

KEMI-TORNIO UNIVERSITY OF APPLIED SCIENCES

Exploiting Co-operational Resources and Organizational
Capabilities in the Border Region of Haparanda-Tornio:
Case Nordea Banking Services

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ABSTRACT

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The general aim of this study is to exploit co-operational resources in the cross-border context of banking services within Nordea Sweden, especially in the branch office of Haparanda. It is explored how the proximity of the national border impact on branch offices operations. In addition, the role of the local level co-operation across national borders is revealed and the factors to develop co-operation are discussed. Finally, it is evaluated how the co-operation across the national border relates to the organizational resources and dynamic capabilities within Nordea Haparanda.

This study is conducted as a qualitative case study, reflecting on co-operational experiences from other branch offices located near the national borders in Sweden. Semi-structured interviews and the literature review are used as main data collecting techniques. The theoretical framework builds on organizational resources and dynamic capabilities, as well as on knowledge creation and competitive advantage. Theoretical definitions are discussed in the cross-border context when analysing the findings of the study.

Useful insights in the reality of cross-border branch offices are provided. Co-operation across national borders is more or less embedded in the daily routines when serving customers. Moreover, branch offices possess specialized knowledge and capabilities which could be leveraged further. Consequently, several areas for further research arise. Some parts of the chapter 1, the sub-chapter 2.2 and chapter 7 are regarded confidential. Furthermore, the sub-chapter 3.4 in whole, the empirical part of this study and the discussion part are confidential. Therefore these are not published in the Kemi-Tornio University of Applied Sciences library version. Moreover, the Appendices are classified as confidential and are not published in the library version.

Keywords: banking services, competitive advantage, cross-border area, dynamic capabilities, organizational resources

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1 INTRODUCTION

This chapter presents the background and the objectives of the study. It is essential to understand the main factors that generate the need for this study and the way it is conducted. Therefore, also the research questions are discussed and the structure of the study shortly presented.

1.1 Background of the study

The aim of this study is to explore co-operational resources in the cross-border context of banking services within Nordea Sweden. The objective is to evaluate how the proximity of national border impacts on Nordea the branch offices located in border regions of Denmark, Finland, Norway and Sweden. In addition, the role and relevance of the local level co-operation across national borders is revealed. Furthermore, it is evaluated how the co-operation across the national border relates to the organizational resources and dynamic capabilities within Nordea Haparanda.

This study is conducted from the perspective of the case the branch office of Haparanda, although addressing co-operational experiences from other Nordea the branch offices operating in/or near the national border areas.

The branch offices included in this study differ from their geographical location, but are included to this study because Nordeas working practices and internal company culture is similar throughout the company. Therefore, the branches that operate in the national cross-border areas possibly face similar challenges for their operations. Successful combination of exceeding internal and external expectations (driving profitability and increasing value), demand more dedication than in other the branches that do not face cross-border challenges. In addition, the geographical proximity to national border is minimal in Haparanda and Tornio, which is not the case with other the branch offices included in this study. The distance between the branches of Haparanda and Tornio is only about two kilometres.

Mapping cross-border implications and co-operation in the context of banking services and organizational capabilities is a subject that has not been in interest of previous research. Therefore, the theoretical framework of the study is built up from several theories linked to each other. The aim of the literature review is to cover the basic

elements of organizational resources, dynamic capabilities and competitive advantage. Additionally, in the context of this study, knowledge sharing and learning aspects retain attention as being intertwined with capabilities and resources. However, any of theoretical aspects alone fits directly to the context of co-operation across the national border within banking services at a local level. Synthetizing theoretical viewpoints together provide useful means of understanding the cross-border co-operation characteristics and a platform for analysing the results of the study.

Furthermore, a short presentation of Nordic financial market and border region activities and their nature in general is included to this study. In this way the environmental context of the case study the branch office of Haparanda becomes more understandable. In addition, the researcher works in Haparanda branch office and information based on personal working experience is included to this study. Moreover, the researcher has a working history within Nordea banking services in Finland.

This study aims at explaining more in detail the special characteristics of the branch offices that operate in the national border regions of Sweden. The aim is to add understanding of what it means for the branch office, management and personnel to operate in an environment of two countries and in which ways organizational capabilities are influenced by this context.

However, it is to mention that this study is not a subject of either environmental or competitive analysis, neither a subject for developing any new theories. Moreover, this study does not intend on building an in-depth analysis of organizational capabilities within the case study the branch offices or make any comparative analysis on them. In-depth analysis on intra-organizational networks or co-operation types or their effectiveness is also left out in this study. Furthermore, producing practical level cooperative development or action plans for the organisations in question is not the focus of this study.

As competitive advantage building many times derives on organizational capabilities, it may lead to positive differentiation in the market. Additionally, in the literature, capabilities of an organization are tightly intertwined to aspects of organizational learning. In this study, organizational learning and knowledge creation is therefore referenced. As well, this study addresses the field of competitive advantage building, which is not a prior focus, but provides an additional insight in analysis of co-operation

and capabilities within banking services in the cross-border context. In addition, this study does not aim to study the relationship between cross-border co-operation and the branch performance; instead, the main emphasis is on understanding the role of co-operation across the national borders for the branch office operations.

A managerial point of view is applied to this study. In practise, interviewees are branch managers in respective branch offices. Moreover, managerial insights from theoretical framework of the study are brought into discussion. The viewpoint of personnel at floor-level, people who directly are involved with cross-border matters in their daily work, is left out in this study. Furthermore, this study focuses on co-operation across national borders related to household banking services leaving the corporate banking services out. However, in small branches like Haparanda, these two are intertwined. Therefore this study presents some complementary comments of other interest groups' than only household banking.

1.2 Objectives and research questions

The research questions for this study are as follows:

- 1) How does the proximity of national border impact on Nordea the branch offices located in the border regions of Denmark, Finland and Norway?
- 2) What is the role of local level co-operation across national borders to the Nordea branch offices?
- 3) How does the co-operation across the national border relate to resources and organizational and dynamic capabilities within Nordea Haparanda?

