term effects of our investment should we consider?</li> <li>• How can we plan our exit to maintain or enhance systemic benefits?</li> </ul>            |
| 8. Review, document, and improve decisions and processes   | <ul style="list-style-type: none"> <li>• Systems learning</li> <li>• Iterative improvement</li> <li>• Knowledge sharing</li> </ul>  | <ul style="list-style-type: none"> <li>• What have we learned about the system through our investments?</li> <li>• How can we iterate our approach based on systemic insights?</li> <li>• How can we share our learnings to benefit the broader field?</li> </ul> |
| 9. Publicly disclose alignment with the Principles         | <ul style="list-style-type: none"> <li>• Transparency</li> <li>• Stakeholder engagement</li> <li>• System accountability</li> </ul> | <ul style="list-style-type: none"> <li>• How can our disclosures contribute to system-wide learning?</li> <li>• How can we engage stakeholders in our alignment process?</li> <li>• How does our accountability fit into system governance?</li> </ul>            |

## 5. Systems Thinking Integration in Investment Policy Statements

This tool guides investors through the process of embedding a systems lens into the core components of their IPS. For each IPS section, it offers guiding questions and considerations to align policies with systemic impact objectives. Investors can use this tool to ensure their IPS anchors systems-oriented practices and aligns strategy, governance, and operations.

### Instructions

1. Review and assess: Examine each IPS component against the provided questions, noting where systems thinking is already present and where gaps exist in your current policy.
2. Discuss and decide: For each section, use the “Starting and Decision Points” as a guide to determine specific systems-oriented policies that align with your organizational context and readiness.
3. Draft and implement: Update your IPS with new language that embeds systems thinking throughout, ensuring the changes are actionable, consistent, and supported by appropriate governance and processes.

## 5. Systems Thinking Integration in Investment Policy Statements

| IPS Component                                  | Starting and Decision Points  | Questions for Discussion/Decisions   |
|--|---|--|
| 1. Investment Philosophy and Objectives        | <ul style="list-style-type: none"> <li>Decide on the balance between financial returns and systemic impact</li> <li>Identify 2-3 systems to focus on</li> <li>Determine the time horizon for systemic goals</li> </ul>  | <ul style="list-style-type: none"> <li>What systems are we trying to influence through our impact investments?</li> <li>How can we set ambitious yet achievable systemic impact goals?</li> <li>How do our impact goals align with broader systemic change objectives?</li> </ul>  |
| 2. Asset Allocation and Portfolio Construction | <ul style="list-style-type: none"> <li>Set allocation percentages for system-level intervention</li> <li>Decide on the mix of asset classes to address different leverage points</li> <li>Determine the balance between 'conventional' investments and 'experimental' approaches</li> </ul> | <ul style="list-style-type: none"> <li>How can we ensure our portfolio addresses multiple leverage points within target systems?</li> <li>What innovative financial instruments or investment structures could we explore to better support systems change?</li> <li>How do we balance the need for financial returns with the potential for long-term systemic impact?</li> </ul> |
| 3. Investment Selection Criteria               | <ul style="list-style-type: none"> <li>Develop a systems impact assessment tool for due diligence</li> <li>Set minimum thresholds for systemic impact potential</li> <li>Decide on criteria for assessing potential unintended consequences</li> </ul>                                      | <ul style="list-style-type: none"> <li>What criteria can we use to assess an investment's potential for systemic impact?</li> <li>How do we evaluate potential unintended consequences of our investments from a systems perspective?</li> <li>How can we incorporate systems mapping into our due diligence process?</li> </ul>   |

## 5. Systems Thinking Integration in Investment Policy Statements

| IPS Component                             | Starting and Decision Points   | Questions for Discussion/Decisions  |
|---|--|---|
| 4. Risk Management                        | <ul style="list-style-type: none"><li>• Define specific systemic risks relevant to your focus areas</li><li>• Determine frequency of system dynamics monitoring</li><li>• Decide on risk mitigation strategies for systemic investments</li></ul>                | <ul style="list-style-type: none"><li>• How might our risk assessment and management practices account for systemic factors?</li><li>• What potential negative consequences of our interventions have we not considered?</li><li>• How can we balance risk and opportunity in systemic investments?</li></ul>   |
| 5. Performance Measurement and Evaluation | <ul style="list-style-type: none"><li>• Select 5-6 key systemic impact indicators</li><li>• Set timeframes for short, medium, and long-term impact evaluation</li><li>• Decide on the balance between quantitative metrics and qualitative assessments</li></ul> | <ul style="list-style-type: none"><li>• What indicators could help us track progress towards systemic change through our impact investments?</li><li>• How can we capture unintended consequences and emergent effects in our impact measurement approach?</li><li>• How can we adapt our IMM approaches to capture systemic changes and long-term impacts?</li></ul> |



## 6. Reviewing a Theory of Change with a Systems Lens

This tool outlines a process for reviewing a Theory of Change (TOC) through a systems lens. It includes a rapid diagnostic checklist to identify key signals and red flags, alongside structured prompts for deeper reflection on core TOC components. Investors can use this tool to assess whether their TOC reflects system dynamics, interdependencies, and assumptions.

