

welcome to **the**
finance
lab



prospectus

What does a
finance System
that serves
People and Planet
look like?

FIX THE SYSTEM?

REDESIGN THE SYSTEM?

TRANSFORMATION?

CRISIS?

OPPORTUNITY?

SURVIVE?

GROW?

GO GREEN?

GO RED?

WHAT NOW?

INNOVATE

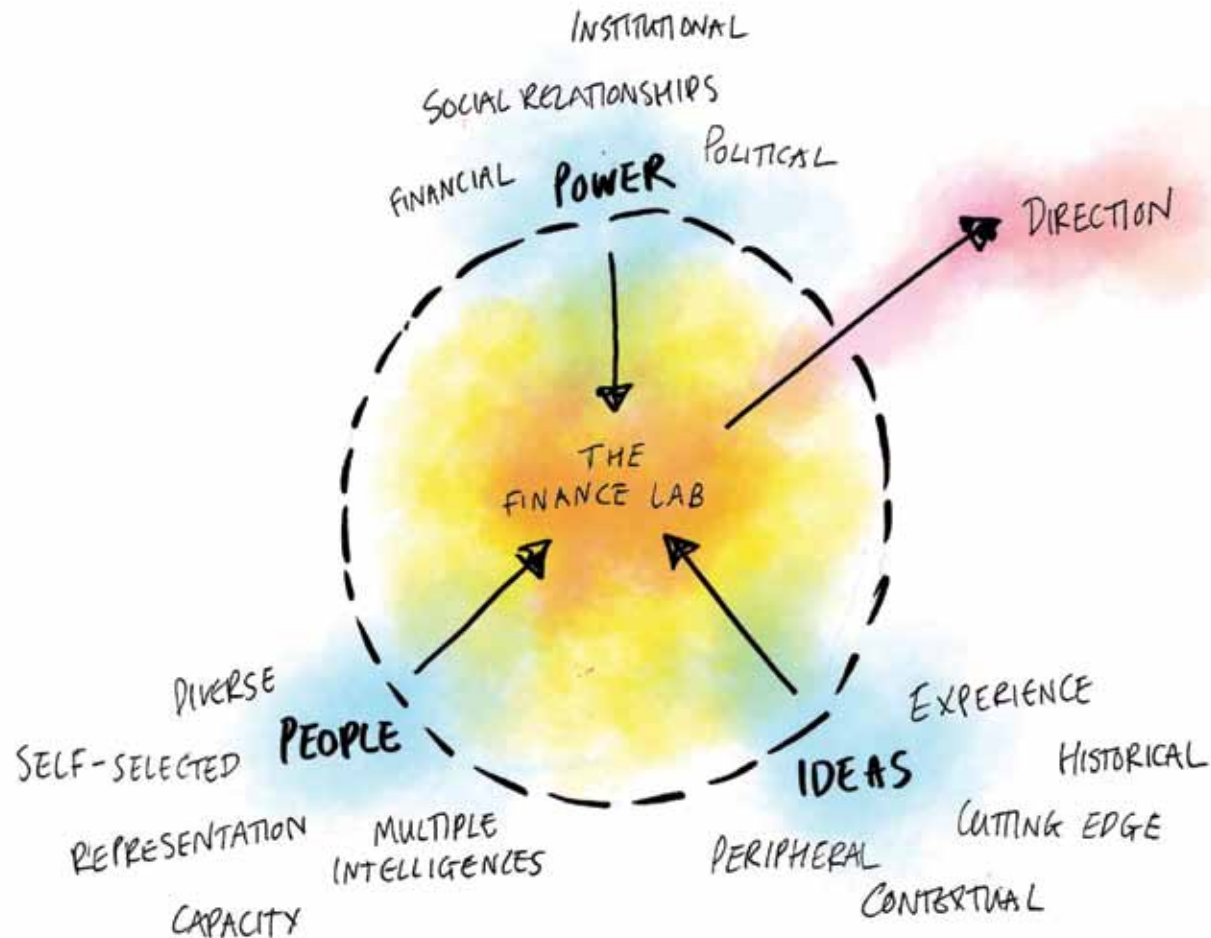
We believe that no single institution, no one sector of society, no exclusive group of people, can address the challenges we face today.

