

FINANCE INNOVATION LAB

Our theory of change

Situation analysis

Our financial system has become disconnected from the real needs of people, the environment and the wider economy. Dysfunctions in the financial system lie at the root of many of today's challenges, from fossil fuel addiction to structural inequality.

Our vision

Our vision is of a financial system that serves people and planet. Such a system would be:

- **Democratic:** a more diverse financial system, where people have a greater sense of control over their money
- **Responsible:** capital flow to those places, people and projects that are creating positive impact for society and the environment.
- **Fair:** a financial system that facilitates a more equal society.

How change happens

Finance is a complex system: a network of relationships with a specific purpose and set of values. Changing one part of the system won't lead to transformation.

Instead, we need to shift the fundamental basis of the financial system – the prevailing mindset and values that underpin the current system, its purpose and its power structure.

There is no blueprint for how this change will happen: like all complex systems, change is messy, non-linear and emergent. We use transition theory¹ to understand the key elements of systems change:

1. The landscape: this is comprised of the wider dynamics that affect systems, e.g. demographics, environmental change, technological change, social norms.

2. The regime: this aspect is about power:

- Who gets to shape the rules of the game?
- Who has access to the most valuable information?
- Who is included and who is excluded?

3. The niches of innovation: this area is comprised of the disruptive innovators, specifically those that are creating new models of finance, based on a different mindset, values and purpose.

Our contribution to change

We are catalysts for the transition to a better financial system. We work with open and willing change agents – innovators and early adopters who already understand the need for transformation and are working towards it.

¹ Geels (2002) *Technological transitions as evolutionary reconfiguration processes: a multi-level perspective and a case-study*

We are not a mass movement, campaigning organisation or think tank. At our heart, we are an incubator for people and ideas that can change the financial system. Our core capabilities are:

1. Building communities of changemakers
2. Growing their ability to lead change
3. Convening to remove structural barriers to change.

Our primary focus is the niches of disruptive innovation in finance, who we support through our Fellowship programme and wider community of practice. We use the learning from this work to advocate for change in the policies and regulation that shape the system, connecting civil society campaigns to the practical barriers faced by innovators. And we influence the norms around finance through our thought leadership work, particularly in the fintech sector.

Our work creates four types of impact:

- **Thriving communities** – communities that are committed to each other, share a common purpose, collaborate effectively and have a greater collective impact
- **Collaborative leaders** – leaders who understand their role in creating systemic change, work to their highest potential and inspire others to take action
- **Scalable solutions** – ideas and businesses that prove it is possible to do finance differently
- **Enabling environment** – a policy and regulatory environment that supports socially useful innovation.

Mapping our theory of change

The diagram overleaf is a highly simplified map of the key changes we want to bring about and how our activities will contribute to those outcomes. It also shows the major assumptions that underpin our approach.

The bottom half of the map is depicted as a conventional outcomes chain, with arrows indicating causality. However, in line with our analysis of systems change as complex and non-linear, we do not claim sole attribution for any of these outcomes, and we are conscious that there are many feedback loops, additional actors and interconnections which we can't show in a static, two-dimensional diagram. For example, there are strong links between our work to support innovators in practice and our advocacy work around the policy barriers that emerge.

The top half of the map is a visual representation of transition theory (described above); the outcomes in red can be found at different levels in the transition model. The interactions within and between the different parts of the system (landscape, regime, niches of innovation) are highly complex and dynamic. Using the transition model here is a visual statement of our assumption that systems change, while messy and unpredictable, occurs when the landscape of ideas shifts, when the regime of rules and the distribution of power are challenged, and when niches of innovation positively disrupt the mainstream.

END GOAL: A FINANCIAL SYSTEM THAT SERVES PEOPLE AND PLANET

LANDSCAPE

REGIME

NICHES OF INNOVATION

