Through the Eyes of a Manager
A study on the perceived effects of PSD2 and the preparatory work of Swedish bank managers

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Jesper Sjöstrand
Jacob Thorell
Supervisor: Jan Lindvall
Sammandrag

Abstract

The European financial market is rapidly changing with emerging fintechs targeting the banks’ traditional value chain, leveraging on their lower pace of innovation. The Payment Services Directive 2 (PSD2) is put into force in 2018 and aims to open up the financial market to new competitors, thus, promoting positive competition. This study examines how the managerial perception of changes in the external environment, caused by PSD2, affects banks’ preparatory work. The study uses a mix of Market Based View and Resource Based View along with an extension of RBV, illuminating how capabilities and managerial cognition affects managerial action. Using a qualitative approach through an interview based comparison between managers of two Swedish banks, the study confirms the theories’ stating that managerial cognition of the external environment, comprised of perceived opportunities and threats, affects managerial preparatory actions. Additionally, the study shows that managers’ perception of organisational capabilities affects managerial action.

Key words: Payment Services Directive 2, capabilities, managerial cognition, Resource Based View, perceived opportunities, perceived threats, capability matching, Swedish financial market, European financial market.
“Banking is necessary, banks are not”

- Bill Gates (King, 2012, p.56).
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1. Introduction

In 1994, Bill Gates made the provocative and controversial statement that in the future, banking will be needed, but the traditional banks will not (King, 2012, p.56).

This statement is relevant today more than ever as the digital technology developed in the past 20-30 years has affected consumer needs and expectations optimizing every aspect of peoples’ lives, the consumers crave that payment experiences and the manner in which they interact and consume other financial services to be fast and convenient. The convenience offered by online and mobile payment services as well as contactless cards causes changes in consumer preferences. (Ley et al., 2015).

The European financial market is rapidly changing with the new customer needs and new innovative technology emerging from fintech startups, targeting each part of the traditional banks’ value chain to improve various parts of the “universal banking model”, leveraging their relatively slow pace of innovation and efficiency in order to offer the consumers convenience, functionality and user experience as more attractive alternatives. By focusing on specific parts of the value chain, fintech companies are given an opportunity to gain a considerate amount of market shares in their niche through venture capital backing their innovative capabilities. (Cortet, 2016). As an increasing number of fintech companies are taking market shares, they have grown to become serious competitors for traditional banks (The Economist, 2015).

Another threatening factor to the banks’ survival is the new Payment Services Directive 2 (PSD2) that is put into force on an EU-level to promote the withering of the banks’ value chain in order to open up the financial market to new players and positive competition. These actions are believed to benefit the consumers by providing them with innovative, affordable and convenient products and services (Eur-lex, 2017). PSD2 is put into force to create a better integrated European Union payments market. It aims to establish clear and comprehensive rules applying to new and existing providers of ground breaking payment services. These rules will ensure competition on equal terms for all players in the market, resulting in greater efficiency, choice and transparency of payment services along with a strengthened consumer trust for a harmonised payments market. (Eur-lex, 2017)
This raises the question of how the banks will respond to the upcoming changes. Are they going to devote resources to developing their own innovative technology and try to outcompete the emerging fintechs? Are they going to collaborate with the emerging fintechs? Are they going to act solely as an infrastructure provider to the services of fintechs? The alternatives are countless and individually advantageous in several aspects.

How the managers will react may, according to Eggers & Kaplan (2013), depend on their perception of the current environment, including the perceived opportunities and threats that they expect will arise with the coming changes. The success of the chosen strategy will likely be determined by the organisations’ total capacity to handle these types of changes. However, Eggers & Kaplan (2013) state that the managers’ perception of the organisations’ total capacity, defined as perceived organisational resources and capabilities, is equally important to the success of the outcome. Furthermore, a last probable determinant of the success of the outcome is how managers are able to match the perceived resources and capabilities to the perceived opportunities and threats.

1.1. Purpose

The purpose of this study is to examine Swedish bank managers’ cognition and expectations of what changes PSD2 will bring and how these expectations affect their organisational preparatory work. This study further aims to investigate whether or not differences in cognitions and expectations of the same situation can affect the use of organisational resources and capabilities resulting in different preparatory approaches to the implementation of PSD2. Differences in preparatory approaches will most likely result in differences in the success rate of the preparatory work, presumably leading to differences in future organisational performance. The study aims to examine how the managerial cognition of the organisational resources and capabilities can be matched to the manager’s perception of opportunities and threats that comes with the implementation of PSD2 to attain the most desirable outcome.
1.2. Research Question

How will managerial cognition and expectations of what changes PSD2 will bring affect organisational preparatory work?

1.3. Disposition

Firstly, a background comprising of a brief official explanation of the upcoming legislature is presented. Secondly, a theoretical framework is presented followed by presentation and discussion of the method used for this study. Secondly, the gathered empirical data follows which will be analysed in the succeeding analysis/discussion section in which the results and analysis of the results will be discussed. Lastly, the conclusions drawn from this study along with suggestions for further research is presented.
2. Background

Following is a brief explanation of the European financial directive Payment Services Directive 2, including the Regulatory Technical Standards and Application Programming Interface.

2.1. Payment Services Directive 2 (PSD2)

The aim of the directive is, firstly, to provide legal foundation promoting development of a more integrated internal market for electronic payments across the European Union. Secondly, the directive aims to make international payments across countries in the European Union as easy as national payments by implementing comprehensive rules for payment services. Lastly, the directive aims to promote competition in the financial market by opening up payment markets which will lead to better services and prices for consumers. (Eur-lex, 2017).

The new directive takes into account the present development of innovative online payment services and mobile payments and aims to improve EU financial rules for such payment methods. The directive will improve security for electronic payments and protection of consumers’ personal financial information in order to prevent fraud. Furthermore, it will improve the transparency of conditions and information requirements for payment services along with the rights and obligations of users and providers of payment services. A complementation of the directive is the cap on interchange fees charged between banks regarding card-based transactions which aims to decrease the cost for merchants in accepting consumer debit and credit cards. (Eur-lex, 2017).

PSD2 is put in place in order to create a better integrated European Union payments market. It aims to establish clear and comprehensive rules applying to new and existing providers of ground breaking payment services. These rules ensure competition on equal terms for all players in the market, resulting in greater efficiency, choice and transparency of payment services along with a strengthened consumer trust for a harmonised payments market. (Eur-lex, 2017).
PSD2 opens up the European Union payment market to Payment Service Providers (PSP) that offer consumer- or business-oriented payment services that are based on access to payment account information, such as account information services allowing a payment service user to get a full overview of their financial situation at all times allowing them to improve their personal finance management. Additionally, the rules promote simplification of payment initiation services, making credit transfers for online purchases easier and faster. (Eur-lex, 2017).