The Finance Lab is a broad, forward-looking, action-orientated coalition that will provide a space for cutting-edge innovation on and in financial systems.

We are convening a diverse team of institutions and individuals, and launching an innovation fund to initiate several experiments that will practically demonstrate what a financial system that serves business, society and the planet needs to look like.

cascades of

innovation



The Finance Lab brings together people and ideas with the requisite forms of power that increase the probabilities for innovations to scale up and be successful.

The Lab is a space where individuals and institutions have the freedom and resources to innovate. It brings together a compelling combination of people, power, ideas and intention.

Its focus is to rapidly prototype several initiatives. Each will embody the characteristics of a resilient financial system that serves people and planet.

The first of these prototyping processes, the Open Innovation Lab, will focus on the UK financial system, and commences in autumn 2009.

Organisations in South Africa, Brazil, the US, China, Denmark, the Netherlands and Germany have expressed an interest in launching

national Open Innovation Labs. We are seeking co-conveners who have the energy, reputation and resources to help launch national Open Innovation Labs.

A Global Innovation Lab will be subsequently be launched with a focus on change at the global system level.

We anticipate that each of these cumulative processes will create a force for change at local, national and global levels.

Stakeholders from government departments to banks, from stock markets to cooperative groups, will drive systemic changes in how we create and manage money and financial systems.

imagining the future of finance

The first phase of the Lab will begin with a series of exploratory scenario planning workshops starting supported by a number of events and open days.

These events will focus on the future of finance and will be run by Reos Partners and the Scenario Planning and Futures Research Group, part of the Institute for Science, Innovation and Society (InSIS) at the University of Oxford's Said Business School.

The sessions will bring a diverse group of stakeholders together to analyse, imagine and innovate around various potential futures of the financial system.

They will offer an opportunity to learn about how to build resilience in a complex and rapidly changing world. Looking at how the current situation arose from the different perspectives of the past and from alternative futures can guide more effective and reflexive action.

A key outcome from these events will be identifying the most promising areas for innovation in, on and around the financial system.

The scenario planning workshops will start with a focus on two exploratory scenarios - Growth and Health - that aim to provoke and provide an enabling platform for discussion of options for action.

growth

Growth scenario sees the financial crisis as a unique problem. This scenario explores what might happen when the system is put back on track. It focuses on restoring global capital liquidity and trust in the financial system: making the invisible hand more visible! It's a story where systemic risks are anticipated, wider externalities are priced and certain debts are managed. It explores whether a more resilient financial system might paradoxically lead to other systems becoming brittle

health

Health scenario sees the financial crisis as the 'canary in the mine' of 20th century approaches to risk and risk management. It explores what might happen if the financial system is managed as part of a wider ecology of systems. It raises the prospects of a 'slower growth' world, 'resilience across systems' and the 'diversity dividend'. It highlights how coping with complexity in a more interdependent world requires rethinking and transformation – of systems, of institutions and of many taken for granted concepts.

In this scenario, the financial services crisis is assumed to be the 'canary in the coalmine' of western ideas on growth and progress. It explores why and how reinventing economic development, and risking short-term growth deficits, may come about. It's a story where the important shapes the urgent, but with significant costs that may be politically severe.

– from *The Financial Crisis Scenarios Initiative*,
Institute for Science, Innovation and Society (InSIS) at Oxford University.