The first research question is for evaluating the implications of proximity of the national border to the banking services at a local level within Nordea. As the branch offices locations geographically differ from each other, it also is shortly analyzed in which ways the proximity possibly impacts on the intensity of the co-operation. Therefore, the aspect of the proximity is important, as the context for this study is defined strongly by the nature of border region characteristics.

With the help of the second research question it is revealed whether there exists any co-operation across the national border and the possible importance of it. The aim is to

evaluate both pros and cons of the co-operation. It also is useful to define which resources or capabilities currently exist and which ones are valuable also in the future when co-operating across national borders within Nordea. Moreover, the attitudes towards co-operation are addressed. In short, this research question collects the aspect of possible benefits, pitfalls and potential for banking services that co-operation across national border creates within Nordea. In addition, interesting practicalities when facing cross-border challenges can be found.

The third research question combines the outcomes of the previous research questions and the theoretical framework of this study, focusing to the Haparanda branch office. It is evaluated whether co-operation with branch office of Tornio in Finland can be seen as a resource and even a dynamic capability for the Haparanda branch office. Therefore it is important to recognize which organizational resources are relevant both in cooperating across national borders and for improving organizational capabilities in cross-border context of banking. The first and the second research questions are answered in the chapter 5 and the third research question is discussed in the chapter 6.

1.3 Structure of the study

An overview of the study is given in the first chapter, where the background and the objectives of the study are presented. The research questions and focus of the study are also clarified more in depth.

In chapter two the chosen research methodology and techniques for the study are defined. It is explained more in detail of how the data and information is collected, what instruments are used and how the data is analysed. The quality aspects of the study are also evaluated in this chapter.

Chapter three provides information about the financial sector in the Nordic countries as well as general information about Nordea and the case study branch office of Haparanda. Moreover, the main facts about the special characteristics of the border region of Haparanda-Tornio are presented.

Chapter four focuses on theoretical framework for the study. The literature related to organizational resources and dynamic capabilities is reviewed as well as the aspects of

competitive advantage. Furthermore, aspects of knowledge transfer and learning are shortly addressed.

The fifth chapter provides the answers for the first and second research question by presenting the findings of the empirical part of the study. In practice, the results of the interviews are presented.

The sixth chapter aims at answering the third research question by discussion of the empirical findings and reflecting them to the theoretical framework of the study, focusing on the branch office of Haparanda. The success factors, challenges and implications for the cross-border co-operation and the organisation are discussed. Evaluation of possible managerial implications and recommendations are presented, likewise suggestions for the future research. In addition, the limitations to the study are evaluated.

The conclusion is written in the chapter seven. References and appendices are found last in this study. The empirical part of this study and the main findings are regarded as confidential information and are not published in the Kemi-Tornio University of Applied Sciences library version.

2 RESEARCH METHODOLOGY

In this chapter, the methodological aspects of this study are discussed. The data collection techniques and process is explained and how the results are analyzed. The subchapter 2.2 includes also referencing to information sources relevant for the research process. In addition, with regard to the mixed methodology applied to this study, the criterion for evaluation the quality is discussed.

2.1 Research approach and methods

A case study is a methodology that is used to explore a phenomenon in a natural setting using a variety of methods to obtain in-depth knowledge. Detailed information is collected about the chosen case and even more cases can be selected (Collis & Hussey 2009, 82). From a single particular case study there is a possibility to receive and explore some very profound and specified knowledge. A comprehensive understanding of phenomena in case study is more important than making generalization and the context is essential. Yin (2003, 4) notes that the case study method allows a researcher to retain the holistic and meaningful characteristics of real-life events, such as organizational and managerial processes. Eisenhardt (1989, 534) focuses on “understanding the dynamics within single setting”, while Bonoma (1985, 204) notes that a case study must be “constructed to be sensitive to the context in which management behavior takes place”. Bonoma (1985, 204) adds that case studies support the development of an understanding of process and contextual phenomena.

The different types of case study are not well defined, one type may be combined with another and case studies can be used in all types of research (Bonoma, 1985; Ghauri & Gronhaug, 2010; Yin, 2003). When to use which approach depends upon the type of research questions. “How” -questions are explanatory and some types of “what” -questions exploratory and aiming to develop pertinent hypotheses and propositions for further inquiry. Yin (2003, 9.) Exploratory case studies are used when there are few theories and explanatory when the existing theory is used to understand and explain what is happening. Eisenhardt (1989, 548-549) argues further that case studies are particularly well-suited to new research areas, or research areas for which existing theory seems inadequate. Ghauri (2004, 109) agrees on that case studies provide more profound understanding of a phenomenon or a problem, and adds that when the topic is

rather new or less-known, case studies are useful to contribute new knowledge to the field.

Bryman and Bell (2003, 10) identify deductive and inductive approaches. The deductive approach is primarily based on testing existing theories and is characterized by applying quantitative method when collecting and analysing findings. In contrast, inductive approach generates theory during the course of research and therefore is concentrated on the interpretation of the phenomenon with the help of qualitative method. (Bryman & Bell 2003, 10.) The combination of deductive and inductive approaches is a reasonable way to go when trying to study the social phenomenon both in depth and width (Tashakkori & Teddlie, 1998, 5).

In this study, the main research method is the qualitative case study method. The use of qualitative research method is “an attempt to secure an in-depth understanding of the phenomenon in question” (Denzin & Lincoln 2003, 7). The aim of the research is not only to explore certain phenomena (co-operation and capabilities), but also to understand it within a particular context (cross-border banking services). According to Yin (2003, 2) the case study can be designed as embedded or holistic. This study is an embedded case study because it involves more than one unit of analysis. The essential part of this study is to use multiple sources of evidence. Yin (2003, 20) notes that case studies can cover multiple cases and then draw a single set of “cross-case” conclusions. Bryman (2002, 291) identifies using of more than one method or source of data as triangulation. Bonoma (1985) agrees on the suggestion that case study should involve a triangulation of methods in order to provide richness and enlarged information about the setting and phenomenon.