A number of consumer rights are improved with the implementation of PSD2 such as unconditional refund rights for direct debits and removal of surcharges for the use of consumer credit or debit cards. (Eur-lex, 2017).

The directive does not change the conditions for granting authorisation as payment institutions substantially, however, payment institutions that offers account information services will be forced to have professional indemnity insurance as a condition for authorisation. Additionally, rules regarding supervision of authorised payment institutions will be implemented along with measures in case of non-compliance. (Eur-lex, 2017).

The Europan Banking Authority’s (EBA) role will be strengthened as they will develop a central register of authorised payment institutions accessible to the public which will be kept up to date by national authorities. The EBA will also assist in resolving disputes between national authorities, develop Regulatory Technical Standards (RTS) on Strong Customer Authentication (SCA) and secure communication channels that all payment service providers must comply with. Lastly, the EBA will develop cooperation and information exchange between supervisory authorities. (Eur-lex, 2017).

PSD2 was applied on the 12th January 2016 and the European Union countries will have to incorporate it into national law by the 14th January 2018. (Eur-lex, 2017).

2.1.1. Regulatory Technical Standards (RTS)
The RTS, covering SCA and secure communication, are vital in order to achieve PSD2’s objective to enhance consumer protection, promote innovation and improve payment services security in the European Union.

The RTS cover the requirements that PSPs need to be compliant with in order for security measures to be implemented. The PSPs need to apply the procedure of SCA and uphold and protect the confidentiality and integrity of payment service user’s personalised security credentials. Additionally, they need to establish common and secure open standards regarding communication between ASPSPs (Account Servicing Payment Service Providers), PISP (Payment Initiation Service Providers), AISP (Account Information Service Providers), payers, payees and other PSPs. (European Banking Authority, 2017).

The general requirements for PSPs brought up in RTS include upholding and protecting the confidentiality and integrity of payment service user’s personalised security credentials (including authentication codes) during the entire authentication process (display, transmission and storage). Additionally, the creation and delivery of personalised security credentials needs to be done in a secure environment. All actions and stages included in any type of electronic transaction need to be traceable. (European Banking Authority, 2017).

The main focus of RTS is SCA which aims to secure the identification and authentication of payment service users by PSPs during communication between the payer’s device and the payee’s acceptance devices for electronic payments. The Member states adopting PSD2 and RTS are required to ensure that PSPs apply SCA where the payer accesses their online accounts, initiates an electronic payment transaction or any other action involving a remote channel that may imply risk of fraud. The authentication procedure shall result in the creation of an authentication code that PSPs make use of at the initiation of an electronic transaction or any other action that holds a risk of payment fraud or other abuses. The authentication code needs to be encrypted so that it cannot be forged or used by other parties to initiate other unauthorized transactions, captured by unauthorized parties or reveal any type of information of the parties involved in the transaction. Mitigation of all types of risks of unauthorized use, replication, fraud or confidentiality is a prominent focus of the RTS and SCA. (European Banking Authority, 2016).

The RTS categorizes the elements of SCA into 3 categories:

- Knowledge (Something only the user knows i.e. a password)
PSPs are required to adopt safety measures to ensure disclosure of knowledge that should only be known to the user to unauthorized parties.

- Possession (Something the user possesses i.e. cellular phone)

PSPs are required to adopt safety measures to ensure that replication of the elements is not possible, using anti-cloning features to prevent forging and cloning of elements.

- Inherence (Something the user is i.e. finger print)

PSPs are required to adopt safety measures to ensure that the devices and software provided to the payer can resist unauthorized access and use of the elements (European Banking Authority, 2016).

2.2. Application Programming Interface

PISP and AISP will mostly communicate with banks, consumers and other service providers by using open Application Programming Interfaces (API). (Holm & Hellström, 2016) An API is a set of commands, functions, protocols and objects that programmers can use to create software or communicate system to system. These commands help the programmers since they no longer need to write code from scratch. (Christensson, 2016).

A majority of companies have their own API that is designed to fit them. There are three different types of API; Private, Partner or Open API. If a company has a private API it is generally only used internally in order to integrate their internal applications and systems. If they use a Partner API it is used primarily to facilitate communication and integration of software between the company and its business partners. An Open API is used when a company wants to publicly expose information and functionalities of their systems and applications to third parties that does not necessarily have a business relationship with them. There are advantages and disadvantages to all the different APIs, and it is very common for companies to combine the different forms of API. (Jacobson.et.al., 2011; Boyd, 2014).
3. Theoretical Framework

The Theoretical Framework of the study will be presented along with the Analysis Model. Definitions of the abbreviations used in the text can be found in Appendix 1. A mixture of the Market Based View and the Resource Based View is used in order to analyse managerial perception of change in the external environment. Furthermore, by focusing on capabilities in the Resource Based View and combining it with managerial cognition of the external and internal environment, a theory presented by Eggers and Kaplan (2013) is used to analyse managerial perception and, consequently, preparatory actions.

3.1. Market Based View

The Market Based View (MBV) rationalises a firm’s performance through the structure of the external industry and the strategic behaviour of competing parties within the industry. According to this “outside-in” perspective, the economic performance of a firm and its competitive advantages can be largely accredited to the structure of its industry, for example, to possible entry barriers keeping additional competition out, thus protecting profit margins. (Asad, 2012)

Michael Porter’s 5 Forces framework is disputably the most widespread framework taught in business school to date and that is currently used by management scholars. The framework offers a systematic approach to assess competition within an industry and can be used by companies to choose attractive industries to enter. According to Porter, an industry’s attractiveness is determined by five competitive forces that form the opening for superior performance in an industry. These forces are:

(1) Threat of entry by potential competitors
(2) Threat of substitute products
(3) Bargaining power of suppliers
(4) Bargaining power of buyers
(5) Intensity of rivalry among established firms
The stronger these forces are jointly, the more intense the competition, thus, lowering the appeal of the industry. As advocates of the MBV argue, competitive advantage arises as a result of superior positioning against other competitive parties in an industry. By differentiating products and services from existing ones of competing firms, companies can attain a favoured end-product market position and inhibit the market’s inherent tendency to move toward perfect competition. Through the achievement of superior positioning, a firm can command monopoly rents by intentionally limiting production below competitive levels. Instead of being a price taker in a perfectly competitive arena, superior positioning allows the firm to retain some control over price and increase profits by curbing competition. The resulting above-normal future returns are supposed to result in higher current firm value. (Asad, 2012)

