

Digital Transformation in Financial Services

The Age of Fintech

FinTech, within the broader context of financial innovation, is disrupting the financial services industry in every aspect. However, its ability to thrive and scale, especially across borders, faces numerous challenges. Professor Anne-Laure Mention, Director of the Global Business Innovation Enabling Capability Platform at RMIT University, Melbourne, Australia, has made a significant contribution to our understanding of FinTech and Open Innovation, through the trajectory of her work in the last decade, and most recently in her paper "The Age of FinTech". In this paper, she identifies the building blocks required for a successful future of the FinTech industry.

Financial innovation presents a significant opportunity that goes beyond its impact on financial services firms; the entire economy can benefit. It "embraces changes in the offerings of banks, insurance companies, investment funds and other financial service firms, as well as modifications to internal structures and processes, managerial practices, new ways of interacting with customers and distribution channels" (Mention and Torkkeli, 2012). It's the process of developing new financial products and services, new means of communicating with customers, and new ways of working. Done well, the process of financial innovation can bring significant benefits to our broader society (Mention, 2012). Within this context, FinTech has emerged and evolved as a cornerstone of financial innovation.

Prof Anne-Laure Mention, Director of the Global Business Innovation Enabling Capability Platform at RMIT University, Melbourne, Australia, is a prolific contributor to Open Innovation literature, with a keen research interest in FinTech. She leads the OpenInnoTrain project, which is bringing together Open Innovation, University-Industry Cooperation, and Research Translation. Prof Mention has extended our understanding of the role of FinTech in society through her extensive research contributions.

FINTECH

FinTech is an umbrella term used to describe innovative technology-enabled financial services that could result in new business models, applications, processes or products with material impact on institutions

and provisions of financial services. FinTech is not just the territory of start-ups; it also forces larger, incumbent financial services businesses to stay competitive and innovate if they want to remain relevant.

FinTechs are creating new customer-centric ways of accessing and delivering financial services, from convenient ways to make payments to investing money with robo-advice and creating a personalised budget with the help of an app.

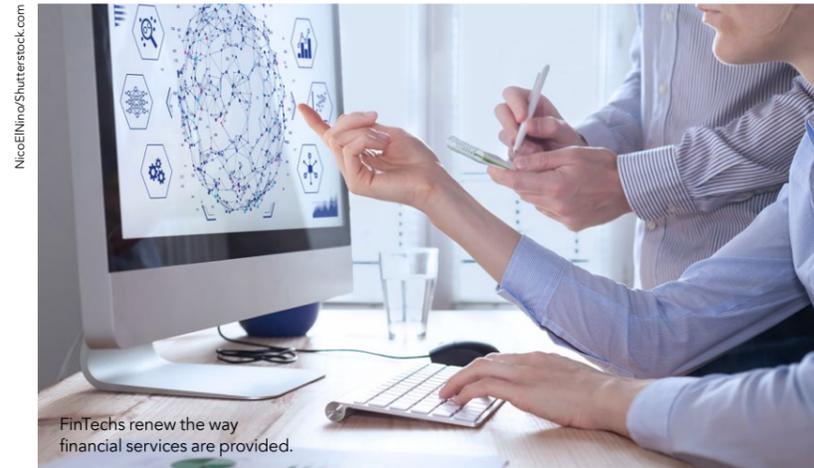
In her 2019 paper, "The Future of Fintech", Prof Mention highlights how FinTechs are disrupting the industry with their faster, cheaper, and more attractive service models that are attracting interest from regulators.

Dr Dimitrios Salampasis, Swinburne Business School, Swinburne University of Technology, and Prof Mention connect FinTech with sustainable development in their 2018 paper "FinTech: Harnessing innovation for financial inclusion". They suggest that FinTech can increase financial inclusion by opening financial services to traditionally underserved sections of society, which in turn will contribute to the acceleration of inclusive economic growth.

THE AGE OF FINTECH

In her paper "The Age of FinTech" (2020), Prof Mention puts forward the case for identifying the component parts of the FinTech industry and analysing its future challenges and opportunities.

FinTechs are bringing a start-up mentality to corporates while also



increasing competition, customer focus, and collaboration. These trends bring clear benefits to customers in the form of more competitive pricing, as well as more innovative and convenient services for managing their finances.

The regulatory environment has encouraged increased competition through open banking regulations. These regulations mean that banks must enable their customers to share their financial information with other authorised providers, such as budgeting apps or other banks. Prof Mention notes that "regulatory regimes associated with open banking are shaping the future of FinTech by establishing banking-as-a-platform and marketplace banking."

THE CHALLENGES FOR FINTECH

While bringing significant benefits to the industry and customers, FinTechs also face numerous challenges in establishing their businesses and scaling.