In this study, experiences from the other branch offices are collected, though the focus lies in the region of Haparanda-Tornio. Combining approaches will make it easier to explain which factors determine the co-operation across national border within banking services. Research concerning co-operation across national borders as well as improving capabilities in banking context seems rare. Therefore this study is exploratory in its nature as there are no directly applicable theories to base this kind of work on. In addition, since the main purpose of this study is to contribute to better understanding of local level cross-border co-operation within Nordea, the use of qualitative case study method fulfil this purpose. By studying the branch offices experiences and expectations it also is possible to identify possible similarities concerning the cross-border branches.

2.2 Data collection techniques and process

The empirical part of the study process started by finding out if any relevant material related to the study topic was available within the organization of Nordea Sweden. In addition, it was of interest to find out if there were any special instances within the organization, also at the Nordic level, that operate with cross-border problematic. Furthermore, it was to find out which branch offices can be regarded as cross-border branches.

According to Mason (2002, 63) one of the most common form of data collection in a qualitative research is interviews. Daniels and Cannice (2004, 185) define an interview study as “one where the data and findings are based on direct research-to-respondent conversations in person or by phone”. Saunders, Lewis and Thornhill (2003, 245) add that reliable and valid data for the research can be obtained through interviews, which allow answering to a large number of questions. Saunders et al. (2003, 251) note that in semi-structured interviews predetermined themes and questions are used to attain information, although themes and questions may vary from interview to interview. Daniels and Cannice (2004, 186-187) continue that interview-based studies are appropriate in exploratory and theory building studies, when there is small population of possible respondents. The interviews give the possibility of developing a deeper rapport with informants that what can be done with written questionnaires.

The research process was developing all the time regarding on earlier outcomes. In this study, primary data was generated from an original source, such as interviews and inquiries and the secondary data was collected from the internet, books, scientific articles, reports and other studies. The literature review concerns the concepts of organizational resources and capabilities, dynamic capabilities, competitive advantage and organizational learning. Furthermore, researchers own working experience has been a source of some information to this study.

Sampling techniques enable identifying, choosing and gaining access to relevant sources of data (Mason 2002, 120). Techniques also enable reducing the amount of data collected (Saunders & al. 2003, 150) and provide the possibility to select cases that best enable answering the research questions and meet the research objectives (Saunders & al. 2003, 175). The purposive sampling method used in this study guaranteed that the

interviewees are relevant to the study and possess the ability to deliver valuable information to meet the purpose of the study.

The reason for gathering data by interviews was that the interviewees who are knowledgeable about the issues in question have the opportunity to discuss relevant aspects and they bring their own insight into play. The branch managers were considered as key informants because they are in control of the operations at the local level and should possess the capability of understanding both internal and external requirements for the work. In addition, the branch office managers should have the knowledge of Nordea's company culture, be experienced in the field of banking and at local level operations likewise of co-operation across the national border.

As a summary, the data was collected through personal interviews or sending a personal inquiry per e-mail to recipients that are geographically distant to the researcher. Those who were contacted first with e-mail and have given their answers by e-mail were also contacted by telephone afterwards to make complementary notions and clarifications. It is to note that e-mail contacts were via Nordea e-mail in order to ensure the trust of the respondents for the inquiry.

One major advantage with semi-structured interviews was that the material was somewhat systematic and comprehensive, while the tone of the interview was fairly conversational and informal. Furthermore, qualitative study to a high degree concerns about understanding phenomenon from the actor's point of view and the semi-structured interview more than others permits the possibility to accomplish this task.

2.3 Data analysis

Interpreting and analyzing qualitative data is challenging and time-consuming task when doing case study research. Data reduction is a form of analysis that sharpens, sorts, focuses, discards and reorganizes data in such a way that final conclusions can be drawn and verified (Miles & Huberman 1994, 11). When reducing the data, irrelevant data is discarded. Relevant data, where relationships of interest exist, is systematically selected. Informal methods are often used to quantify qualitative data, such as counting the frequency of occurrence of the phenomena under study which allows examination of such issues as repetitive or patterned behavior (Lindlof, 1995, 216). Collis and Hussey

(2009, 32) continue that data reduction can be achieved by restructuring the data by using a pre-existing theoretical framework or one that emerges during the data collection stage to provide categories into which the data can be fitted.

Content analysis is a widely used method for quantifying qualitative data (Easterby-Smith & Thorpe & Jackson 2008, 169). The first step is to determine the coding units, such as a particular words or phrases, character, item or theme which is found in the material. Once the coding units are determined, a coding frame can be constructed. The analysis can be based on the frequency of occurrence and /or other factors. (Collis & Hussey 2009, 164-165). Morse (1994, 23) adds that synthesizing is about drawing together of different themes and concepts from the research and forming them into new, integrated patterns. In this way items of data are reduced and sifted to give a general explanation of what is occurring.

In this study, the information that was relevant for the study was selected and simplified. The data originating face-to-face interviews, e-mail inquiries and telephone interviews was combined and checked that the answers match the questions presented. The Appendices 5-8 present combined answers divided to each border-region in question and follow the themes of semi-structured interview questions. Appendix 6 presents the answers from branch managers in the border region of Sweden and Finland, Appendix 7 concentrates on the border region of Sweden and Norway and Appendix 8 on the border region of Sweden and Denmark. The background information of respondents is presented in Appendix 5. Furthermore, most of the data originating from interviews and inquiries is translated to English. In some cases when presenting the empirical findings of the study in Chapter 5 some notions are presented in Swedish for holding the translated sentences close to the original answers.

Consequently, the most relevant issues relating to the cross-border co-operation at local level in the studied branch offices were revealed and analysed in accordance to the theoretical framework. However, it was not assumed that themes would relate directly to any of the theories presented, for instance of dynamic capabilities as such. At the point of the analysis process, the key idea was to stay open-minded and reveal the most frequent mentioned factors relating cross-border co-operation and on the branch office operations. While summarizing the data, common sense was used when something that seemed to be important from the perspective of cross-border co-operation and capabilities. Categorization helped to interpret the data and to relate information to

research question, objectives and overall framework and to analyse the data for generating conclusions. Furthermore, researchers own working experience and knowledge about the study topic generated to the outcomes of this study.