1929 : Wall Street Crash

1930s: Great Depression

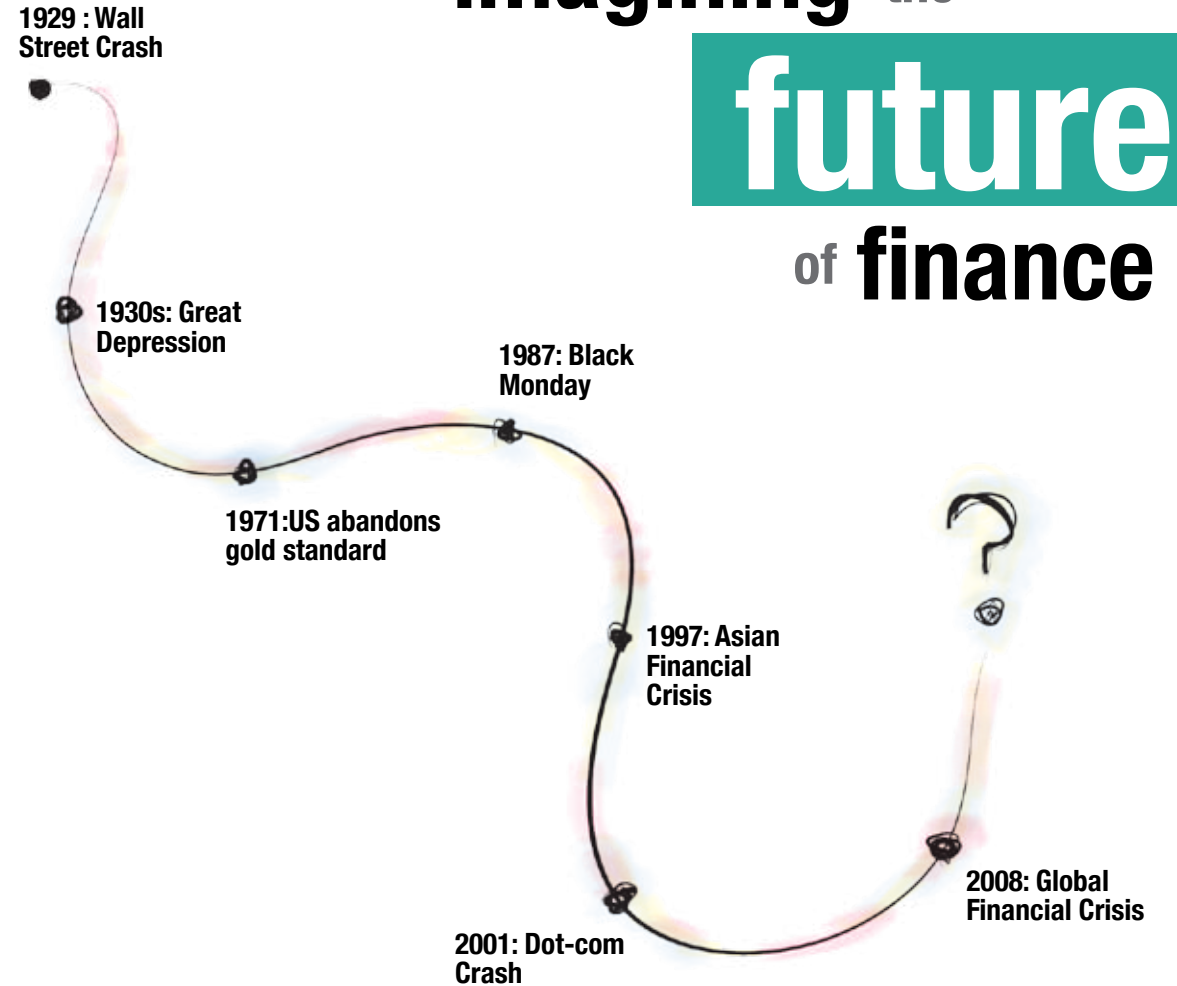
1987: Black Monday

1971: US abandons gold standard

1997: Asian Financial Crisis

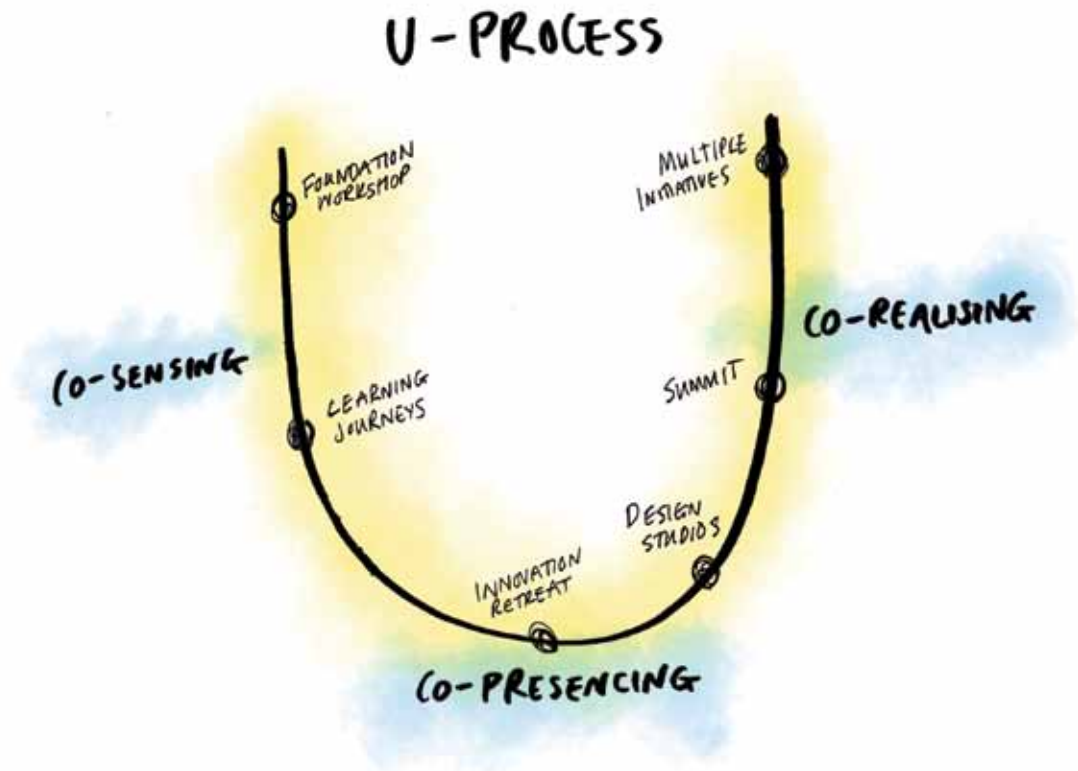
2001: Dot-com Crash

2008: Global Financial Crisis



the open innovation

lab



The Lab Team will go through a nine-month group-innovation process consisting of three phases – co-sensing, co-presencing and co-realising.

The Lab process draws on many decades of research and practice in innovation processes. It consists of a series of facilitated workshops, stakeholder engagements, design

sessions and finally an event where the Lab's work will be shared with a wider audience. Each phase can be thought of as a step in the process of innovation.

The first phase, co-sensing, invites participants to explore the financial system from many different vantage points in order to get a broad and multi-sectoral grasp of the behaviours that drive the system, to understand how different people see both problems and opportunities. The second phase invites participants to internalise their learning, to consider their role within the wider system, to brainstorm and agree a number of interventions. The final phase of the process, co-realising, invites participants to go through a process of rapid prototyping, where they end up

with ideas that have been tested and are ready for wide-scale piloting.

We do not seek to predetermine the outcomes or initiatives that emerge from the Lab. However, by way of example, the scenario planning workshops in phase one could uncover a 'lack of understanding of financial concepts within the UK population', a problem that could threaten a sustainable financial system in the future.

These initiatives would have to meet certain pre-determined criteria for systemic change to gain access to