The Porter’s five forces model underlines the actions a firm can take to attain superior profits by creating privileged market or industry positions against competitive forces. The Resource based view, however, emphasizes building competitive advantage through capturing superior profits, created from fundamental firm-level resources and capabilities. While both Porter’s five forces model and Resource based view may appear to be different, they are, arguably, complementary when integrated. The industry structure and position approach aids a firm in trying to recognize its competitive environment while the Resource Based View helps firms to evaluate its ability to exploit strengths and respond to identified weaknesses. According to Werner Felt (1984), Porter’s framework and the Resource Based View form two sides of the same coin. Thus, the author suggests that both Porter’s five forces model and Resource Based View remain central and the choice should not stand between choosing one and discarding the other but rather to integrate them and make use of their complementarity. Firms cannot ignore the industries within which they operate, but neither can they afford to focus mindlessly upon it at the expense of their internal resources and miss opportunities to establish sustainable competitive advantages. (Asad, 2012)
3.2. Resource Based View

The Resource Based View (RBV) is a model stating that a company’s business strategy should be determined principally by its internal resources rather than by external factors. These internal resources are for example assets, capabilities, processes, intellectual capital and experience. The RBV holds that a company can create sustained competitive advantage where its resources satisfy the VRIN (Valuable, Rare, Imperfectly imitable and Non-substitutable) criteria. Its elegant simplicity and immediate face value has made it one of the most influential and cited theories in the history of management theorizing. (Kraaijenbrink et. al. 2010; Law, 2016)

The competitive advantage, which is the goal of RBV to reach, is defined as follows:

“An enterprise has a competitive advantage if it is able to create more economic value than the marginal (breakeven) competitor in its market.” (Peteraf & Barney 2003:314)

This definition is consistent in spirit with the definition of competitive advantage provided by Porter (1985) and Barney (1986, 1991).

This view can be used to analyse why some firms persistently outperform other firms. It is a substitute to the older Market Based View, which focuses on the impact that a firm’s market power has on the ability for said firm to raise prices above the competing level. Instead of basing the strategy on the internal resources as the RBV does, Market Based View designs the company policies and strategy based on the trend and the nature of the industry’s environment. (Barney, 2007)

The RBV has been subjected to heavy criticism. Kraaijenbrink (2010) assesses eight critiques and concludes that the core message of RBV can withstand five of them quite well. However, he stresses that the remaining three call for further theorizing and research. The first of the three critiques that cannot be readily dismissed is that the current conceptualization of value in the RBV is far too vague and indefinite to come to any general conclusion. The second critique is regarding how the definition of a resource in RBV is all inclusive and general, which makes the connection between different types of resources and the competitive advantage non-existent. The third critique is that the RBV does not take into account the synergies between an organisation's resources but focuses solely on individual resources. Furthermore, the theory does not sufficiently acknowledge the role of the individual judgments nor mental modes of entrepreneurs and managers. The heavy criticism has led to several extensions and alternative theories. (Kraaijenbrink, 2010)
3.2.1. Capabilities and Resources

The RBV has been extended and advanced through clarification of two distinct mechanisms with which managers reach the competitive advantage; resource-picking (Ricardian perspective) and capability-building (Schumpeterian perspective). The former refers to a strategy to outperform competitors by being more effective at selecting resources. The latter refers to the strategy to deploy resources in a superior manner compared to competing companies using so called capabilities. (Makadok, 2001)

Following is a definition of capabilities and resources by Amit and Schoemaker (1993 p35): 

Capabilities, in contrast, refer to a firm’s capacity to deploy Resources, usually in a combination, using organisational processes to affect a desired end. They are information-based, tangible or intangible processes that are firm-specific and are developed over time through complex interactions through the firm’s Resources. They can abstractly be thought of as intermediate goods generated by the firm to provide enhanced productivity of its Resources, as well as strategic flexibility and protection for its final product or service. (Italics in the original)

By this definition, there are two key features that distinguish a capability from other types of resources; it is firm-specific and its primary purpose is to enhance the productivity of other resources. The former feature means that capabilities are embedded in an organisation, and therefore cannot be easily transferred from an organisation to another. (Makadok, 2001) The argument by Daft & Weick (1984) that capabilities solely exist in part as managers interpret them sheds new light on the subject. They propose that managerial cognition is a mechanism by which routines are transformed into capabilities, and by that logic there is no difference between the organisation’s capabilities and the manager’s interpretation of those capabilities (Daft & Weick, 1984; Weick, 1969).

3.2.2. Managerial Cognition and Capabilities

The article Cognition and Capabilities: A Multilevel Perspective written by Eggers & Kaplan (2013) combines organisational capabilities with theories on managerial cognition providing a deeper understanding of how manager’s act. Theories on organisational capabilities problematize organisations by showing that different capability endowments across
organisations could lead to differential performances even in the same environment. Management cognition theories on the other hand problematize the environment, stating that it is not purely exogenous but rather shaped by the internal managerial interpretation of it. When combining these two views, a broader theoretical framework can be obtained. (Ibid)

Eggers & Kaplan (2013) expand on how capabilities are created and discusses the connection between the perceived resources/capabilities and the perceived opportunities/threats as well as how the performance of an organisation depends heavily on managers’ perception or recognition of those (Eggers & Kaplan, 2013). Since focusing on how capabilities are created is not relevant to the research question, the latter will be expanded on. By using the SWOT (strengths, weaknesses, opportunities, threats) analysis presented by Andrews et al (1965), Eggers & Kaplan (2013) use the opportunities and threats to further analyse how managers view their surroundings. The essential idea is that a manager’s interpretations of the external landscape will affect how they see their own organisation’s abilities to respond to it (Milliken, 1987). For example, if managers perceive threats they are more likely to get anchored in their current understandings of internal capabilities, but if they perceive opportunities the operational rigidity can be relaxed (Gilbert, 2005; Bateman & Zeithaml, 1989; Thomas & McDaniel, 1990). Eggers & Kaplan (2013) discuss inertia and flexibility within an organisation and discusses how the perception and outlook the managers have on environmental changes can affect the outcome when confronting it. It proposes that the source of inertia and difficulties in adapting to environmental changes is not often the lack of capabilities but the inability to connect these capabilities to opportunities created in the environment and that this match is not possible if managerial beliefs are not aligned with the perceived opportunity (Tripsas & Gavetti, 2000). The opposite is not necessarily true. As a lack of capabilities but an ability to connect capabilities to opportunities or threats in the environment can result in a positive outcome, suggesting that the ability to connect capabilities to opportunities or threats might be more important than inhibiting the capabilities. (Eggers & Kaplan, 2013) Furthermore, when top teams fail to recognize change (Barr et al., 1992; Cho & Hambrick, 2006; Kaplan et al., 2003), their organisations exhibit inertia.

