Innovation capabilities in banking: The case of Norwegian mobile payment

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Abstract: The purpose of this empirical study is to identify why some firms have more innovation success than others when faced with disruptive changes caused by digitalization. The financial industry has already experienced the consequences of digitalization. One of the drivers for digitalization within the financial industry have been new regulations, e.g. through EU directives changing the competitive environment by enabling new players will be able to run payment. We apply a dynamic capability perspective as analytical lens to identify how the players in the financial industry seek to become competitive by promoting their innovation capabilities. Data was collected through a qualitative research process involving nine different players related to the mobile payment market. Our sample consists of market participants, collaborators and analysts, as well as other industry observers. Secondary information was obtained through the press, reports and publicly sources. Combined the data sources enabled access to rich data informing the complex dynamics involved in digital transformation in the Norwegian financial sector in general and specifically related to the development of mobile payment platforms within this context. Our findings reveal how innovation capabilities consist of a number of practices and processes in the organization. This interpretation implies that companies can choose different strategic approaches to innovation, depending on the capabilities they hold, what resources they have and the industry challenges they face. Furthermore, it can be concluded that innovation capabilities require the organization to be agile, have learning culture and a certain willingness to take risk in order to be prepared for their digital transformation. The implication of our study is conceptualizing innovation capability as firm's capacity to acquire sufficient information, transformed into relevant knowledge and assimilated into the organization in a dynamic process. Management orientations and attitudes related to innovation are thus central to the development of innovation capabilities.

Keywords: Digital transformation, dynamic capabilities, financial sector, innovation capabilities, mobile payment.

1. Introduction

The purpose of this empirical study is to identify how firms are searching and renewing dynamic capabilities as some firms have more success than others when faced with disruptive changes (Christensen, Wang et al. 2013). New technology and digitization are predicted to significantly change work tasks for workers in industries that traditionally required long education and high expertise (Chui, Manyika et al. 2016). It is proposed that the workforce now faces a third wave of automation. While previous waves of automation, for example, through industrialization, changed labour intensive, dangerous or boring tasks, this third wave is characterized by the fact that it is now knowledge intensive work that is automated (Christensen, Wang et al. 2013, Davenport and Kirby 2015, Susskind and Susskind 2015). What enables standardization and automation of knowledge-intensive work tasks is the development of digital technologies. Digitization can be understood as the pace of change in the contemporary society driven by digital technological development (McAfee 2009).

We apply a dynamic capability perspective (Teece 2010) as analytical lens to identify how the players in the financial industry seek to become competitive by promoting their innovation capabilities. The financial industry has already experienced the consequences of digitalization. Globally, 10,000 jobs have disappeared from the stock exchange trading floors with the introduction of robotic trade. One of the drivers for digitalization within the financial industry have been new regulations. Through EU directives changing the competitive environment by enabling new players access to handling bank transactions, as well as the mobile payment market.

We have conducted a qualitative study of how the players in the mobile payment market are looking for innovation capabilities in search for future competitiveness. The mobile payment market have been pointed to as an especially fruitful context to explore the relationship between digitalization and innovation capability due to the high inter-dependency of technology, human and market factors within this context (Pousttchi, Schiessler et al. 2009).