2.4 Quality aspects of the study

There are different views concerning quality of the research. Validity refers to whether the research findings are really about what they appear to be (Saunders & al. 2003, 101) and how well conclusions have been integrated based on the generated findings (Joppe 2000). Further it is argued that validity is closely related to reliability of the studied phenomenon since if the measure is unstable it cannot be reliable. Guba and Lincoln (1985, 301-327) note that dependability or reliability refers to the researcher's ability to present truthful and reliable information about the phenomenon and Golafsani (2003) argue that the term validity and reliability in qualitative research are not viewed separately. Patton (2002) notes that any qualitative researcher should take into consideration validity and reliability while designing a study, analysing the results and judging the quality of the research. Mason (2002, 39) adds that as the concepts in the research can be identified, observed or measured in the way the researcher states them, a research's validity can be biased.

Transferability defined by Guba and Lincoln (1985, 310) can be seen to measure the broader applicability (or generalizability) of the study's results. The idea of transferability is to observe if some sort of similarity could be found in other research contexts. Saunders et al. (2003, 102) remind that the external validity of the research refers to the extent the results of the research can be generalized, the findings are equally applicable to other research settings, such as other organization.

According to Yin (2009, 40-45) validity and credibility determine the quality of the research. Yin (2009, 41) also presents four categories that can be used to test the quality: reliability and construct validity, internal validity and external validity. Yin (2009, 123) recommends that a chain of evidence should be maintained. Using this method the reader can follow the derivation from questions to the final report and the quality of the study is increased.

Golafsani (2003) reminds that a high degree of consistency indicates a high degree of reliability and that the research results are repeatable. Also Saunders et al. (2003, 101) agree on that the reliability of the research refers to the consistency of the research results over time. Sinkovics et al., (2008) add that qualitative research trustworthiness and authenticity rather than reliability are the main issues. The idea is to present an authentic understanding of people's experience. Therefore, not just understanding the point of view of the individual and groups being studied, in addition, data has to be interpreted against the background of the context in which it is produced.

Multiple choices provide the chain of evidence in this study. Construct validity is reached using multiple sources of data: interviews and e-mail inquiries, secondary sources of data and researchers working experience. External validity is based on the results of the study that are at some level generalized to theories of knowledge sharing and learning, organizational resources, dynamic capabilities and competitive advantage. The reliability of this study is ensured by using the same predetermined interview structure for every interview and by contacting the branch managers by phone afterwards.

The findings are by some means transferable to other similar conditions and provide the case branch office of Haparanda information that can be used for evaluation and further development of operations. In this study, the findings have been generated at the specific point in time and the focus was held on the cross-border co-operation within Nordea banking services. Replicating this research later, completely different outcomes are hardly possible. Hence the replication of this study at any time would not result in stable measures as banking organisation is developing all the time and also cross-border practicalities at local level might attain more interest in the future.

In this study, the main challenge was the language, as Finnish, Swedish and English languages were used. There always exists the threat of linguistic misunderstandings as some of the interviews were conducted in Finnish and Swedish languages and the results were finally translated and analysed in English. Nevertheless, also avoiding the native languages and using only English language might have jeopardised the quality of the study. At a practical level, less interest could have been shown towards the study and even more linguistic misunderstandings could have been possible.

To ensure the validity of this study, the themes for the semi-structured interviews were prepared with care, so that they would reflect theory and the research objectives. The use of purposive sampling ensured that the respondents had knowledge in the studied issues. The qualitative study method was used in order to generate in-depth information and get better understanding of cross-border co-operation. However, the quality of the answers received might have been better if all the interviews were conducted face-to-face. Random mistakes can be born, for example, if the interviewee remembers wrong or interprets the question differently than what the interviewer meant.

When the researcher is a part of the studied organization, objectivity, reliability and validity are crucial. Because of the feature of the qualitative data analysis approach and the case study method, the research findings can be biased by the researchers own interpretations of the data collected. The qualitative data can be interpreted in various ways and the researcher finds herself in a position of influencing the interpretation.

3 NORDIC FINANCIAL SECTOR AND REGION HAPARANDA-TORNIO

This chapter presents the context of this study beginning with the characteristics of banking sector in Nordic countries and leading changes within it. In addition, general background information about Nordea is provided. Furthermore, the cross border region of Haparanda-Tornio is shortly presented as well as the branch office of Haparanda. The data presented in the sub-chapter 3.4 derives from the researchers own working experience and knowledge within the branch office of Haparanda.

3.1 Banking operations and changes in the financial sector

Both the internal and external operating environment in banking business changes constantly, creating challenges for banking operations in various ways. Not only companies themselves go abroad, but they also face international competition in their home markets by new entrants. Markets are easier to enter and operate, although increasing financial regulation impacts the operations as well. Within banking sector, as most of the customers manage their banking through applications in Internet and other mobile solutions, technological changes certainly increase competition in the future.

In the banking sector, European integration has developed the furthest in terms of deregulation, free movement of capital, the common currency and cross-border co-operation (Larsen & Navrbjerg, 2009). Blurring of boundaries between banking, insurance and other financial services is also common (Björkman & Hundsnes & Hammarkvist 2003, 50-51). In addition, retail chains and telecom companies have started to plan expansion to areas traditionally governed by banks. Due to the fact that Nordic market have been characterized by more consolidation and fewer players than in many other European markets, it is clear that the Nordic banks have been pioneers in the restructuring of the European banking sector.

Banking sectors in Nordic countries are tightly integrated and the banking markets are dominated by a few large banking groups, in general, commercial banks (Nordic Banking Structures 2006, 4). For example in Finland, the four biggest banks together have a market share of 95%. In every Nordic country there are quite accurate regulations concerning banking, but these regulations still vary quite a lot in different countries. (Nordic Competition Office 2006, 6-15.) The competitive situation in the

Nordic banking markets is quite intense despite national differences (Nordic Banking Structures 2006, 5). The profitability and cost efficiency of the business has been rather high. Variation in costs for the consumer exist and financial institutions also offer customer loyalty programs, customer packages and product packages which make it rather difficult for a customer to compare qualities and prices of banking services. (Nordic Banking Structures 2006, 15-19).