### Instructions

This tool helps you review your existing TOC through a systems lens. This tool is structured in two parts, which can be used separately or in combination.

The first is a checklist of signals of a systems-oriented TOC, and common red flags from TOCs that are not designed with a systems perspective. Use this as an initial review of your TOC.

The second is a set of prompt questions designed to help you examine how system considerations are reflected in your TOC. Use this as a way to strengthen your TOC.

After you complete both, identify next steps, priorities for revision, or areas to test or validate. Consider how responses might require adjustments to your TOC and how you work.

*Tip: if you do not yet have a theory of change, consult Chapter 3 in the RPA Impact Investing Handbook*

## 6. Reviewing a Theory of Change with a Systems Lens

### *Reviewing a Theory of Change: Rapid Review of Signals and Red Flags*

| ✓ Signal  | Description   |
|---|---|
| <input type="checkbox"/> Acknowledges systemic complexity   | The TOC reflects interdependencies, feedback loops, or non-linear change processes. |
| <input type="checkbox"/> Maps system boundaries and actors  | Key actors, structures, and relationships in the system are explicitly identified.  |
| <input type="checkbox"/> Includes leverage points           | The TOC targets points where interventions can shift broader system dynamics.       |
| <input type="checkbox"/> Incorporates multiple pathways     | There is more than one causal pathway or mechanism of change considered.            |
| <input type="checkbox"/> Considers unintended consequences  | Possible risks, trade-offs, or negative outcomes are acknowledged.                  |
| <input type="checkbox"/> Surface underlying assumptions     | Explicit attention is paid to mental models or beliefs shaping the TOC.             |
| <input type="checkbox"/> Aligns vision with systemic change | The long-term goals aim to shift structures or conditions, not just symptoms.       |

| ⊠ Red Flag  | Description  |
|---|--|
| <input type="checkbox"/> Linear “if-then” logic dominates                   | Change is presented as predictable and controllable. Consider alternative causal pathways or conditions for success. |
| <input type="checkbox"/> No mention of feedback loops or delays             | Overlooks how change may reinforce or resist itself over time. Reflect on dynamics that could affect progress.       |
| <input type="checkbox"/> Focuses only on individual or program-level change | Doesn't link to broader system shifts. Ask how these efforts contribute to transformation.                           |
| <input type="checkbox"/> Lacks context or history of the system             | Ignores path dependency or power structures. Integrate contextual analysis.  |
| <input type="checkbox"/> Treats outcomes as fixed and sequential            | Limits room for adaptation or emergence. Reframe outcomes as directional or evolving.                                |

## 6. Reviewing a Theory of Change with a Systems Lens

### *Reviewing a Theory of Change for Systems-Oriented Considerations*

| Component                | Systems-Oriented Questions  |
|--------------------------|---|
| 1. Inputs and Activities | <ul style="list-style-type: none"><li>• How do our inputs and activities interact with existing system elements?</li><li>• Are we addressing key leverage points in the system?</li><li>• How might our activities trigger ripple effects throughout the system?</li><li>• Are we considering potential resistance or pushback from the system?</li></ul>   |
| 2. Outputs               | <ul style="list-style-type: none"><li>• How do our outputs contribute to or alter system dynamics?</li><li>• Are there potential unintended outputs that could affect the system?</li><li>• How might our outputs interact with outputs from other interventions in the system?</li><li>• Are we creating outputs that build system capacity or resilience?</li></ul>   |
| 3. Outcomes              | <ul style="list-style-type: none"><li>• Are we considering both short-term and long-term outcomes at a system level?</li><li>• How might achieving our outcomes affect different stakeholders across the system?</li><li>• Are there potential negative outcomes we need to monitor at a system level?</li></ul>  |
| 4. Impacts               | <ul style="list-style-type: none"><li>• Are we addressing root causes or just symptoms at the impact level?</li><li>• How might our impact create new dynamics or structures within the system?</li><li>• Are we considering the sustainability and scalability of our impact within the broader system?</li></ul>  |
| 5. Assumptions           | <ul style="list-style-type: none"><li>• What assumptions are we making about how the system will respond to our intervention?</li><li>• Are we considering potential system shifts that could invalidate our assumptions?</li><li>• How might changes in other parts of the system affect our theory of change?</li><li>• Are we assuming linear relationships where complex system dynamics might exist?</li></ul> |
| 6. Evidence              | <ul style="list-style-type: none"><li>• What evidence do we have about similar interventions' effects on the broader system?</li><li>• How can we gather evidence about systemic effects beyond our direct sphere of influence?</li><li>• Are we considering evidence from diverse perspectives within the system?</li><li>• How can we capture evidence of emergent or unexpected system changes?</li></ul>        |