an 'innovation fund', raised by the founding partners of the Finance Lab, which will provide the initial capital to take ideas into a prototyping phase.

The work of the Lab Team will be supported by a full-time secretariat. Participants in the Lab will also have access to an expert faculty of business leaders, policymakers, academics and thought leaders who will act as coaches.



There is a well-known definition of insanity; 'continuing to do what you have always done whilst expecting a different result'. As we look to the future we need to build a new market system that reflects society's concerns about levels of consumption and the damage that it is doing to the planet. This will require innovation and creativity. It will also require a different way of thinking - whole system thinking - and a multi-stakeholder approach rather than silo based initiatives. This initiative promises innovative thinking, multiple stakeholder involvement and most of all an action-orientated approach which is critical given the environmental challenges that we face.

*Paul Turner
Head of Sustainability
Lloyds TSB Banking Group Wholesale Division*



participating in the **lab:** **outcomes**

The Finance Lab will develop three outcomes for participants. They will include:

action

The Finance Lab is an opportunity to develop real innovations by acting collectively. Its focus is not on a thorough analysis of the past, but on testing new ideas and taking innovative action for the future.

learning

The Finance Lab offers a unique opportunity to learn how to build resilience and future proof your organisation. Participation will build leadership skills and increase capacity for transformational change which will bring benefits to both you and your organisation.