The first challenge they face is how to present investors and other stakeholders with a clear view of their value proposition, especially if their offer is somewhat intangible in the existing market, and unproven with specific customer demographics. This difficulty presents challenges when raising finance from venture capitalists and angel investors. These stakeholders will want to see clear evidence that FinTech brings

something new, has the potential to scale and has mitigated its risks as far as possible. FinTechs may need a sizeable investment to get started, to prove their business model and secure protection in the form of intellectual property rights.

The available pool of specialist talent can also limit a FinTech's progress.

Professor Mention has extended our understanding of the role of FinTech in society through her extensive research contributions.

Salampasis and Mention (2018b) provide an empirical exploration of the next generation of skills and competencies, organisational capabilities and human resource management strategies required to build more open, innovative and culturally receptive financial services.



FinTechs face a significant barrier to building relationships and trust with customers who are wedded to dealing with traditional financial services companies. FinTechs need to battle myths that their innovation comes at a cost to security and the appropriate handling of data. Salampasis, Mention and Prof Torkkeli of Lappeenranta University of Technology, Finland (2014) provide an extensive exploration of trust in the financial services industry and its implications for financial innovation. They conclude that trust is a critical starting point to enable open innovation, meaning collaboration with those outside of the organisation, to occur and succeed.

Finally, to thrive, FinTechs require a more supportive regulatory framework that is consistent across borders, so that they can scale internationally with less friction.

THE FUTURE OF FINTECH

In "The Age of FinTech", Prof Mention has created a concept map for the future of FinTech, which shows the interconnections between its five critical building blocks.

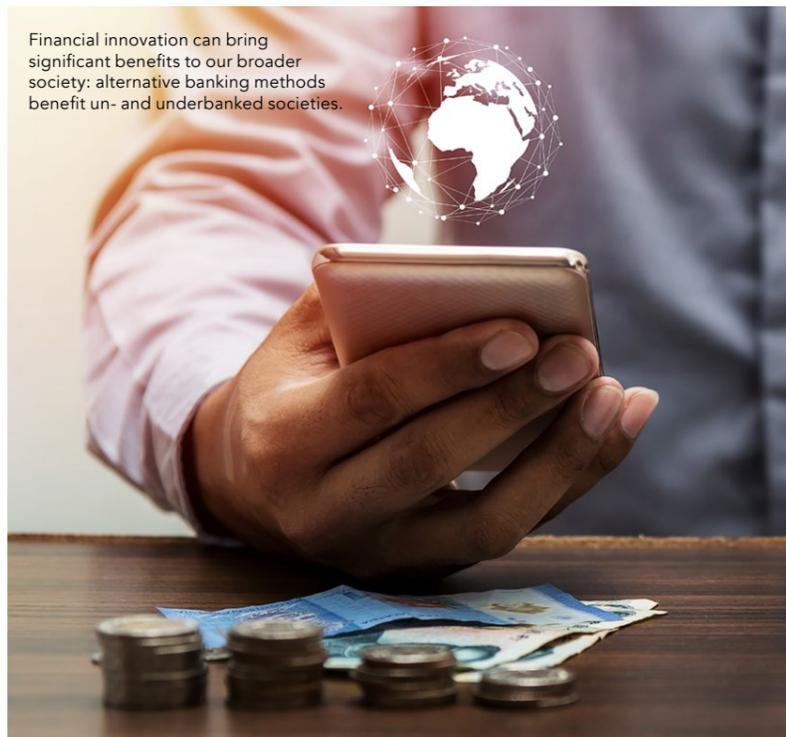
The first building block is collaboration, which is critical to the future success of FinTech. Without productive partnerships to gain expertise and share resources, the chance of a FinTech failing increases significantly. Prof Mention states: "There is a need to coordinate research, policy and

regulation in FS (financial services) at a global level to enable FinTech to grow, scale-up and internationalize." For FinTechs with the ambition and ability to scale internationally, there are numerous benefits in strategic collaboration across international borders to better meet the pain points of their customers.

The second block is the awareness and expertise that will enable FinTechs to meet regulatory requirements. Prof Mention suggests that research and policy efforts to develop compliance toolkits would be a valuable resource. At the same time, FinTechs have valuable customer insights that will benefit regulators, so communications should flow both ways.

Building block three is the economy and sustainability, which recognises that FinTechs have to deal with many cross-country regulatory authorities and jurisdictions, which is challenging to navigate. The path for FinTechs would become smoother if authorities could harmonise compliance frameworks across borders. Trust is a critical component to achieve this harmonisation and encourage an open and collaborative environment. Newer FinTechs and more established businesses can overcome the friction between them that is caused by this lack of trust, if they work on developing stronger relationships that enable them to overcome misconceptions about cybersecurity, data and innovation. Prof Mention recommends that individual regions should encourage safe experimentation with untested innovations, alongside tighter rules on an international level supported by higher levels of supervision.