2. Theory

Many different industries are faced with rapid external changes due to digitalization. This article is based on the idea that intangible resources, e.g. competence, knowledge, routines or capabilities, is instrumental for an organization to achieve its business goals (Helfat, Finkelstein et al. 2007). Capabilities are skills and characteristics that can be developed at a collective level (Teece, Pisano et al. 1997). There are several definitions and understandings of the term dynamic capabilities. Teece, Pisano and Shuen (1997) presented one of the first contributions to the definition of dynamic capabilities as they defined it as the company's ability to integrate, build and reconfigure internal and external skills to accommodate changes in the environment (Helfat and Peteraf 2003, Ambrosini, Bowman et al. 2009, Breznik and Hisrich 2014). The term dynamic refers to the capacity to renew capabilities to the changes in the competitive environment in line with for instance Schumpeteraian chocks. Certain innovative responses are required when timing is critical in a market. The term capabilities emphasizes the importance of strategic management in order to align organizational skills internally and externally, and exert best practice against the environment (Teece et al., 1997). According to Helfat et al. (2007) dynamic capabilities can be considered as the capacity a business has to purposefully create, expand or change its resource base. The resource base consists of material resources, intangible resources and various capabilities that the company owns and controls. Dynamic capabilities change and expand other dynamic capabilities, such as management capabilities and innovation capabilities (Helfat, 2007).

Organizations with strong dynamic capabilities are, according to Teece (2007) solution-oriented and innovative. The main point is to adapt the business model and to modify it through innovation and collaboration with other companies and institutions (Teece 2007). Innovation capabilities can be understood as the company's potential to generate new ideas, identify new market opportunities, and implement market-related innovations using existing resources and capabilities (Hii and Neely 2000). It is demanding to work with innovation, and the different forms of innovation requires a wide range of capabilities that takes long time to create (Teece 2010). Helfat et al. (2007) argue that dynamic capabilities imply the ability to identify needs or opportunity for change, formulate possible solutions and implement actions to achieve a desired state. Furthermore, they argue that a basic prerequisite for the dynamic capability framework is that core competency used to modify short-term competitive positions, which are again used to build long-term competitive advantages (Helfat, Finkelstein et al. 2007). Reconfiguration of company resources is emphasized as essential to the organization's development. Reconfiguration is defined as management activity - aimed at new resource combinations or conversion of existing resources. According to Pisano (2015) corporate innovation capabilities should be seen in conjunction with corporate strategy. He describes the innovation system as a whole of dependent processes and structures that dictate how the company is looking for new problems and solutions, making ideas for business concepts and product design and choosing which projects to be financed (Pisano, 2015). Teece supports this understanding, and stated that: "*(...) In my view, dynamic capabilities involve a combination of organizational routines and entrepreneurial leadership/management*» (Teece 2014).

Innovation is a central characteristic of dynamic capabilities as it is defined by Teece (2007). Dynamic capabilities can be operationalized in three generic processes, 'sensing' for new opportunities, 'seizing' through building procedures and organizational structure and 'transforming' knowledge and skills to meet new demands and protect the organization from threats. We have used Teece (2007)'s theoretical framework for operationalization of dynamic capabilities based on the three basic processes, and we will provide a short presentation.

«Sensing» - to search for opportunities and new skills to meet market challenges for long-term survival. This part of dynamic capabilities is related to innovation through renewal and adaptation to the external environment. Sensing is also about making sense of what could be opportunities. It is not objectively given what can create opportunities, and the ability to make sense of what is an opportunity lies in the eye of the observer. To understand and mobilize resources and the ability to create relationships and networks is a part of creating opportunities. In short, it's about doing the right things, as opposed to doing things right.

«Seizing» is about renewal and implementation of new work processes. «Seizing» is how the organizational system absorbs and realizes skills and competences that contribute to competitiveness. Creating systems, procedures and organizational structures is a key part of the micro-processes behind dynamic capabilities (Teece, 2007).

«Transforming» is about how capabilities change over time in order to handle threats, it may be in different divisions or parts of a company through local customization or over different competition regimes. This includes micro processes such as decentralization, co-specialization, knowledge management and corporate governance.