A number of initiatives that will be 'living examples' of a sustainable financial system that will be valuable to your own work, the people around you and the organisations you work for.

relationships

The Finance Lab offers the opportunity to reflect with a peer group on the financial system and spread the risk of tackling the challenges alone. It will act as a convener bringing together a diverse team of institutions and individuals to share their views and knowledge.

It is an opportunity to network and build high-trust relationships with people outside the usual sphere of influence, to think differently and co-create solutions for the future and reinforce the value of collaboration in achieving breakthrough change to this challenge.

We held a series of workshops in July 2009 that brought together over 200 people from organisations including Allianz, NEF, Imperial University, FTSE, Britannia Building Society, Trucost, Westpac, Goldman Sachs, Aviva, Oxfam, Shell, Omni Group and KPMG. Participants identified domains of finance that if innovated within will lead to significant change. These areas will be the focus of activity for the Open Innovation Lab.

Leadership, Values and Education

What are the values and leadership strengths we need to address complex contemporary trends both within finance and without? What new forms of education and education institution can support development of these capacities?

Governance

From the institutions that regulate the global economy to alternate corporate structures such as co-operatives and mutuals: what governance structures in finance best serve society and the environment? What market opportunities might arise as governance changes in a post-crisis world?

Money and Value

How is money created? Are there alternative mechanisms for creating money? Are there alternatives to using money? How is value best represented in our day-to-day transactions?

Locally Directed Investment

Locally-directed Investment Return on investment can come in multiple forms. Beyond a financial return, if the neighbourhood where I live is improved because my savings are directed towards local investment, then I've received a different form of return. How could the locality of investors - for example pension fund contributors - be considered in investment decisions?

From Risk to Resilience

From Risk to Resilience Finance is at core about the management and mitigation of risk, through arrangements that blunt the impact of crisis events on individuals. Whether this be through insurance or venture capital investment, risk sharing

currently has a specific and limited focus. What would a risk industry that mitigates risks to our careers, our homes and our abilities look like? How could a new risk industry democratize finance?

Valuing Externalities

Beyond 'cap and trade', what options are there for innovative mechanisms to manage our use of energy, our emissions including carbon, and our ultimate impact on the environment and society? What are the new forms of accounting or other approaches that 'internalise the externalities'? New Business Models Events of the last year have made people keener than ever to explore new business models in banking and elsewhere. In retail banking, what would a community-owned bank look like? A bank with the primary objective of serving its customers' needs? What would it take to start and scale-up such a bank?

In the words of participants, the July 2009 scenario planning workshops were:

domains of inquiry

A chance for unconstrained thinking and ideas

A good opportunity to step out of organised roles and develop shared thinking on the future.

Sparked new ideas and challenged my existing thinking and paradigms.

Stimulation to think more creatively

Great potential network with beginnings of shared visions.

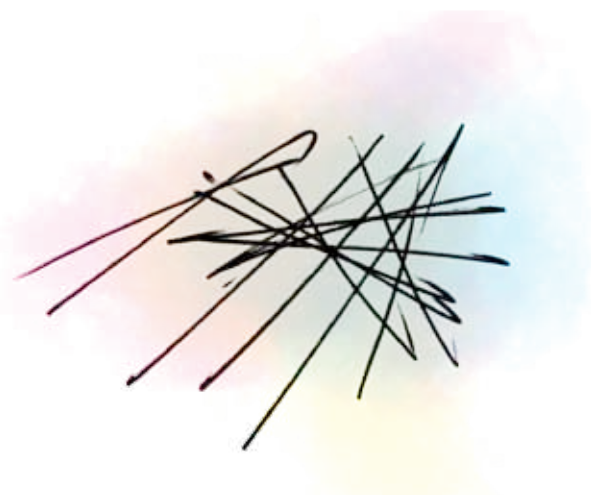
Increased my confidence to embark on new initiatives

Gave me a greater appreciation of the financial system as part of the whole system



Transforming the financial system to one that promotes sustainability requires bold, radical thinking and collective action. The Finance Lab is exactly the kind of innovative approach we need and I fully support its goals.