## 7. Systems Thinking Integration with IMP Dimensions

This tool integrates a systems lens with the five dimensions of impact as defined by the Impact Management Project (IMP). It proposes systems-oriented questions and considerations for each dimension. Investors can use this tool to embed systems thinking into their impact definition, measurement, and management practices.

### Instructions

1. Work Through each Dimension using the systems-oriented questions and considerations. Consider aspects you are already integrating, or what you may need to think about.
2. Use the guiding questions as prompts for deeper discussion and analysis when you are using IMP dimensions (e.g. including in strategy, due diligence, and IMM processes).
3. Use the tool to guide updates to your impact framework or due diligence processes, and consider how they may shift your IMM approach, impact reporting, and investee interactions.

## 7. Systems Thinking Integration with IMP Dimensions

| Dimension                            | Systems Thinking Considerations | Questions and Considerations  | Responses |
|--------------------------------------|---------------------------------|---|-----------|
| What<br>(Outcomes)                   | 1. Systemic outcomes            | <ul style="list-style-type: none"> <li>What are broader, system-level outcomes beyond the direct effects?</li> <li>What are potential second-order or third-order effects?</li> </ul>             |           |
|                                      | 2. Interconnections             | <ul style="list-style-type: none"> <li>How does this outcome relate to other outcomes in the system?</li> <li>Which other outcomes might be influenced positively or negatively?</li> </ul>       |           |
|                                      | 3. Leverage points              | <ul style="list-style-type: none"> <li>Does this outcome address a key leverage point in the system?</li> <li>How might small changes in this outcome lead to larger shifts?</li> </ul>           |           |
| Who<br>(Stakeholders)                | 1. Stakeholder mapping          | <ul style="list-style-type: none"> <li>Are there stakeholders who are typically overlooked in this context?</li> <li>How might the intervention affect stakeholder groups differently?</li> </ul> |           |
|                                      | 2. Power dynamics               | <ul style="list-style-type: none"> <li>How might the intervention shift existing power dynamics?</li> <li>Are there potential conflicts or alignments of interest among actors?</li> </ul>        |           |
|                                      | 3. Feedback loops               | <ul style="list-style-type: none"> <li>How do stakeholders influence each other and the system?</li> <li>How might behaviors change in response to the intervention?</li> </ul>                   |           |
| How Much<br>(Scale, Depth, Duration) | 1. Ripple effects               | <ul style="list-style-type: none"> <li>What are the potential secondary and tertiary effects?</li> <li>Are there potential ripple effects in unexpected areas of the system?</li> </ul>           |           |
|                                      | 2. Tipping points               | <ul style="list-style-type: none"> <li>Could this intervention trigger any systemic tipping points?</li> <li>How might we recognize if we're approaching a tipping point?</li> </ul>              |           |
|                                      | 3. Time horizons                | <ul style="list-style-type: none"> <li>How might effects evolve or compound over time?</li> <li>Are there delayed effects that might not be immediately apparent?</li> </ul>                      |           |

## 7. Systems Thinking Integration with IMP Dimensions

| Dimension                       | Systems Thinking Considerations | Questions and Considerations  | Responses |
|---------------------------------|---------------------------------|---|-----------|
| Contribution<br>(Additionality) | 1. System dynamics              | <ul style="list-style-type: none"> <li>Are we shifting the system to a new equilibrium or creating ongoing change?</li> <li>What system structures or behaviors are we altering?</li> </ul>                         |           |
|                                 | 2. Collective impact            | <ul style="list-style-type: none"> <li>How does our contribution fit with efforts of other actors?</li> <li>Are there opportunities for collaboration or alignment with others?</li> </ul>                          |           |
|                                 | 3. Unintended consequences      | <ul style="list-style-type: none"> <li>What are potential negative or positive side effects?</li> <li>How can we monitor for and respond to unintended consequences?</li> </ul>                                     |           |
| Risk<br>(Impact Risk)           | 1. Systemic risks               | <ul style="list-style-type: none"> <li>What are the risks at the system level, not just the intervention level?</li> <li>How might system-level risks cascade or compound?</li> </ul>                               |           |
|                                 | 2. Resilience                   | <ul style="list-style-type: none"> <li>Are we building adaptive capacity within the system?</li> <li>Could our intervention inadvertently create new vulnerabilities?</li> </ul>                                    |           |
|                                 | 3. Adaptability                 | <ul style="list-style-type: none"> <li>What mechanisms do we have in place for sensing and responding to system shifts?</li> <li>How flexible is our approach to accommodating emerging system dynamics?</li> </ul> |           |