3. Methods

Since qualitative research arguably has advantages when the phenomenon to be studied is not well understood and where the variables are still unknown (Johnson and Harris 2003), we used a qualitative multiple case study approach (Yin 2009). To enable selection of case organizations that offered opportunities to learn and build theory 'how some players become more competitive in the financial market, by searching for dynamic capabilities to withstand the competition'. The mobile payment market can be seen as unique and revelatory context (Eisenhardt and Graebner 2007), and is particularly well-suited to illustrate changes caused by digitization as a theoretically sampled, theory-building case study (Eisenhardt 1989). Prior research within this context have mostly emphasized issues pertaining to consumer adoption and technology, however an interest in ecosystem are emerging (Dahlberg, Guo et al. 2015). Recently, there are also studies attempting to define an architecture of new mobile payment markets (Ozcan and Santos 2015) accentuating the relevance of this context to study the development of innovation capabilities.

Data for this study was collected from multiple sources. First, we observed how mobile payment solutions were distributed in the market, as well as how they are adopted and used by consumers. Observation as a mean of collecting data that we as researchers observe and record social interaction or behavior. Through observation we became a first-hand source and we can also put our observations into a larger social context. The observations have been hidden, and non-participating. An advantage of non-participant and hidden observation is that as a researcher we do not break into the ordinary interaction between users. Second, we conducted a document study to improve our understanding of how new forms of payment was developed, how it leads to increased need for focus on dynamic capabilities, we have also used previous news articles, press releases and web sites. Based on the insight gained we developed an interview guide.

3.1 Selection of respondents

We identified interviewees according to three main categories; Market participants, collaborators and analysts. We conducted three in depth interviews from each of the three categories. In the following, we want to provide a background description of the research context.

The big bank, the Telco and Tech operator represents the market players. Tech operator is the settlement firm, handling all the interbank transactions for all customers in Norway. After interviewing partners, we have interviewed in one network for financial industry, one retail payment facilitator and in one big grocery shop company. The last group we have talked to consists of representatives from two technology companies, one a big international software company and a big Nordic ICT consultancy with backgrounds from, among other things, banking and finance. The informants were informed about the use of the collected data material and further use in the task. Everyone was given verbal consent that this was fine. At the same time, all informants wanted to be anonymous. There are also several informants who do not want their opinions and perceptions to be linked directly to the company they represent.

The interviews with the various market actors have been conducted during 2017, and lasted between 1 and 2 hours, taped and transformed right after the interviews. In addition, each informant have corrected and approved the key quotes used in the study to assure the quality of information.

3.2 The research context: Norwegian finance industry

Norwegian finance industry is already far ahead in digitalization development, and Norwegian consumers and the market regulators are world-class in terms of digital competence. Digitization of the Norwegian banking and finance industry has almost been a continuous process since the 1980s and 1990s. Especially the payment infrastructure has been well developed in Norway. It is possible to pay by bankcard almost everywhere in Norway. Net and mobile banking has changed the pattern of consumption. Most people have access to online banking via a computer, tablet or mobile phone in Norway today. It is also possible to transfer money to friends through mobile payment services like MobilePay and Vipps. In addition, you can pay for items in shops using your mobile phone through MobilePay and Vipps. The emergence of new digital forms of payments combined with an increasing number of businesses in financial technology will undoubtedly lead to major changes in the financial industry in the future.

Traditionally, banks have had a monopoly on payment services in Norway. Each bank's offer of payment services is based on a national shared infrastructure owned by Nets, (former Bankenes Betalingssentral – BBS). The infrastructure is based on rules and standards that determine how the banks themselves should communicate customers' payment orders. This changed when the EU introduces the revised PSD2 Payment Service Directive in 2018. The directive standardize digital banking and payment solutions, and open up for third party providers. Banks are required to provide third party players access to customers' bank or credit accounts, without paying for the service beyond the billing of end users using their own solutions (EU Commission; Evry 2016; Sylte 2016). Mobile applications, as Vipps or MobilePay can be used to transfer money from phone to phone, backed by a credit card. Based on social network technology, a restaurant meal can be easily split between several friends in the mobile application. In addition, it is possible to pay directly from phone to phone if you want to buy something second hand – as the receiver of the transaction will be notified immediately, and it is not possible to reverse the transaction. Thus, the mobile application market described in this study provide additional value to and is a supplement to ordinary internet banking, card payments or transactions from account to account.