According to Björkman et al. (2003, 49), technological development has been important driving force behind industrial and organizational restructuring in the European financial services sector and has provided a great deal of possibilities for improved efficiency, likewise new services such as e-banking. The use of new technology in banking is common and banks and their customers have been open to new innovations and their applications in banking. This has substantially affected distribution channels and services via different delivery channels. (Nordic Banking Structures 2006, 5.)

This also has meant that organizations have been able to and forced to rationalize their existing operations meanwhile new entrants basing their operations on low costs have put in this respect extra pressure on the traditional banks (Björkman & al. 2003, 49). Smaller banks may rely on the Internet as their main distribution channel instead of building an extensive physical the branch network. These changes are also related to people's engagement in transactions. New information systems and ways of handling money change the role of banks being considered cash stores to a bank-customer relationship focusing more on advisory services rather than cash services. (Nordic Banking Structures 2006, 5.)

The future development of Nordic financial sector may be impacted by five general trends. Firstly, cost and competitive pressures are formidable because of increasing competition in the future (Nordic Banking Structures 2006, 42). Secondly, organic growth is hard to achieve in the traditional markets and expanding abroad is needed. Thirdly, technological change continuous apace and leading position of Nordic banks in payment technology may be weakened in the future. Fourthly, disintermediation may have an impact on banks as entrants come between savers and investors. (Nordic Banking Structures 2006, 43). Fifthly, demographic change will have a strong impact on banks' activities. How to combine modern technology with the need for personal services for an aging population will remain as an important question for all banks in the coming years. (Nordic Banking Structures 2006, 44.)

3.2 Background information about Nordea

Nordea was established in 2000 when many Nordic banks merged together forming the biggest Nordic organization providing financial services. The original banks were all important in their countries with market shares ranging from 15 per cent in Norway to 40 per cent in Finland. (Goldberg, Sweeney & Wihlborg 2005, 3.) Today Nordea operates in nine markets. The Nordic region includes Denmark, Finland, Norway and Sweden and the New European Markets Estonia, Latvia, Lithuania, Poland and Russia. (Nordea 2012a & 2012b.)

Nordea is the largest financial services group in Northern Europe with a customer base of approximately 11 million customers of which 9, 4 million are household customers and 0, 5 million active corporate customers. Nordea has approximately 1400 branches, of which more than 180 the branches in the New European markets. Further, with call centres and e-bank, it also has the largest distribution network for customers in the Nordic and Baltic Sea region. (Nordea 2012b.) In 2011, Nordea's position as market leader was confirmed, as it was the only financial institution in the Europe defined as a global systemically important bank. The definition was conceived by The Financial Stability Board, a regulatory unit within the G20 group. (Alfvén 2011.)

With the ambition to stay among the top-league European banks, Nordea wants to reach a return on equity (ROE) of 15 per cent in a normalised macroeconomic environment and at 11 per cent core tier 1 capital ratio. New regulations, like Basel III, change the business environment for the whole financial industry. Therefore, Nordea has implemented the New Normal-process where the focus is on profitability and efficiency which has meant cut-downs within operations mainly in the Nordic markets. (Nordea 2012b)

Nordea's vision is to be "a Great European Bank, acknowledged for its people and creating superior value for customers and shareholders". In accordance to mission statement "Making it possible", the bank is making it possible for customers to reach their goals by providing a wide range of products, services and solutions. Nordea highlight the fact that in a service corporation, product, systems and strategies can easily be copied, but it is the people that make the difference. (Nordea 2012c.)

Nordea's three values are "Great customer experiences", "It's all about people" and "One Nordea team". Employees should aim at exceeding individual customer's

expectations in every contact and create long-term customer relationships by thinking and acting with the customer in mind, Teaming up and working together across the organisation create value. Customers are categorized according to the level of the usage of banking services: Key customers, Preferred customers, Check-in customers and Basic level customers. (Nordea 2012c.)

Goldberg et al. (2005, 3) argue that Nordea's strategy is harder to implement in retail banking than in, for example, asset management. Nordea has changed its organizational charts many times indicating that management is uncertain about the appropriate organizational structure. Moreover, the legal structure in the countries has not and does not coincide with the internal organization across countries and functions. (Goldberg & al. 2005, 3.) Moreover, Rynänen (2005, 21) has found out that there are weaknesses in providing consumers cross-border services in the sector of banking, such as cross border bank account transfer of payments.

Soederberg and Björkman (2003, 140) note that the creation of Nordea as a multinational corporation and an integrated group of companies offering a wide range of financial services has meant building bridges over perceived differences between cultures, corporate as well as professional cultures. To enhance communication and collaboration across borders and strengthen the commitment among the employees to the corporate vision, mission and values, cultural values need to be combined with daily social practices. (Soederberg & Björkman 2003, 141.)