Managers need to be certain that external changes actually will present significant threats or opportunities to their organization in order to be motivated to start the search for an effective strategic response to counteract or capitalize on the external changes. If managers are uncertain about the nature of environmental changes and possess an unclear perception of their
environment, it will be extremely difficult to identify threats and opportunities with any degree of confidence. (Milliken, 1987)

When studying the match between capabilities and perceived opportunities, some mechanisms can be grouped into attention-based and search-based. Attention-based theories suggest that decisions about resource allocation are shaped by how organisations channel managers’ attention (Ocasio, 1997: p. 188), “*What decision makers do depends on what issues and answers they focus their attention on.*” Attention signals the manager’s willingness to pursue a course of action, serving as a sign-post for the organisation’s employees and stakeholders about the focus and orientation of the organisation (Eggers & Kaplan, 2009; Ocasio, 1997). The search-based mechanic explains how matching between opportunities and capabilities occur (Gavetti, 2013). By comparing new opportunities to prior ones matches have a higher/lower chance to occur if the prior decision was successful/unsuccesful (Gavetti et al. 2005). Furthermore, Swets & Picket (1982) proposes that an organisation possesses underlying capabilities that could be used to create value, but managers develop a perception of solely a part of those. By this logic, the best managers would be the ones with the most accurate perception of the organisation’s capabilities. (Eggers & Kaplan, 2013)

### 3.3. Analysis Model

Studying the internal managerial perception, what capabilities are derived from the managers’ cognition of the organisation’s resources and combining it with the managerial perception of the external environment it is possible to analyse the matches made by managers between perceived capabilities and perceived opportunities/threats. According to our theoretical framework, these matches are the basis of managerial action that leads to performance. As the analysis model suggests, the perceived capabilities may affect perceived opportunities/threats and vice versa.
Figure 1. the selected analysis model
4. Method

Following is the Choice of Method, Data Collection, Selection of Companies and Respondents, Operationalisation of the chosen variables, a list of Respondents and lastly a section covering Reliability and Validity.

4.1. Choice of Method

4.1.1. Interview Based Qualitative Research Approach

The character of this research method is qualitative in which the emphasis lies on behaviours, opinions and statements, rather than quantification of data. Semi-structured interviews were used to gather empirical data from managers of the PSD2 projects at SEB AB and Swedbank AB (see Table 1). The empirical data was later compared between the organisations in an empirically based comparison. The qualitative research method for this study bases on theory being backed up by collected empirical data. A qualitative research method is suitable in this case as the focus lies on words rather than quantification and an interpreting viewpoint is applied, which is based on respondents’ perception of a reality. Qualitative research comprises several methods of which this particular study is based on qualitative interviews to obtain managerial opinions on expectations and cognition of the coming change and how they affect their preparatory work (Bryman & Bell, 2013). The choice of method is further supported by Conger’s (1998) opinion that qualitative methods are preferred when researching topics regarding management. However, it is worth noticing that the qualitative approach method using semi-structured interviews occasionally complicates a generalisation of the results. Furthermore, it is accompanied by a risk of rendering results that are too subjective. An issue of lacking transparency may also be prominent in qualitative research as it generally is considerably less extensive than quantitative research (Bryman & Bell, 2013). Despite the critique, we concur with Conger (1998), that a qualitative research method is suitable to our study as it has contributed to a high level of creativity whilst gathering empirical data. Initially, the empirical data formed the basis for the theoretical framework with the sole purpose of not controlling the result of the empirical data. Additional theoretical research was added after a
pilot interview in order to answer our research question based on existing theory (Bryman & Bell, 2013)

4.2. Data Collection

4.2.1. Semi-Structured Interview Method

In order to focus on the respondents’ personal expectations and cognitions and simultaneously draw conclusions of the bank’s general standing point regarding the coming change, we decided to conduct semi-structured interviews (Bryman & Bell, 2013). This was the most suitable method for us to be able to answer the research question. A positive aspect that semi-structured interviews provides is that the respondents are given the possibility to form their answers using their own words and base them on their own personal experiences (Saunders et. al, 2012). The choice of semi-structured interview questions is further supported by the fact that they enable the respondents to provide a broad and multi-dimensional view of the situation they are facing, something that is difficult to reach when using standardized questions, thus, answers which providing the moderator with further, possibly valuable information (Ahrne & Svensson 2011). Before each interview, we sent them an e-mail in which we shortly described our study and what we aimed to research along with the primary questions (see Appendix 1) we wanted them to answer in order for the respondents’ to be able to prepare qualitative answers. The interviews were recorded and thorough notes were written during the interviews. The essential parts of the empirical data were sorted out and can be found under 4. Empirical Data.

4.2.2. Pilot Interview

The purpose of the pilot interview was to test if our interview technique was suitable and if our primary interview questions were relevant to be able to answer our research question. Additionally, the pilot interview provided us with thorough general information about the coming directive which gave us an oversight of the subject. The collected information allowed us to further suit our interview questions for the respondents in order to obtain qualitative answers.
4.2.3. **Empirically Based Comparison**

Before the gathering of empirical data, the interviews were designed in a moderately organized manner, in accordance with Kvale, written by Ahrne and Svensson (2011), in order to ensure transparency and to avoid extensive empirical data gathering. In the analysis, the topics were distinguished and gradually categorized into an empirically based comparison after the first few interviews, comparing the expectations and cognitions from representatives from SEB AB and Swedbank AB and analysing how they affect their preparatory work. Using this method allowed us to systematically search for common themes during the following interviews and, simultaneously, search for new themes and topics. This method contributed to gradually categorize the empirical data as we gathered it, which simplified the structuring of our theoretical framework as the interviews gave rise to new, relevant concepts (Bryman & Bell, 2013).

4.3. **Selection of Companies**

As this study aims to research how Swedish bank manager’s expectation and cognition of how the PSD2 effects on the European and Swedish financial market affects their preparatory work, we collect data from Swedish banks. In order to examine if there are differences in expectation and cognition which, consequently, may differentiate preparatory work we chose to collect empirical data from SEB AB and Swedbank AB and compared the two. SEB AB and Swedbank AB are two out of the four biggest banks in Sweden. Both banks will be affected by the directive in a similar manner and are in the preparation process to tackle the changes that will come with them. Due to lack of time and access, we were not able to collect information from all four big banks in Sweden which decreases the reliability of this study.