## 8. Systems Thinking Integration with Impact Risk Categories

This tool provides a framework and guiding questions for evaluating potential systemic impact risks across ten categories. For each risk type, it highlights systems considerations. Investors can use this tool during due diligence and ongoing impact risk management to surface and mitigate potential unintended consequences.

### Instructions

1. Review the Risk categories and questions – These include the impact risks from the IMP as well as an additional one on systems inertia risk
2. Discuss Relevance and Materiality – Use the guiding questions to prompt internal discussion or individual reflection on which risks to focus on at the investment and portfolio levels
3. Prioritize and Mitigate – Highlight 2–3 risks that are most important to monitor or address, considering the materiality, relevance, and strategic implications.

## 8. Systems Thinking Integration with Impact Risk Categories

| Category                       | Systems Thinking Questions  | Mitigation Strategies |
|--------------------------------|---|-----------------------|
| Evidence Risk                  | <ul style="list-style-type: none"> <li>How comprehensive is the investee's understanding of their system?</li> <li>What perspectives have informed their evidence base?</li> <li>How do they plan to update their evidence as system conditions change?</li> </ul>  |                       |
| External Risk                  | <ul style="list-style-type: none"> <li>What system-level trends or disruptions could affect this investment's impact?</li> <li>How does this investment interact with other initiatives or actors in the system?</li> <li>What dependencies exist between this investment and system dynamics?</li> </ul> |                       |
| Stakeholder Participation Risk | <ul style="list-style-type: none"> <li>How has the investee mapped and engaged with diverse system stakeholders?</li> <li>What processes are in place to involve stakeholders as the system evolves?</li> <li>How do they address power imbalances in stakeholder engagement?</li> </ul>                  |                       |
| Drop-off Risk                  | <ul style="list-style-type: none"> <li>What system structures or behaviors need to change for impact to be sustained?</li> <li>How does the investee plan to create self-reinforcing impact loops?</li> <li>What system-level indicators will they track to monitor potential drop-off?</li> </ul>        |                       |
| Efficiency Risk                | <ul style="list-style-type: none"> <li>How does this investment leverage existing system resources and capabilities?</li> <li>Are there potential synergies or conflicts with other system initiatives?</li> <li>How might system complexity affect the efficiency of the proposed approach?</li> </ul>   |                       |
| Execution Risk                 | <ul style="list-style-type: none"> <li>What system-level collaborations are crucial for successful execution?</li> <li>How adaptable is the execution plan to potential system shifts?</li> <li>What system-level capabilities does the team need to develop?</li> </ul>                                  |                       |
| Alignment Risk                 | <ul style="list-style-type: none"> <li>How well do the investment's objectives align with system needs and goals?</li> <li>Are there potential tensions between financial returns and systemic impact?</li> <li>How might success of this investment affect other parts of the system?</li> </ul>         |                       |
| Endurance Risk                 | <ul style="list-style-type: none"> <li>How will the impact endure if the investee exits the system?</li> <li>What system-level capacities is this investment building?</li> <li>How resilient is the impact model to potential system shocks?</li> </ul>  |                       |
| Unexpected Impact Risk         | <ul style="list-style-type: none"> <li>What potential unintended consequences have been considered?</li> <li>How will unexpected system-level impacts be monitored and addressed?</li> <li>What feedback loops could potentially amplify negative impacts?</li> </ul>                                     |                       |
| System Inertia Risk            | <ul style="list-style-type: none"> <li>What entrenched system structures or behaviors might resist intended changes?</li> <li>How does the investee plan to overcome systemic barriers to change?</li> <li>What indicators will show progress in shifting system dynamics?</li> </ul>                     |                       |

# Acknowledgements

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The components of this Playbook are intentionally designed to allow for flexible integration into existing impact investing and IMM processes, recognizing that every organization has distinctive contexts and goals. As this is an evolving domain, we welcome your feedback on what aspects you find most useful, how the tools could be improved, and what else could be developed.

Additional materials will be available at <https://www.rockpa.org/project/shifting-systems/>

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