*Pavan Sukhdev, Study Leader
TEEB (The Economics of Ecosystems and Biodiversity)*



how can **you** get

involved?

We want to hear the views of anyone who has a stake in the financial system and extend an open invitation to your or your organisation to attend our cutting-edge scenario workshops and open events.

**join the
open innovation
lab**

We are recruiting 36 individuals to be part of this exciting opportunity. The Open Innovation Lab will design and implement a series of initiatives which will build on opportunities uncovered during the scenario workshops.

Participants will be required to make a minimum commitment of twenty-two days over nine months. The team will meet several times, primarily in London, although some international travel may be required.

This Lab Team will have access to a seed innovation fund, expert faculty and the necessary support to do their work.

Participation in the Lab Team is by application only. If you are interested in joining the Lab Team please contact us.

It is anticipated that these places will be divided roughly between corporations and private sector organisations, civil society and community-based organisations and governmental and public departments and agencies.

**create a
new lab**

Organisations in South Africa, Brazil, the US, China, Denmark, the Netherlands and Germany have expressed an interest in launching national Open Innovation Labs. We are seeking co-conveners who have the energy, reputation and resources to help launch national Open Innovation Labs.



In my opinion this initiative, embracing as it does the need for a sustainable financial system, could in time turn out to be one of the most important projects on the planet today.

While most of us struggle with the effects of the financial system, the Finance Lab is investigating the deep driving forces that the current system gives effect to.

It is my honest belief that as we begin to understand the unintended consequences of the current system, we will be enabled to make those changes that are necessary to avoid our current catastrophic trajectory.

*Lawrence Bloom
Chairman, UNEP, Green Economy Initiative,
Green Cities, Buildings and Transport*



become an **innovation** **partner**

We are seeking investment of both money and resources for the Finance Lab, from Innovation Partners who believe in that proactive innovation is required to address the numerous challenges of the financial system

Innovation Partners will make a minimum investment of cash and/or resources in the form of people, time or infrastructure to the Finance Lab.

In turn, Partners will help govern the Finance Lab, defining strategic direction, managing the Innovation Fund and, in general, supporting the initiatives that emerge from the Lab.

Innovation Partners in the Lab will gain from participation in a number of ways. These include access to top-class thinking, participation in a multi-stakeholder forum characterised by innovation, collaboration and cutting edge action-learning, and the opportunity to form partnerships with stakeholders that would normally be difficult to access.

Finally, Innovation Partners will gain an understanding of what it means to innovate in complex social situations. The processes and capacities built through the Lab are transferable to a wide range of contexts.



If capitalism is to become sustainable, business and finance urgently need to adopt new ways of working to transform business models so that they operate within environmental limits while maximising human well-being. I believe that the Finance Lab is the ideal space for these new relationships, capacities and innovations to be developed and tested.



*Dr Steve Waygood
Head of Research and Engagement for Aviva*



join the lab

faculty

If you have extensive experience within the financial system, or with innovation within complex systems, there is an opportunity to join the Lab Faculty.

The Faculty will be available to the Lab Team in order to provide coaching and experience to support them in launching and piloting their initiatives.

We are looking for faculty members who have:

- Exceptional and well-recognised expertise in the financial system, sustainability or innovation
- An ambition to stimulate transformational change in the financial system so that it serves society and the environment

- Outstanding contacts and networks within the areas of finance, sustainability and innovation

What are the benefits of being a Finance Lab faculty member?

- Ensure your expertise has real impact. The Finance Lab is a pioneering approach which will create action in order to stimulate change in the financial system
- Gain access to new social and business innovations that will emerge from this unique process
- Access a diverse network of individuals and organisations who are interested in this type of change and build relationships



New thinking is needed on how to build an inclusive global financial system that truly integrates social and environmental, as well as economic, sustainability. I am excited at the potential of the Finance Lab to create a space for stakeholders to come together to explore and pilot new approaches.