4.4. **Selection of Respondents**

We chose to interview respondents that are in charge of the preparatory work for the coming change. Hence, this study uses a strategic selection of respondents that are relevant to the theories and purpose of the study (Bryman & Bell, 2013). In order to obtain correct and detailed information we mainly chose to interview managers of the PSD2 project at SEB AB and Swedbank AB instead of interviewing top management where the risk of obtaining merely general information likely is greater. The respondents were experts in the area and were able to
provide well educated expectations and predictions. We conducted interviews with several managers at both SEB AB and Swedbank AB to reduce the risk of information being biased and/or homogeneous. All the respondents agreed to participate under their real name which contributes to the reliability of the study.

4.5. Operationalisation

4.5.1. Variables

- **Perceived Resources**
  - Perceived resources were operationalised by researching managerial perception of organisational resources available to tackle the changes that PSD2 brings. Questions regarding the managers’ perception of organisational ability to handle changes in general as well as organisational ability to handle this specific change were asked in order to grasp the managerial overview of their organisation.

- **Perceived Capabilities**
  - Perceived capabilities were operationalised by researching managerial perception of existing organisational capabilities to deploy resources necessary to handle the changes that PSD2 brings. Questions were asked regarding the managers’ perception of how the organisation’s resources are being deployed.

- **Perceived Opportunities**
  - Perceived opportunities were operationalised by researching managerial perception of PSD2’s expected impact on the EU and the Swedish financial market as well as on their respective organisation. Questions regarding the managers’ expectation of business opportunities were asked in order to grasp the managerial perception of the external environment which, according to the theoretical framework, affects their strategic choices.

- **Perceived Threats**
  - Perceived threats were operationalised by researching managerial perception of PSD2’s expected impact on the EU and the Swedish financial market. Questions regarding the managers’ expectation of threats to Swedish and EU banks revenue streams and consumers in order to grasp the managerial perception of the external environment which, according to the theoretical framework, affects their strategic choices.
4.6. Reliability and Validity

LeCompte and Goetz separates internal and external reliability and validity in qualitative research (Bryman & Bell, 2013). The internal reliability is debatable as it contains a subjective interpretation of empirical data. The external reliability, regarding to what extent the study can be replicated, is also debatable as the coming directive makes this situation specific, which affects the transferability to other contexts (Bryman & Bell, 2013). However, since the basis of the research question covering managerial expectation and cognition of external organisational change and its effect on preparatory work is generic, the study can be replicated to some extent. The internal validity, whether the observations correlate to the theoretical framework, can be seen as all the respondents are managers guiding the preparatory work for the implementation of PSD2 which matches the concepts of the theory used. The external validity is questionable as this is a case study (Bryman & Bell, 2013). The reliability of this study is strengthened by respondent validation as all the respondents agreed to participate using their real names and titles. In order for the study to be reliable and the fact that it is nearly impossible to achieve complete objectivity, it is important for us as authors not to let our subjective opinions and external factors affect our drawn conclusions.

We noticed that the respondents that were negative to the coming changes tended to provide us with less informative answers than the ones that were positive to the change, which resulted in the majority of the empirical data being positive. The reliability of the study is further altered by the limited number of interviews conducted which did not necessarily provide us with a realistic view of the coming change (Ahrne & Svensson, 2011). Lastly, the reliability and validity of this study may be altered as the interviews were held in Swedish and then translated into English by the authors, risking translational errors.
### 4.7. Respondents

<table>
<thead>
<tr>
<th>Bank</th>
<th>Title</th>
<th>Name</th>
<th>Date</th>
<th>Length of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEB Card Services AB</td>
<td>PSD2 Project Leader</td>
<td>Christer Ljungh</td>
<td>20/4-2014</td>
<td>55 Minutes</td>
</tr>
<tr>
<td>SEB Card Services AB</td>
<td>PSD2 Project Sponsor</td>
<td>Stefan Söderberg</td>
<td>24/4-2017</td>
<td>29 Minutes</td>
</tr>
<tr>
<td>Swedbank AB</td>
<td>PSD2 Project Manager</td>
<td>Behrang Masoumi</td>
<td>26/4-2017</td>
<td>46 Minutes</td>
</tr>
<tr>
<td>Swedbank AB</td>
<td>Product Manager at Group Payments and Cash Payments</td>
<td>Emil Johansson</td>
<td>2/5-2017</td>
<td>52 Minutes</td>
</tr>
<tr>
<td>SEB AB</td>
<td>PSD2 and Open Banking Project Manager</td>
<td>Christian Moberg</td>
<td>18/5-2017</td>
<td>40 Minutes</td>
</tr>
</tbody>
</table>

*Table 1, Information about the respondents.*
5. Empirical Data

The empirical data is categorized into three parts, Managerial Expectations and Cognitions of PSD2’s Effects on a European/National Level, Organisational Level and Organisational Preparatory Work. Each category is further divided into the empirical data gathered from SEB AB and Swedbank AB.

5.1. Managerial Expectations and Cognitions of PSD2’s Effects on a European/National Level

5.1.1. SEB AB

The general prediction from management of the PSD2-project is that PSD2 merely acts as an accelerator towards the innovative and globalizing direction that the European financial market is already heading. The market will open up and competition will grow, forcing a development of new services that will serve the consumers positively, although it may take some time. PSD2 will contribute to a more structured financial market with TPPs being forced to operate under the same conditions, restrictions and infrastructure as the traditional banks have to. One of the aims of the directive is to increase the market share of smaller companies. Despite this, the managers believe that the introduced international standards will aid big players in the long run, such as PayPal, Samsung or Google, in taking over a bigger part of the market, which thanks to globalization and the digitalization is more possible today than ever before. However, as the Swedish financial market is relatively small, has several established players with developed technology and does not have the Euro as currency the managers say that it is unlikely for the big players to enter and compete in the Swedish market. They believe that the directive will contribute to a positive change for the Swedish financial market, even though it is already in the developmental forefront compared to other European financial markets. All Swedish banks are working towards developing an operational and technical standard that suits all the players in the market, which will be very time consuming.
They are under the impression that the new directive will not affect the private customers to the same extent as it will the corporate customers as payment services such as PayPal, Klarna and Swish already exist for private customers. They express concerns regarding how corporate customers will be affected by the adoption of RTS with all its regulations and requirements. The managers mention a trend in the banking industry showing decreased loyalty shown from the banks’ customers, a trend that possibly will be accelerated by the PSD2. The AISP will attain information from the banks through open APIs instead of using screen scraping, a method that is used today by many TPPs. As screen scraping becomes illegal in the new directive, this could have a negative effect on the TPPs which may cause decreased competitive power or even bankruptcy in some cases.