The development of the Norwegian market for mobile payment started mCash, established in 2010 and the application was launched in 2014, the aim of making it easy to pay directly between friends, in small stores and second-hand markets arranged by the voluntary sector. Distributing the application connected to debit- and credit cards can only be carried out by banks in Norway, so mCash created alliances with banks. Another part of this picture was the ability to reach more customers through banks. To be better integrated in the banks IT systems, mCash did also create cooperation with Evry, one of the major suppliers of IT systems to Norwegian banks. To increase the market coverage, mCash created alliances with DeliDeLuca, Bunnpris, Starbucks and Peppes Pizza - all well-known store concepts. In 2015 mCash with 10000 users and 600 stores was sold to Sparebank1-group the largest alliance of savings banks in Norway. Already in 2017 mCash had 440.000 users, and it was big news when Sparebank1-group announced to abondon mCash in favour of Vipps, the largest competitor in February 2017.

DnB – Norways largest bank launched Vipps as an application to transfer payments between friends – for example from sharing restaurant bills in May 2015. The app was downloaded 100.000 times 10 days after being introduced and after 2 only months 500.000 used the app. In the spring of 2017 Vipps had 2.1 million users, and as much as 42% were customers in DnB. The strong development has been powered by including many large and small businesses. However, in February 2017 Vipps merged with mCash.

Danske Bank introduced MobilePay in Denmark in May 2015 and in Norway October 2015, to handle small transactions between individuals, and later to handle transactions between small and medium sized firms. In opposition to Vipps, MobilePay was free to use – and Vipps did also become free of charge just hours after the new competitor into play. In 2016 MobilePay created a partner model so other banks could join – and Nordea and Danske Bank became equal partners. The third partner bank was Gjensidige, a dominant mutual bank and insurance company was included January 2017.

In the international market there were several powerful competitors. Apple, Samsung and Google had established services for mobile payment. According to iResearch mobile payments tripled in value during 2016 and in the US mobile payment increased by 39% during 2016 as the market was shared between Apple, Google, Samsung and PayPal. In the Chinese market, Alibaba and Tencent were dominant.

The mobile payment market in Norway is backed by VISA and Mastercard, but to handle payments within the retail sector BankAxept must be used (Weldeghebriel, 2016). Google worked together with the creditcard and transaction firms Mastercard, Visa, American Express (AmEx) and Discover on a new payment solution Android Pay, embedded in the mobile telephone software architecture. Apple Pay did the same with their telephones and the E-payment battle is on. The Telecom firms did also want a larger portion of this market, and established Strex in the fall of 2016 as a payment solution independent of banks owned by Telenor, Telia and Ice.ne (Strex) as the transaction could be handled by the mobile bill and not through the bank account.

Another current trend is various retail chains creating their own payment solutions, and in 2009 Starbuck created its own app where customers could order and pay before entering the outlet, including a loyalty program and more than 1 of 5 customers use this solution (Hernæs, 2016). Significant Norwegian store chains as Espresso House and Joe & the Juice followed shortly. Some of the largest grocery stores in Norway Coop and Norgesgruppen want a part of this market and established Retail Payment.

Some of our sources within the industry argued that the voluntary sector, especially second-hand store markets in schools and sports clubs for youths and children were essential to get the majority of users in the market. In markets with high network externalities we might see one dominant winner, and the concept of the winner takes all – as this becomes the industry standard (Economides, 1996; Grant and Jordan, 2018). For instance, if one of the applications would reach the double size of the other – there might be a big chance for winning the whole market as a standard as one of our sources argued.

4. Findings

4.1 Sensing - creating mobile payment options

External pressures from competitors, technology development and changes in regulations challenge the organization's existing structures and procedures and will affect the development of the organization. For example, in our study we see. That the question of how this directive will affect the market agreed that it challenges the position of traditional players and that the market as it is known today will change.