*Barbara Stocking
Chief Executive, Oxfam GB*



our theory of **innovation:** **seeds** of the **future**



Social innovation arises not from new ideas, but from new networks of relationships.



*Angela Wilkinson
Director, Scenarios
and Futures Research,
InSIS, Oxford
University*

The most common understanding of innovation is the 'eureka moment' when a flash of insight arrives and a problem is solved through a new idea. Our understanding of innovation, based on decades of research and practical experience, is that successful innovation is the product of the right team with the right idea coupled with the right resources to bring an idea to scale.

Innovation in complex social systems is highly dependent on teams that have the ability to respond effectively to complexity, to take forms and operate in modes that can change with the context.

The Finance Lab builds on cutting-edge theories and practices of innovation and systemic change.

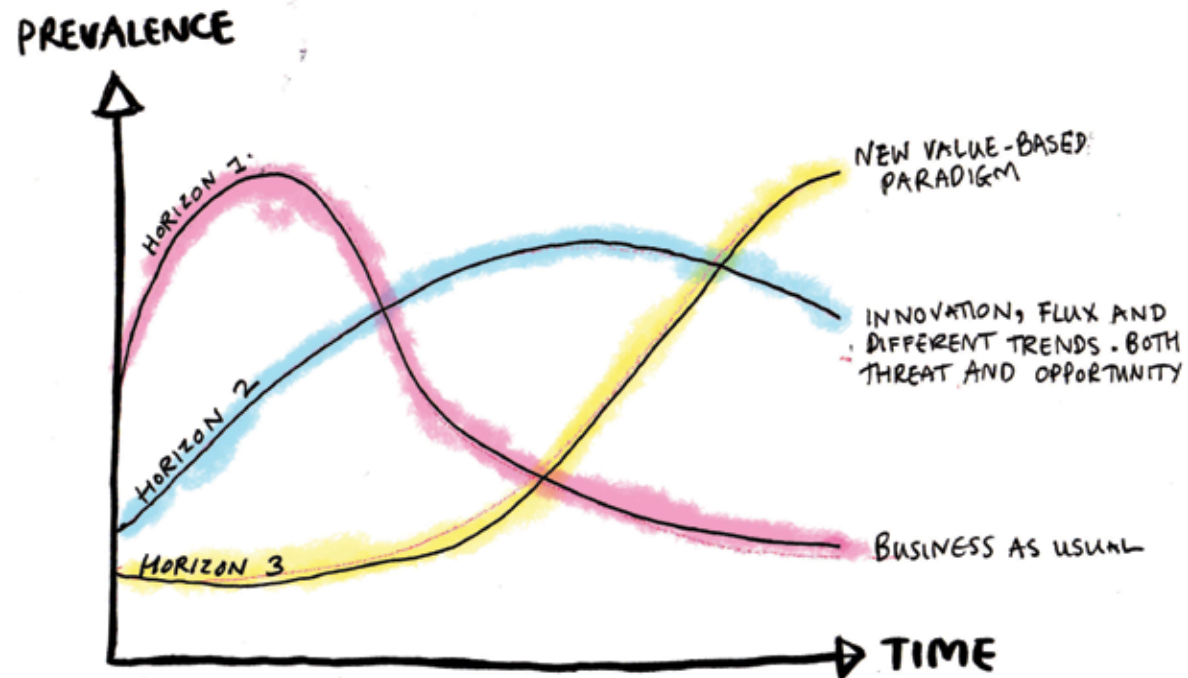
The core process is an application of 'theory u' which focuses on building teams with the capacity to implement effectively in complex social situations.

*For further information see
the Reos Partners website
(www.reospartners.com)*

WHAT ARE OUR CONCERNS WITH THE CURRENT FINANCIAL SYSTEM?

WHAT DO INNOVATIONS IN THE FINANCIAL SYSTEM LOOK LIKE?

WHAT ARE OUR ASPIRATIONS FOR THE FINANCIAL SYSTEM?



three horizons

The three horizons chart provides a framework for a strategic conversation for innovation in and on the financial sector. The first horizon is 'business as usual' – the existing order which appears unsustainable in the face of changes in society and the world. The second horizon is a domain of innovation, flux and different trends that might be both threat and opportunity. The third horizon represents a possible new paradigm – a new sustainable order,

a new golden age. It is a preferred future, and is values-based. All three horizons are always present – and so we can already detect the seeds of the future in the present. Innovations in the second horizon can either enable the development of the third or be captured in order to prop up the first horizon.