5.1.2. Swedbank AB

The managers of the PSD2 project at Swedbank AB believe that the goal of the new directive is for the competition in EU’s internal financial market to flourish and to decrease the competitive edge the banks have. Consequently, they predict that several new fintechs will have a fair chance to compete with the banks in all parts of the payment value chain. However, they press the issue of the uncertainty of the new directive. The terms and requirements of PSD2 and RTS are still unclear, which makes detailed predictions difficult to give.

They further describe the banking industry as an industry in change, becoming more and more dynamic. The digitalization has affected the industry a great deal and is now closing the gap between customer demands and available technology, which opens up for several opportunities. Considering Sweden’s current financial infrastructure and innovative force, the directive will not affect Sweden as much as it will affect countries in the south of Europe, where the payment systems are not as developed. In some Swedish industries/markets the development is so far ahead that they will likely not be affected at all.

According to the managers, the PSD2 acts as an accelerator towards the innovative direction that the financial industry is already heading rather than turning the development in a new direction. The development of new innovative financial solutions and services has been prominent for quite some time now. The new directive will push the innovation further to increase convenience for consumers. With new technology and new approaches to banking, fintechs have tried to take over activities from the bank’s value chain, a value chain that has
been owned solely by the banks for a long time. The access to account and payment information will enable fintechs to develop innovative solutions and services which, in turn, will contribute to increased competition for the banks. They express concerns that, since the directive will be translated differently by all the European countries, problems will occur. However, if the implementation is successful and effective API’s are developed, the goal of EBA to promote positive competition in the European market will be reached. According to the managers, problems are not likely to surface in Sweden as only 4 big banks have to work together to create effective solutions. However, they predict that problems will occur when the 4000 banks in Europe have to work together. Swedish banks are already working with local TPPs but they predict technical difficulties to surface when doing business with foreign TPPs.

They are positive to the new standard set by PSD2 regarding the requirements of open APIs. They believe this will make it easier for organisations to establish themselves in the international market, and that it will harmonize the market. In addition, the new directive prohibits screen scraping, they believe that the actors in the market that have built their services around screen scraping will have a hard time adjusting to this.

The managers predict that the new effects of the implementation of PSD2 and RTS will not be the simplicity and convenience of services for the consumers as the current solutions available are already highly developed. The new directive will simplify cross-border transaction services and solutions which increases European trade as they force European fintechs and banks to operate under the same conditions and similar infrastructure. The universal financial infrastructure will lead to the number of potential customers in the market to increase immensely, which will attract big companies such as Google and Facebook with more resources to develop possibly ground-breaking products and services with which they will outcompete the majority of banks and non-banks in the market. As in most markets, the most innovatively developed services and solutions will be copied by the competing companies shortly thereafter, hence, creating a more homogeneous market in the long run.

The directive is likely to affect corporate customers more than they will private customers as corporate customers are charged for services to a larger extent than private customers. Therefore, innovative solutions and services will likely be developed for corporate customer convenience.
As payment by cards is a highly-used product and has been for a long time, the legal framework regarding it is developed and optimized. The new innovative account information provider solutions and payment solutions that are being developed are still uncharted territories and will require a considerate amount of time for optimizing the legal framework surrounding it. Therefore, the managers believe that the results coming from the changes will benefit consumer convenience and security in time, but that there might surface some problems in the near future.

5.2. Managerial Expectations and Cognitions of PSD2’s effects on an Organisational Level

5.2.1. SEB AB

The managers of the PSD2 project at SEB AB state that the new directive will have a big impact on them. The business mindset will have to change direction towards a higher degree of openness to collaboration with fintechs. They believe that single small fintech companies will not likely pose as a serious threat to as they generally specialize on optimizing a single or a few steps in the payment value chain, and in doing so, there is not a considerate amount of revenue to steal. Although, they do recognize a number of fintechs trying to outperform the bank in several steps of the payment value chain as a serious threat to the bank’s revenue stream. SEB AB is having difficulties in competing with the pace of innovation that fintechs inhibit. The EBA will keep a list containing the certified TPPs in Europe, although no actor certifying TPPs exist at the moment. The managers predict that several certifying actors will surface, which will lead to confusion of which list of certified TPPs that is up to date and legitimate. The managers do not believe that Swedish banks will attempt to become certifying actors. Additionally, they expect SEB AB’s presence to customers will decrease. Therefore, the bank needs to be more forward and develop new services and solutions for the consumers in order to stay relevant.

The international standards that are introduced will aid big players in taking over a bigger part of the market, which thanks to globalization and the digitalization is possible today like never before. They believe that in the long run SEB AB will be negatively affected by these changes. They mention that some of the RTS legal requirements would negatively affect the revenue stream coming from their corporate customers. However, their perception is that the revenue
stream from corporate customers will not be as negatively affected as the revenue stream from the private customers. They suggest that SEB AB should invest more in finding future business/market opportunities that the changes will provide. A prominent positive aspect is that the bank will be able to obtain information of the customers’ financial situation in full, allowing them to provide improved products and services to satisfy customer needs, especially in financial advising. The managers are positive regarding the new directive since it promotes openness and positive competition. Although, they are still investigating possible negative impacts.

A major change in the dispute process for SEB AB is required for compliance with PSD2. The dispute department is forced to refund the disputed amount to their customers within 24h. They express concerns of the dispute process and claim that difficulties in the fraud investigation process will surface due to the time limit. If the Dispute Department denies the customer’s claim, they will likely have to demand a recovery of payment from the customer, a process which will be costly for SEB AB. Another concern from the managers is that said change results in modifications of the terms and conditions of their products, a process which will also be very costly and time consuming.

In conclusion, the managers believe that PSD2 will be predominantly positive rather than negative for SEB AB due to the many emerging business and market opportunities.

5.2.2. Swedbank AB

The managers of the PSD2 project believe that the change in the industry is affecting Swedbank AB’s strategies for the future, since they are experiencing more and more consumer power and an increasing competition which lowers their margins. They predict that a large number of new fintechs will emerge initially which will result in more fierce competition in the market leading to several fintechs not being able to perform and, consequently, face bankruptcy. In order to keep up with the changes, Swedbank AB will have to focus more on meeting consumer needs and will have to alter the way they see their customers.