The fourth challenge comes in the form of internationalisation; 95% of FinTech firms fail when they attempt to scale up (Pai, 2017). The reasons behind this statistic are that FinTechs are often unable to operate beyond regional and national regulatory boundaries, and they fail to reach clients at significant moments. Prof Mention notes the value in creating a central repository of best practices, regulations and frameworks that would support FinTechs to learn from global intelligence.



Financial innovation can bring significant benefits to our broader society: alternative banking methods benefit un- and underbanked societies.

The final building block relates to business model innovation and how to resolve the tension between the need to encourage FinTech innovation whilst maintaining a regulatory environment that is mindful of risks that could destabilise the economy. Prof Mention collaborated with PhD candidate Ahmad Alaassar, College of Business and Law, RMIT University, and Prof Tor Helge Aas, School of

Prof Mention highlights that the FinTech industry is now too significant to be left to fail; regulators need to find a way to give it the appropriate level of attention.

CONCLUSION

In collaboration with co-authors Dr Salampasis, Ahmad Alaassar, Prof Torkkeli and Prof Aas, Prof Mention has made a significant contribution to our

In "The Age of FinTech" Professor Mention identifies the building blocks required for a successful future of the FinTech industry.

Business and Law, University of Agder, Norway, on this research trajectory as part of the OpenInnoTrain project. They provided extensive insights in their 2020 paper "Exploring how social interactions influence regulators and innovators: The case of regulatory sandboxes." In this paper, they explore how social interactions within regulatory sandboxes influence the practices of regulators and those they regulate, using social capital theory, which focuses on relationships and interactions.

understanding of financial innovation and the role of FinTech within that context, through the trajectory of her published works over the last ten years.

Prof Mention continues to expand the richness of the literature around these topics in the upcoming volume: "Transformation Dynamics in FinTech: An Open Innovation Ecosystem Outlook" which she has co-edited with Dr Salampasis as part of the book series available at <https://www.worldscientific.com/series/oibtp>.

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Behind the Research Prof Anne-Laure Mention

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W: <https://annlauremention.com/> W: <https://www.openinnotrain.eu/>

Research Objectives

In her research, Prof Mention identifies the building blocks for the future of FinTech.

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Detail

Bio

Professor Anne-Laure Mention is the Director of the Global Business Innovation Enabling Capability Platform at RMIT University, Australia. She is also a visiting Professor at Tampere University and a Fintech & Blockchain Fellow at Singapore University of Social Sciences. She is the co-Editor in Chief of the *Journal of Innovation Management*, and has been awarded the prestigious IBM Faculty Award twice for her research on innovation.

Her research interests span across open and collaborative innovation, digital innovation and transformation across knowledge-intensive services and university-industry cooperation. She currently leads the H2020 OpenInnoTrain project, and sits in the scientific or advisory board of several international organisations in the field of technology and innovation management.

Funding

The OpenInnoTrain project has received funding from the European Union's Horizon 2020 research and innovation programme under the Marie Skłodowska-Curie grant agreement No 823971.

Collaborators

- PhD candidate Ahmad Alaassar (RMIT University, Australia and University of Agder, Norway)
- Dr Dimitrios Salampasis (Swinburne University of Technology, Australia)
- Prof Marko Torkkeli (LUT, Finland)
- Prof Tor Helge Aas (University of Agder, Norway)

Personal Response

You've already contributed so much to the literature around FinTech and Open Innovation. Where would you like to extend your research to next?

/// In many directions! Some particular areas of interest are 1) the hybrid co-existence of humans and machines for the design and delivery of financial services, such as the case of robo-advice; 2) technological convergence and its impact on financial offerings and services; 3) changing mindsets, attitudes and behaviours, and consumption patterns, especially in collaborative, digital and hyperconnected financial services ecosystems.

How will the OpenInnoTrain project further develop the literature on FinTech?

The OpenInnoTrain project is exploring new mechanisms, structures and incentives that can facilitate or accelerate the sharing, transfer and uptake of knowledge across ecosystems. Regulatory sandboxes, as one type of such instruments, have unique features. By exploring their design, operations, and the interactions between their members and the broader ecosystem, this stream of research aims to deliver cutting-edge scientific knowledge, as well as managerial and policy implications with relevance for anyone involved in supporting innovation in financial services. Other research avenues for this project include the understanding of university-industry collaboration mechanisms in other contexts: FoodTech, CleanTech and Industry 4.0. //