Source: The International Futures Forum (www.internationalfuturesforum.com)



Today the network of relationships linking the human race to itself and to the rest of the biosphere is so complex that all aspects affect all others to an extraordinary degree. Someone should be studying the whole system, however crudely that has to be done, because no gluing together of partial studies of a complex nonlinear system can give a good idea of the behaviour of the whole.

*Murray Gell-Mann
Nobel Prize winning physicist*



history

Finance Lab Design Meeting, October 2008



The system is financing the obliteration of the eco-system, you have to confront this, not in a bellicose way but in a sophisticated way to challenge assumptions.

Investment Advisor interviewed for Finance Lab



The Finance Lab builds on work done over the last decade on how to respond effectively to increasingly complex social situations. The core theory of practice is known as the change lab and draws on the work of a broad community including Reos Partners, the Presencing Institute, the Massachusetts Institute of Technology, the Society for Organizational Learning (SoL) and many others organisations and individuals.

To date a number of change labs have been convened, including the Sustainable Food Lab (global, 2004), the Bhavishya Alliance Change Lab (Maharashtra, India, 2006), Leadership and Innovation Network for Collaboration in the Children's sector (LINC) (Midvaal, South Africa, 2007), Meadowlark (Northern Great Plains, USA) and The African Public Health Leadership and Systems Innovation Initiative (Namibia, 2007).

“The change lab is not a project or a plan, but a space within which emergent processes can unfold and flow, where learning can take place and conflict is invited as an opportunity. As a space it is experimental and heuristic in nature, characterised by action learning, driven by the purpose of discovering and growing the seeds of healthier, more resilient and more just social realities. The change lab is a space within which multiple and potentially divergent action learning experiments can be launched in order to learn how best to shift increasingly interconnected social challenges.”

*Source: Zaid Hassan
Laboratories for Social Change*



So the rules of the game have now fundamentally changed. Our global financial system has become so staggeringly complex and opaque that we've moved from a world of risk to a world of uncertainty. In a world of risk, we can judge dangers and opportunities by using the best evidence at hand to estimate the probability of a particular outcome. But in a world of uncertainty, we can't estimate probabilities, because we don't have any clear basis for making such a judgment. In fact, we might not even know what the possible outcomes are. Surprises keep coming out of the blue, because we're fundamentally ignorant of our own ignorance.

*Thomas-Homer Dixon
Author of The Upside of Down:
Catastrophe, Creativity and the Renewal of Civilization.*



Kago Ya Bana OVC Workshop, 2007



“ The most important thing I have learnt (as part of this process) is that I can make a difference when I work intensively/better with others and that organisational competition is not appropriate for the work that we do. ”

LINC Fellow

Foundation Workshop, Sustainable Food Lab, Netherlands, June, 2004



“ It's pretty unusual that fierce competitors like SYSCO and US Foodservice can come together and work for the higher good. That's what it's all about. The essence, the power, of the Sustainable Food Lab is that we can do 100-fold, 1,000-fold, more together than we can do by ourselves. What we're doing is the right thing to do, the good thing to do - for the world. It's also good for our businesses. There's a competitive advantage for SYSCO to be involved, but we can't fully realise that competitive advantage without working together with others in this group to mainstream sustainability. ”

Larry Pulliam

The Bhavishya Alliance Change Lab, India, 2006



“ Standing on a small hill, looking at the sunset, I asked myself: if I was born in pre-independence era, what would I have done? I recall one of the addresses to the team. While doing business, we cannot close our eyes to millions of people who have no food and thousands of babies that are dying every minute owing to malnutrition. This is not a simple problem that can be nailed through a fish-bone or through pareto analysis... it is the consequence of a larger systemic failure that includes all... the government, communities and the business world. And it will take all the players to shift the current reality. ”

Participant in the Child Malnutrition Change Lab 2006

the
finance
lab partners:



the ambitions of the
finance
lab are endorsed by:



for more
information

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