However, they anticipate that their revenue will decrease but that their profit will remain as a result of the implementation of the directive. Therefore, they are not overly worried about the emerging competition from fintechs.
5.3. **Organisational Preparatory Work for the Implementation of PSD2**

5.3.1. **SEB AB**

The managers of the PSD2 project at SEB AB believe that not enough resources are put on the project in general. They mention that the budget might be slightly misbalanced, focusing too little on business opportunities and more on compliance. The managers illuminated their competence and experience in commerce and offering services and products to corporate customers. The managers inform us that, instead of initiating a fully covering PSD2 project, several ongoing projects which includes parts of the required changes of the implementation of PSD2 are moved further up in SEB AB’s priority list to speed them up as well as SEB AB redistributing more resources towards them. One manager is under the impression that in organisational change processes in general, SEB AB is rather lust driven. The projects that are seen as exciting, interesting and economically advantageous are prioritized and the not as interesting, yet obligatory, projects tend to be dragged out.

SEB AB has not yet officially revealed their standpoint as they were, according to the managers, slower than other Swedish banks to start preparing for the changes to come. Consequently, they did not disclose whether SEB AB will focus on collaborating or competing with TPPs. However, the managers state that, to successfully handle the coming changes, resources need to be invested in developing IT solutions, API’s and lobbying for modifications in the directive. Additionally, the security aspect of transactions and communication of information demands focus and a considerable amount of resources. The managers state that SEB AB is highly skilled in security matters as opposed to the newly started TPPs which may cause issues for consumers.

The extent of the negative effect that PSD2 and RTS brings forces SEB AB, along with several other Swedish banks and banking associations, to lobby for some of the changes not to come into force. According to the managers, the outcome of the lobbying will determine their perception of whether the impact of the directive will be positive or negative for the bank.
5.3.2. Swedbank AB

Swedbank AB conducted a pilot study of the new directive one year before it was accepted, through which they received a glimpse into the future of what was to come. Right now, Swedbank AB is exploring what business opportunities come with the new directive.

Since the customer loyalty to merely one bank is diminishing, the managers of the PSD2 project stressed the need to be present where the customer is. They believe that most banks, Swedbank AB included, will cooperate with fintechs in the future in order to meet customer expectations. One way of cooperating is to integrate other banks and fintechs into their own application, bundling all services into a universal application to offer all the services a consumer needs in one app, a sort of “life app” where the banking services are just one part. This goes in line with Swedbank AB’s wanted position, which is to be the most prominent digital bank in Sweden. If reached, this goal would increase consumer convenience and availability. By offering this, the bank’s services will never be out of reach from the consumers. This sort of cross selling would be one way of earning back the loss in return caused by decreasing margins in payment services. An alternate way of earning back the revenue loss would be to sell their infrastructure, which is already up and running, to fintechs on the market, this idea is part of their current PSD2 project.

In addition to compliance and business opportunities, Swedbank AB and other actors are lobbying for some changes in the directive and for the national directive to be as standardized as possible.

Swedbank AB inhibits a large sum of APIs today, but since they are investing in developing new API gateways and other new APIs it is a channel that will increase rapidly according to the managers.

The managers agree that Swedbank AB handles external changes of this nature well compared to other Swedish banks as they tend to devote a considerable amount of resources and focus on finding new business opportunities.
6. Analysis/Discussion

An analysis and discussion in a comparison of the empirical data gathered from SEB AB and Swedbank AB with the theoretical framework as basis is presented. Following is an analysis and discussion of the empirical data gathered from each organisation divided into the separate organisations presented. Lastly is the limitation of our study presented.

6.1. Comparison Between SEB AB and Swedbank AB

The perception of how external changes will affect the market is essential when analysing manager’s preparatory actions. It can be derived from the Market Based View, including Porter’s 5 forces. In this study, both organisations recognized that 4 out of 5 of Porter’s 5 forces will increase as a result of the new directive; Threat of entry by potential competitors, threat of substitute products, intensity of rivalry among established firms and bargaining power of buyers. Managers of both banks seemed to share expectations of how the external changes will affect the market, but even though different organisations share the same perception of how external changes will affect the market, their perception of how the external changes will affect their own organisation might differ. What opportunities and threats managers perceive are determined by what resources and capabilities the managers see within their organisation to handle said changes. The theoretical framework further suggests that the only existing capabilities are the ones noticed by the managers. Due to this, some organisations may see opportunities where other organisations see threats. In the comparison between SEB AB and Swedbank AB, for example, it becomes clear as SEB AB sees the simplification of European trade through standardized technological infrastructure for cross border transactions as a threat because it opens up the market for new competitors with a significantly higher pace of innovation to enter whereas Swedbank AB sees the change as an opportunity for them through increased number of potential customers.

6.2. SEB AB

The theoretical framework states that there is no difference between an organisation’s capabilities and its managers’ interpretation of them. SEB AB’s managers acknowledge several
capabilities such as the fact that SEB AB can handle external change well through their ability to quickly reallocate resources and focus towards critical and time sensitive projects. In the case of the new directive, it seems that even though the capability is acknowledged, it has not been properly matched to the perceived threats and opportunities.

In order for the managers to feel they need to take action they need to be certain that external changes actually will present significant threats or opportunities to their organization. If they are uncertain about the nature of environmental changes, for example, it will be extremely difficult to identify threats and opportunities with any degree of confidence which may lead to failure to recognize change. According to the theoretical framework, failure to recognize change leads to inertia. SEB AB’s approach for the preparatory work for the implementation of PSD2 has been of a seemingly reactive nature. They have yet to publish an official standing point or strategy to handle the coming changes as they are still in the developing process causing their PSD2 project to be initiated relatively late. SEB AB’s managers can therefore be accused to an extent of failing to recognize change.

According to the theoretical framework, if managers observe more threats than opportunities it anchors them in their current understanding of internal capabilities which could inhibit possible matches between capabilities and opportunities/threats. What is evident from the empirical data is the considerately higher amounts of perceived threats noticed compared to perceived opportunities, leading the managers at SEB AB to primarily handle the perceived threats and allocating less focus on pursuing business opportunities. They focus more on compliance which is the obligatory changes for them in order for them to be law abiding. This should consequently affect organisational performance negatively.