> *"(...) for us, PSD2 is probably as much a possibility as a threat, because it's a paradigm shift for banks" (Informant, Market Operator).*
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> *"We have previously been regulated (...) PSD2 opens up a new market segment for us, which we have not been in before - and it enables us to get new partners that can be attractive to collaborate with" (Informant, Market Operator).*

For some market players, the new EU directive will be a threat to existing positions, while others consider it as an opportunity to take larger parts of the value chain. At the same time, everyone is positive about this change. They indicate that it opens up an industry that has previously been relatively closed and controlled by Norwegian banks. Opening up for competition also puts pressure on the various players and their ability to continuously renew and deliver innovative solutions. This will ultimately benefit the consumers in the end.

As regards today's mobile payment solutions, represented by Vipps and MobilePay, there are shared opinions among the informants how innovative these solutions are. Several informants argue that today's solutions are not necessarily user-friendly or revolutionary.

> *"Functionally, I do not see the difference between pulling up the card or using the phone today. In fact, I think it's easier to use the card (...) there are still more steps I have to do with my phone than with the card » (Informant, analyst).*

In Norway, the payment system with debit and credit cards works very well. According to all informants, it contributes to the fact that the threshold for using new payment solutions is relatively high - from the consumer's point of view, but also from the user-side perspective. In order for mobile phones to be a preferred payment instrument, the payment experience must be more than just payment. It must be simple, seamless and it must add value to the consumer.

> *"(...) I probably do not necessarily think the payment solutions in themselves will be a competitive advantage. As a consumer, you do not go to the store to pay, you go there to shop. So, what's possible to create value within an ecosystem associated with some form of payment, I think is going to make a difference in the future » (Informant, partner).*

On the question of how the informants are experiencing market forces in this market, everyone agrees that the mobile payment market is a market characterized by high rate of change at an accelerated pace. Increased market liberalization, improved information and communication technology and an increasing level of knowledge create increased dynamics and complexity in the market. The competition image changes as a consequence of the digital age and the boundaries between industries become less clear.

> *"It's so fast that it's scary every week, so we change priorities, in terms of where we're going to use resources, what's the first thing, what do we have to deliver - and not least how fast the competitors get into the market?" (Informant, market player).*

"(...) No day is alike, and things go very fast, especially in the technology industry. We are in a digital revolution that crosses all and all industries. You are skipping a joint that you relied on before (...) there is almost a little anarchy - out in our market" (Informant, analyst).

Dynamic markets require the ability to be looking for opportunities and developing new knowledge, but also entering into new relationships with new players. In summary, one can say that market opportunities can be identified and defined through the company's internal and external resources, partners, customers and competitors. In dynamic environments and markets time is a decisive factor. If one is to be relevant, one must constantly challenge "status quo", show interest and be curious about trends and technological innovations. As one of the informants said;

"(...) It does not help to rest on the laurels, and think that this will not hit us" (Informant, Market Operator).

"What we are doing today is not necessarily what we are wearing tomorrow (...) so you have to make a plan as well as how to shape and develop your resources - both in terms of technology and business development. You can no longer see you in the rearview mirror. You must continuously test new ways to be attractive in the future market." (Informant, Analyst).

"Increased dissemination of technology, higher general IT skills, and continuous digitalization of society make users also demand higher demands for the solutions they are going to use - so it's important not to settle down (...) one must always be on looking for new opportunities and other ways to solve today's tasks. I think that's very important (...) and then it's about being curious, keeping track of what's happening (...) analyzing trends, following the competition, and using the data you have about your customers to preach their needs and wishes." (Informant, analyst).

Competitive pressures do something about the way to work on, through increased emphasis on innovation, which means that employees must be looking for new solutions all the time, while they must be good at to take advantage of the skills they already have.