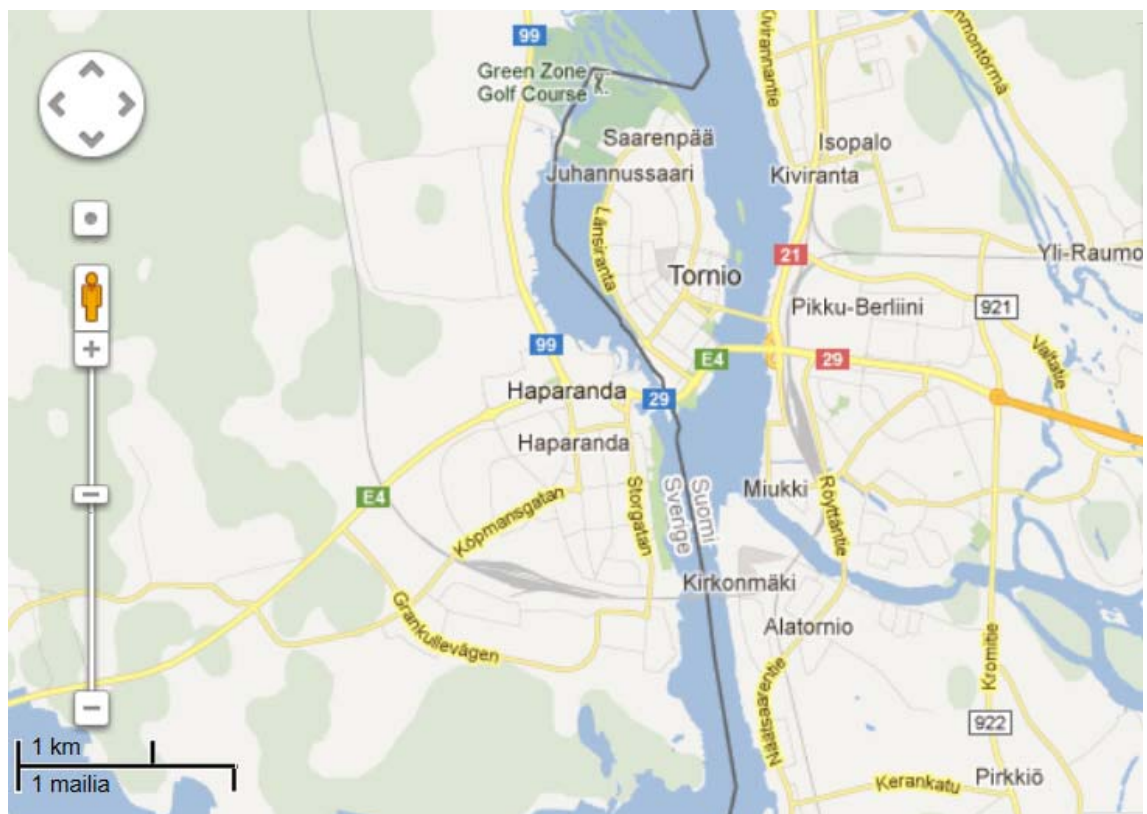
Larsen and Navrbjerg (2009) conclude that despite a wide range of challenges such as language barriers and different cultures, cross-border co-operation takes place. Especially cross-border works councils are popular. Nordea has established a cross-border union with a mandate to negotiate, which is rather exceptional as work councils primarily represent a forum for information and consultation. (Larsen & Navrbjerg, 2009.)

Furthermore, Nordic Banking operates by totally Nordic way, with local adjusting. Some cross-Nordic co-operation exists, for example the Capital Forum, where the representatives from capitals of every Nordic country meet and discuss further with each other. None specific resources have been named to be in charge or work just with national border related issues. (Representative of CM Sales Wholesale Sverige 2011.) Furthermore, an answer from Management Secretariat revealed further that there is not

any systematic approach for cross-border co-operation between the branches and if co-operation is done, it is initiated by the branches themselves. It was stated that cross-border is generally an unused opportunity that could benefit Nordea more especially in corporate sector, where many of clients work within the Nordics. Once this type of client is recognized, Nordea should have a model of working and establishing internal co-operation. (Fogelholm 2011.)

3.3 Regional characteristics of Haparanda-Tornio

The neighbouring towns of Haparanda and Tornio are separated only by a narrow strip of grass and wetland, between Finland and Sweden in the southern part of the Torne River. The geographical distance between the town centres is only a few kilometres (Picture 1.).



Picture 1. Haparanda-Tornio town maps.

In the daily lives of the inhabitants, the state boundary is probably of less significance than social and ethnic differences. People in Tornio river valley share a regional identity which transcends the state border (Smallbone & Louko 2006, 9-10). The populations

communicate effectively without any language barrier and cross the border on a daily basis for instance study, work, recreation and shopping (Espaces Transfrontaliers 2007). Furthermore, as the prices of houses and apartments have been cheaper in Haparanda than in Tornio, many Finns have moved to Sweden and still preferred working in Finland (Johansson, Lundgren & Reinholdt 2008, 13).

Demographically seen, Haparanda differs strongly from other Swedish cities. Johansson et al. (2008, 4) note that almost 3000 of Haparanda's total 10000 inhabitants has Finnish nationality and many others are, for some reason or other, able to speak Finnish. But, although Swedish has an official status in Finland, it is not a commonly used language in Tornio and few people near the border are fluent in Swedish. Furthermore, the close geographical proximity bias national statistics concerning income level, taxation and properties. For example, incomes from other cities than Tornio are not reported in Sweden, because taxes are paid in Finland. Many with high income live in Sweden but purposely work in Kemi (20 kilometres away from Haparanda-Tornio) as it favours their taxation. (Johansson & al. 2008, 11.) As well, those working in Finland but living in Sweden are not included to employment statistics (Johansson, Lundgren & Reinholdt 2008, 16).

On the whole, both Finnish and Swedish Lapland is a scarcely populated area. Tornio and Haparanda combined have over 30 000 inhabitants. Within a radius of 130 kilometres from Tornio live approximately 500000 people, when increasing this radius to 500 km, there are nearly 1 million people living in the region. Geographic proximity contributes also companies' potential to operate (Smallbone & Louko 2006, 4-5). Smallbone & Louko (2006, 6) remind that also the development in the Barents Sea region have an impact to Haparanda-Tornio region.

Due to the absence of a physical border between the two cities they have been able to develop co-operation in daily life for many years. The cross-border co-operation between Tornio and Haparanda is one of the most successful examples in Europe and considered a driving force for the others. The twin-city project Tornio-Haparanda is a well-known role model for cross-border co-operation between twin cities across Europe. Co-operation is integrated as the border between the two cities is nearly invisible: there is no border control and the customs buildings have been removed or adapted for other purposes. (Espaces Transfrontaliers 2007.)

On the local government level there is a strong will to unite forces to make the total area a viable region in spite of its peripheral location, but state legislation makes co-ordination difficult (Lundén & Zalamans 2001). In a time of changing border functions city pairs on either side of national state borders have increasingly become objects of attention, because of border crossing contacts and co-operation at the local level (Buursink 2001). Tornio and Haparanda cities have combined numerous public services and facilities. Municipalities commenced their collaboration in the 1960s in the fields of education and culture. Following the positive results the co-operation was expanded to other sectors. Actions have been taken jointly to improve the social integration of the inhabitants and developing the feeling of belonging to the cross-border area and in 2006 the two cities acquires a joint name. (Espaces Transfrontaliers 2007.)