The theoretical framework further states that an organisation’s resource allocation is based on what issues the managers focus their attention on. In the empirical data, the SEB AB managers mentions a number of perceived capabilities. The capability that SEB AB can handle external change well is particularly evident in interesting and exciting projects that are economically advantageous. The imbalance shown in the empirical data between the amount of their perceived threats and opportunities may have labelled the PSD2 project as not exciting or interesting in the managers’ perspective. Because of their lust-driven focus, mainly allocating resources and energy towards the interesting and exciting projects, SEB AB are seemingly falling behind in their preparatory work.
6.3. Swedbank AB

According to the theoretical framework an organisation exhibits inertia when managers fail to recognize change. In the case of Swedbank AB’s managers, it is safe to say they recognized change early and have been working proactively to handle the changes that come with the new directive, therefore not exhibiting inertia. This is shown in the pilot study which was initiated early on that examined the probable effects of the PSD2 implementation and in that they have presented an official strategy to tackle the coming changes.

Since an organisation’s ability to respond to external changes depends on the managers’ interpretation of the external landscape it is imperative that the managers have a realistic view of the changes that will come. If an organisation is certain about the nature of environmental changes it will aid them in identifying threats and opportunities with a high degree of confidence. In this example the managers at Swedbank seems to a have a clear view of the change that the directive will bring, a view which matches the official goal of the new directives. They also seem to have an accurate perception of the organisation’s capabilities, as they are able to match them with perceived opportunities and threats.

If managers perceive primarily opportunities the operational rigidity can be relaxed, which aids them in adapting to change in the external environment. As the managers of Swedbank focused more on the opportunities that PSD2 brings than the threats, they should be able to better handle the changes to come. The reasons to this might be their pilot study, their high goal of being the top bank regarding digitalization and according to theory their clear view of the external environment which should have helped them map opportunities and threats.
6.4. Limitations of Study

There are several factors affecting the quality of this study. Firstly, due to lack of time and access we did not research the managerial cognitions and expectations of what changes PSD2 and RTS will bring and how they affect the preparatory work at more banks or financial companies in the Swedish financial market. Secondly, we conducted interviews with five representatives from two banks of which none were top management, instead they were managers of different parts of the banks’ PSD2 projects. We chose to interview them in order to obtain expert opinions and well educated expectations and cognitions. However, since top management most likely ultimately accepts the proposed budget size and strategy, their perception of the situation is also of great importance. Additionally, the publicity of the revealed information may inhibit the amount of information that they are willing to share. Another factor that may inhibit the amount of information provided is the bank’s classified strategic information. Lastly, this study researches the expectations of a coming change and therefore, no exact knowledge of how this change will affect the banks exists yet.
7. Conclusion

The study has shown that managers of both banks seemed to share expectations of how the external changes will affect the market, but even though different organisations share the same perception of how external changes will affect the market, their perception of how the external changes will affect their own organisation differs. Even though both banks operate in the same environment and under the same conditions there are differences in their managers’ perceived organisational capabilities and the perceived opportunities and threats to come from the implementation of PSD2. Additionally, differences in the managers’ ability to match the organisations’ capabilities to the perceived opportunities and threats were observed. These differences in managerial cognition and ability has led to different managerial action regarding preparatory work, which should affect future organisational performance. The results of this study correlates with the theoretical framework and shows that the most important factor affecting the preparatory actions is not the actual environmental change and its effects but rather the managers’ cognitions and expectations of the change and its effects.
8. Future Research

To further study how managerial cognition affects managerial action, a comparison between cognition of top management and middle management could contribute to a deeper insight. As this study focuses on Swedish banks’ preparatory work for the implementation of PSD2, a suggested area for future research is the actual results of the banks’ preparatory work. In order to gain a broader overview of PSD2’s effects on the European Union financial market, research of managerial cognition of banks from different countries is suggested.
9. References

Books


Academic Articles


**Reports**


**Articles in Newspapers**


**Webpages**


**Encyclopedias**

Appendix 1

Definitions

*In the following section definitions of denominations and abbreviations used are presented.*

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**Payment services**

Payment services are services allowing cash to be deposited in or withdrawn from i.e. a bank account, as well as all the operations required to operate the account. This can include transfers of funds, direct debits, credit transfers and card payments. (Eur-lex, 2017)

**PSP (Payment Service Provider)**

A PSP is a third party facilitating and assisting merchants in the acceptance of payments. In online shopping, the PSP can offer several payment methods such as direct debit, real time bank transfers through online banking and credit card. As PSPs can connect to several banks and payment and credit networks simultaneously, customers making use of the PSP’s services can become less dependent on banks or other financial institutions. (Ecommerce Platforms, 2017)

**ASPSP (Account Servicing Payment Service Provider)**

An ASPSP is a payment service provider that provides and maintains payment accounts for a payer. (Lewik, 2014).
AISP (Account Information Service Provider)

AISP are the service providers with access to account information of bank customers. This information can be used to analyse transaction behaviour or to combine account information from several banks in order to provide a full overview. (Holm & Hellström, 2016)

PISP (Payment Initiation Service Provider)

A PISP is the service provider initiating a payment on behalf of the user. The PISP acts as a software bridge for exchange of required transactional information between the customer’s and the retailer’s account. (Holm & Hellström, 2016)

TPP (Third Party Provider)

A TPP means a service provider who, in a business transaction, is not directly controlled by either the seller (first party) or the customer (second party).

Retail Payments

Retail payments are usually low value regular payments between private persons, companies or government agencies i.e. payments from consumers to retailers. Additional examples of retail payments include salary payments and tax payments. The most regular retail payments are done using payment cards, credit cards, direct debits and banknotes and cash payments. A retail payment can also be done entirely electronically using one’s mobile, online banking or contactless card payments. (European Central Bank, 2017)

Fintech (Financial Technology)

Financial technology is defined as a composition of companies using innovative technology to challenge the traditional financial institutions in delivering financial services in the financial market. (Lin, 2016)
Screen Scraping

When a third party such as a fintech firm accesses bank account details - after a customer's consent - without identification. (Jones, 2017)
Appendix 2

Primary Interview Questions

These are the primary questions that were sent to the respondent in prior to the interviews. The questions were designed to be as open as possible to provide the respondents with the opportunity to give elaborate answers and for us to ask follow up questions.

- How do you expect PSD2 and RTS will affect the EU financial market?
- How do you expect PSD2 and RTS will affect the Swedish financial market?
- How do you expect PSD2 and RTS will affect SEB AB/Swedbank AB (depending on respondent)?
- What preparations are made at SEB AB/Swedbank AB to tackle the changes that comes with PSD2 and RTS?
- How do you expect PSD2 and RTS will affect SEB AB’s/Swedbank AB’s competition in the Swedish financial market?
- What business opportunities will PSD2 and RTS bring?