4.2 Seizing - building capabilities through systems and procedures within mobile payment

In order to identify identified opportunities and threats, the company must create analytical systems and, according to the informants, they must systematically work on renewing and developing market-relevant innovations. It requires prioritizing this.

"You must have a system that captures ideas and improvements, or you have to set the time to grab them - just collecting random ideas that are coming around will probably not result in the big changes (...) You work systematically with innovation, so you need to find some methods - and prioritize it" (Informant, Analyst).

"To involve the employees I think is very important (...) they are fond of the good ideas, so you may need to have a kind of idea bank or other ways to capture everything from small improvements to revolutionary Changes." (Informant, Analyst).

Another discussion is whether to invest in internal resources or fill the gap between the company's resources and what is required in the market by obtaining external resources. Some of the informants argue that it is important to hold sufficient resources internally. It is also emphasized that having different profiles is an advantage for the company:

"I think it's important to focus on millenniums, and attract those who represent the new one (...) I think one should dare to recruit some other types of profiles» (Informant, Market Operator).

"That we have many different profiles I think is one of our strengths. This enables us to offer our customers services that make them innovative." (Informant, Analyst).

On the other hand, it is argued that external resources, those who work for the business without being employed by the company, may have important functions in relation to the company's ability to innovate. For companies competing in dynamic markets, external workers can add knowledge of "best practices" as well as new perspectives and ideas that can be combined with the company's internal resources to develop competitive advantages.

Own resources and expertise are not always sufficient to develop competitive companies. We asked the informants to what extent they cooperate with other players to achieve competitive advantage. All informants say that they feel that cooperation, alliances and networks between businesses across industries and national borders are becoming more and more important.

> *"We are actively working to identify and attract new collaborators, and I think we will see more of it in the future - both in terms of partnership models and strategic alliances" (Informant, analyst).*

Several of the informants argue that collaboration and partnership can be a source of new organizational learning, while at the same time it can add new strategic assets to the company. This is in line with the theory of dynamic capabilities, where collaboration is regarded as an important source of learning. Collaboration can also promote innovation by creating, for example, innovation labs or collaborating with smaller FinTech companies, who have the resources and time to work dedicated to identifying and defining new opportunities in the market.

> *"I think the basics that we will be hiring fewer in the future - but cooperate with more. Especially in relation to development; why have the same 700 developers when we can build communities where those with the best ideas get the job. The nicest heads out there will be loyal to the tasks and not against an employer." (Informant, Market Operator).*

Partnership models and strategic alliances are often motivated by the agreement providing access to resources that are otherwise not as easily accessible. There may be access to customer masses, IT systems, markets, distribution channels or expertise - where the parties have mutual benefit from collaborating. It is about finding a good match where the partners complement each other with knowledge, experience and strategic resources.

> *"There are many ways to run innovation processes and a lot of people have been good at realizing a lot individually in recent years - but in order to speed up development, I hope to see more collaboration over time." (Informant, partner)*

It is therefore interesting that innovation pressures increase the need for cooperation, which in turn requires both the pace of change and the good cooperative skills of the employees. Customers are also an important source of identifying opportunities and potential for innovations.

> *"I think the basics of innovation with customers (...) we have also built up innovation labs that we use, while linking ourselves to various FinTech companies. We do this by arranging lots of competitions and events, where we get ideas and funding, and then move on." (Informant, market participant).*

4.3 Transforming - dealing with threats in the mobile payment market

The increased rate of change places greater demands on employees and their knowledge development, causing a lot of pressure to be updated, but also contributing to new solutions. We then asked the informants what they think characterizes changeable companies. One of the informants had the following reflection on changeable companies:

> *"(...) A changeable business is a business that never gets complacent. I think the biggest challenge for businesses that have had historical success is that they think that success repeats themselves - too, you see the dangers too late "(Informant, Market Operator).*

> *"(...) I think it's related to never being completely satisfied - there is always something that can be improved. If you are satisfied, the risk is that you will be outmaneuvered - things happen so fast in today's society "(Informant, analyst).*

Another informant points out that one must be willing to sacrifice what it has today to achieve new opportunities. It requires that you make some priorities that in the short term will not necessarily be better, but which in the long term will create value for your business.