The coordination and sharing of infrastructures has helped save money and develop the cross-border space in a sustainable manner (Espaces Transfrontaliers 2007). For example, På Gränsen-Rajalla is a co-operative project of two cities. In the middle of the border line a centre is built, where commercial services, apartments, educational possibilities, jobs, culture and free-time options are provided. (Smallbone & Louko 2006, 3.)

Smallbone and Louko (2006, 5-6) note that for researchers interested in the problems of cross-border co-operation the Swedish-Finnish border in general and the Haparanda-Tornio region in particular could be somehow uninspiring. Both regions have one of the smallest numbers of inhabitants per square kilometre in Europe and are somewhat quite remote being at the European periphery close to the power circle. Still, the border is rather marking administrative jurisdictions than dividing people. Co-operation as formal and informal networking in cross-border areas is important Smallbone and Louko (2006, 3) and best practices demonstrated by a firm that shares the same environment and faces the same challenges are invariably more visible and create more direct pressure to catch up (Smallbone & Louko 2006, 4). Therefore, by enabling the sharing of experiences and ideas, the firms, institutions and individuals alike will almost certainly boost their general level of competitiveness.

3.4 Branch office of Haparanda

4 THEORETICAL FRAMEWORK

In the following, the theoretical framework of the study is presented. The literature review is built up from several theories linked to each other. First, resources and routines underlining capabilities are addressed. Second, enablers for knowledge creation and learning are discussed. Third, foundations of competitive advantage building are presented. Finally, dynamic capabilities are classified.

4.1 Resources and routines underlining capabilities

According to several authors, the key concepts for studying capabilities include routines or resources (Grant, 1991; Ray, Barney & Muhanna, 2004; Teece & al., 1997). Management literature defines and operationalizes capabilities as “bundles of interrelated yet distinct routines” because capabilities do not reside in individual routines but emerge from the synergistic interplay among multiple interrelated routines (Peng, Schroeder & Rochana 2008, 732; Prahalad & Hamel, 1990). Routines are regular and predictable patterns of behaviour or the way the work is done (Zollo & Winter, 2002) or organizational processes that utilize clusters of resources to achieve desired outcomes (Grant 1991; Teece, Pisano & Shuen 1997). Winter (2003, 3) recognizes routines as behaviour that is learned, highly patterned and repetitious founded in part in tacit knowledge.

Resources refer to tangible and intangible company assets that could be put into productive use (Amit & Schoemaker, 1993; Grant, 1991). Daft 1983 (in Barney 1991, 101) names resources to include all assets, capabilities, organizational processes, company attributes, information and knowledge controlled by a company. Wernerfelt (1984, 178-180) argues that attributes which enable to conceive of and implement strategies improving efficiency and effectiveness are company resources.

Capabilities not only reflect the ability to perform basic functional activities but also guide the improvement and renewal of the existing activities (Collis, 1994). Lipasti (2007, 190) describes capabilities within organization as an ability to generate outcomes, for instance desirable customer service. Concept of capabilities is a question of “knowing what” and “knowing how”. Therefore capabilities, each of which gives the power to act effectively in a particular range of possible future circumstances, are

among the most important reserves. (Loasby 1998, 4.) Competitive intensity increases the ability to improve existing processes and to develop new becomes important (Leonard-Barton, 1992).

Some authors connect capabilities to core competencies. Prahalad and Hamel (1990) note that a firm's distinctive competencies of accessing the external complementary knowledge assets of another organization and internalizing the capabilities is likely to enhance the core capabilities and contribute to strategic relationships for access to new capabilities. Furthermore, Hoskisson, Hitt and Ireland (2008, 107) state that for a capability to be a core competence, it must be valuable and non-substitutable from a customer's point of view, and unique and inimitable from a competitor's point of view. Therefore valuable capabilities are also rare capabilities as they can help to neutralize threats or to exploit opportunities. A rare capability in practice can be for example a unique and a valuable organizational culture or a brand name. (Hoskisson & al. 2008, 107.)

Barney (1991, 102) reminds that not all resources are strategically relevant and some may even prevent a company from conceiving of and implementing valuable strategies for example reduce its effectiveness and efficiency. Moreover, Hambrick 1987 (in Barney 1991, 106) adds that one company resource required in the implementation of almost all strategies is the managerial talent. A capability generates also from the use of tacit knowledge and therefore infrastructure and management are a part of that capability (Lipasti 2007, 190). As a consequence, capabilities are built through consistent managerial choices in identifying, developing and integrating routines (Winter 2003, 1).

4.2 Enablers for knowledge creation and learning

Knowledge creation and learning within an organization are discussed by several authors. The concept of "the learning organization" is popularized by Senge (1990), "the learning company" by Pedler, Burgoyne and Boydell (1991), "the knowledge-creating company" by Nonaka (1991) and "the living company" by De Geus (1997). These relate to the theory of organizational learning, to opinions on learning types, the process of learning and seeking differentiation between individual and organizational learning (Denton 1998, 16). Garvin (1993, 78) argues that the recommendations of

leading theorists such as Senge and Nonaka are abstract and leave uncertainty on what concrete changes in behavior are required in learning and knowledge creation.

Argyris (1991, 1) distinguishes the practice-oriented literature of the “learning organization”, applied by consultants and practitioners and the skeptical scholarly literature of “organizational learning”, produced by academics. Organizational learning skills are recognized to be the organization’s ways of working, processes and values influencing the efficiency of organizational learning (Burnes & al. 2003, 453). Furthermore, organizations have to acquire new competence continuously and exploit it (Sydänmaalakka 2007, 200). Garvin (1993, 91) adds that learning organizations will only be truly successful if supporting systems and processes are integrated into company culture.

Groups of people as well as individuals, hold tacit and explicit knowledge which allows for competent collective action. A large measure of organizational knowledge lies within the individuals of the organization and essential for the organizational success is the integration of this knowledge resource (Grant 1996, 375). Von Krogh, Ichijo & Nonaka (2000, 31) note that “in a company, members might share explicit social knowledge embedded and routinized, sometimes formalized in organizational procedures for solving a task”. It is the employees who determine how effectively assets are put to use in everyday operations of the company when creating and increasing profits (Stähle & Grönroos 2000, 193).

