Chapter 12: Transition management
# Overview of the book

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Principles of Sustainable Finance © Schoenmaker and Schramade 2019

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Learning objectives – chapter 12

- understand the dynamics of transition management
- explain a new vision and approaches in the financial sector
- understand the need for a interdisciplinary approach
- apply the concept of integrated thinking
Transition governance
The x-curve of transition dynamics
Backcasting

1: describe the vision and ambitions
2: create pathways with stepping stones
3: formulate concrete actions

Transition

Time

2010 2015 2020 2025 2030 2035 2040 2045 2050
From an old vision ....
To a new vision for the financial sector
Transition management
Transition management framework

incl. transition management instruments

**Transition Arena:**
- Transition analysis
- Problem structuring
- Envisioning
- Backcasting

**Transition Agenda:**
- Coalition building
- Strategy development
- Institutionalization
- Financing

**Transition monitoring:**
- Evaluation
- Adaptation
- Transitional potential
- Ethics

**Transition Experiments:**
- Empowerment
- Community engagement
- Business case
Transition of the financial system

Current dominant practices and beliefs:
- Investing in market benchmarks (financial risk – return thinking)
- Sustainability comes at the expense of financial return
- Fear of entering unchartered waters

A new regime:
- Need for leadership and changed mindset (Theory U)
- Integrated thinking
Integrated thinking

Integrated approach

I = F + S + E

Interdisciplinary teams

Portfolio managers

Management

Engagement division
Personal change

- Degree of materialism is indicator for F focus
- New environmental paradigm: need to preserve balance of nature

- Incentives (financial) / nudging can steer behaviour, but not sufficient for real change
- Theory U: change of mindset
- Responsible management education

- Intrinsic motivation needed
- Re-boot current culture
- Transformative actors adopt new approaches
  - Will also attract human talent
Conclusion - transition dynamics

Diagram showing the stages of transition dynamics: optimalisation, destabilisation, disruption, institutionalisation, stabilisation, breakdown, acceleration, emergence, experimentation, and phase out.