In other words, external resources can be a competitive advantage for the company. At the same time, it is pointed out that with external resources it is extremely important that their knowledge and experience are spread throughout the business so that it gives value to the business in the long term and not just in the short term.

"It may be that you should have a consultant to help build the capability, but then they are going out (...) it's a change trip, it's not easy, you have to spend time, resources and it costs - but if The consultant does it; Then you've lost '(Informant, Analyst).

The knowledge of current and future competitors' strengths and weaknesses, capabilities and strategies is described by the informants as an advantage in dynamic markets.

"(...) I think there is a lot in the saying; Keep your friends close, but your enemies closer. If you know your competitors' next move, you can use this to your advantage (...) but it is clear that in markets where things change from day to day, players keep their cards close to the chest "(Informant, Market Operator).

It is agreed among the informants that the biggest competitors in the mobile payment market are not necessarily other banks, but actors like Google, Facebook and Amazon, who are able to build up digital ecosystems. The new players lay as a link between the consumers and the banks, and that these are the ones that stand for innovation.

5. Concluding discussion

Our study contribute with insights on how digitization and deregulation of the mobile payment industry are creating new dynamic capabilities. Dynamic capabilities are conceptualized as a kind of collective ability, knowledge and skills at a strategic level. These capabilities make organizations competitive and are related to innovation as they addresses how firms reconfigure their resource base when the organization experience changes within their external environment. Once the opportunities or threats have been identified, the business must determine how to interpret new events and trends in order to achieve a strategic market position. They must consider how, for example, new technologies will evolve, as well as when and how competitors, suppliers and customers will respond (Teece, 2007). We used Teece (2007) and based on the three basic processes underlying development of dynamic capabilities, sensing, seizing and transforming.

In terms of sensing – that the pace of change will increase as a result of the digitalization, as one informant argued – it is not possible to look in the rear view, you need to develop your resources, your business model and technology. Our findings on how firms in the mobile payment industry are seizing capabilities, namely building capabilities through systems and procedures tells that the informants see the benefits of building systems for innovation. The informants argue that employee involvement is a key issue to this part of the capability building process. Also the fact that building external relationships with new collaborators can add to the knowledge network. From our collected data it is also evident that innovations will be handled together with customers, on the border of the organization. In addition, using innovation labs, competitions and events might give access to a wider range of innovative ideas. In terms of transforming, the informants argue that success makes you blind to new threats – and if you are too satisfied, you will be left behind. Transforming has a vital element of knowledge management and a challenge with external relationship in the seizing process is the need for internalization through procedures and routines to make them organizational and long lasting. Another important insight from transforming is the duality between competition and cooperation, and working with innovation projects together with customers and partners will lead the competition to new challenging arenas.

Our findings reveal how innovation capabilities consist of a number of practices and processes in the organization. This interpretation implies that companies can choose different strategic approaches to innovation, depending on the capabilities they hold, what resources they have and the industry challenges they face. The implication of our study is conceptualizing innovation capability as firm's capacity to sense, seize and transform competences and skills at a higher level into the company. Creating dynamic capabilities should be systematized and replicated within the organization. Management orientations and attitudes related to innovation are thus central to the development of innovation capabilities. The study contributes with insight on how firms deploy organizational knowledge as an organizational capability enabling firms to transform their existing businesses and sustain competitiveness. Both statistical and theoretical generalizations are challenging, but in different ways (Burawoy, Burton et al. 1991). This study is based on a number of interviews within the financial sector, with actors in the market for mobile payment in Norway and in a specific period, and insights from this study should be tested in other markets or contexts to assess their generalizability.

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