Producing a service typically requires an application of many types of knowledge. Understanding customers’ needs and improving the responsiveness to the market is essential, but as Zahra and Nielsen (2002) note, improving quality as well as expedite learning from the customers is important. When company is service oriented, experiences and solutions are in focus and also value is co-created (Lusch & Vargo, 2006, 43-56). Abrahamson (2000, 79) adds that the collective nature of learning is especially important in complex environments because in such circumstances managers may not be able to identify opportunities and threats.

There are infrastructural, social and institutional characteristics that make one region different from another. Since the local conditions, market structure and customers, are specific, knowledge received from corporate headquarters or another division will have to blend in with local knowledge, existing practices and experience. Such knowledge

should be shaped by local expectations and be justified according to local values. (Von Kogh & al. 2000, 212-213.) All knowledge relevant to firm behavior and success is difficult to capture entirely at the corporate level. Those with the specialized knowledge and expertise most vital to the company's competitiveness are usually located far away from corporate headquarters. (Bartlett & Ghoshal, 1993.) Mazzucato (2007, 147) adds that operational and strategic decisions should base on localized knowledge and other resources such as geographical areas, markets or even specific problems.

The concept of localized learning is presented by Sorenson, Rivkin and Flemming (2005, 2-4) who argue that forms of knowledge creation and exchange are rooted in the cultural, institutional and social structures of particular places. Therefore companies build their competitive advantages in interaction with localized capabilities and the ability to benefit fully from knowledge heterogeneity closely related by sharing a common history and identical jurisdictional order. Sorenson et al. (2005, 5-6) recognize that knowledge complementarities are the most important source of relatedness.

In addition, there are processes of localized learning that are inherent in the everyday life of people working and living in a local setting. Local milieus are bound together by day-to-day interaction, based on the same expertise, a common set of knowledge and similar experience with particular set of problem-solving techniques. Such relations can develop within a company but also span a single organization and include other companies of a value chain. (Lawson & Lorenz 1999, 995; Maskell & Lorenzen, 2004.) Companies that are located in the same place create informal information exchange and communication ecology and are able to understand it in a meaningful and useful way (Sorenson & al. 2005, 7). Malmberg and Maskell (2002, 12) claim that the ability to build well-functioning network relations, in itself is one of the most important localized capabilities.

A key advantage of internal networks is the ability to create value through the accumulation, transfer and integration of different kinds of knowledge, resources and capabilities across dispersed organization units (Nohria and Ghoshal 1997, 208). Knowledge may also be transferred and integrated among organizational units. This knowledge sharing capacity differentiates the internal network from other organization forms and gives internal networks the unique ability to take advantage of a distributed and dispersed knowledge structure. (Hedlund, 1994.)

A hierarchy fosters exploitation, whereas a network increases exploration. Therefore, according to Levinthal and March (1993, 105) both hierarchy and a network are required “to engage in sufficient exploitation to ensure current viability and to devote enough energy to exploration to ensure its future viability”. An absorptive capacity is described to be an ability of organization to recognize the value of new knowledge, assimilate it and apply it in a business setting and enable company to learn how to learn (Cohen & Levinthal 1989, 570). In addition, the significance of personal contacts, informal networks and traditional communication must not be forgotten, becoming more important as the amount of knowledge increases (Stähle & Grönroos 2000, 38).

Therefore, knowledge creation across organization should be without boundaries, involving multiple functions and organizational members with different experiences. Gupta and Michailoca (2004) look at the organization as a collection of departments working together. They argue that knowledge sharing among departments within the same organization is in reality not as natural as it may appear. Withholding information is natural; sharing is not (Stähle & Grönroos 2000, 37). It is hardly reasonable to ask somebody to share their knowledge unless the individual has a trust that sharing will not lead to a loss of value but to an added value. This, on the other hand, is a result of understanding the corporate values and one’s own experience. (Stähle & Grönroos 2000, 38.) Armstrong (2010, 131) reminds that the organizational culture, management and leadership style define what kind of work the individual carries out to fulfill the goals a company has and achieve them with other co-workers together. When organization can manage their people in the right direction, the employees know and appreciate the right values and believe in them.

However, too much certainty about one’s own knowledge can paralyze the process of identifying new needs and opportunities as knowledge giveaways that do not benefit the giver provide no motivation for knowledge sharing (Von Kogh & al. 2000, 215). Typically every organization and individuals within it has its own specific reasons on to be or not to be interested in co-operation (Lipasti 2007, 77). Equally, Von Kogh & al. (2000, 262) note that people need to be motivated locally to give their knowledge away as well as to use the knowledge that comes from another group or organizational unit. For each local business operation, knowledge should increase the capacity for acting on local business opportunities and avoiding local business threats. (Von Kogh & al. 2000, 262.) Oinas (1999, 365) suggests that the creation of new knowledge and learning might

be best viewed as a result of a combination of close and distant interactions. Collaborative efforts in knowledge creation and exchange are facilitated among individuals who share values and identity. (Oinas (1999, 365.)

At a practical level, Garvin (1993, 81) recommends learning from experience and working through teams. Patton (2008, 292) highlights the education programs linked to live problems and adds that best practices can be a fertile source of ideas, catalysts for creative thinking and ideas carry maximum impact when they are shared. In addition, Vaara, Tienari and Björkman (2003, 133) argue that locating and transferring knowledge around best practices can, at best, be an effective integration mechanism as it focuses attention on concrete questions. Reflection around processes and practices can become a key source of learning for the actors involved. This can also lead to innovations in terms of new “best” ways of doing things, if only people become committed. (Vaara & al. 2003, 134)

Therefore, enabling knowledge creation is the real managerial challenge for the organizations. The role of management change from being the source of all knowledge flows to managing the network of knowledge. Today’s leaders must pay attention to environment rather than rules; coach rather than tell and ask the right questions rather than provide the right answers. (Stähle & Grönroos 2000, 282.) Mazzucato (2007, 263-264) clarifies that managers must monitor and control the opportunistic behavior of the organization’s member and develop a more horizontal, less controlling structure which allows more co-operative interaction and enables the creativity of the organization.

In addition, when maintaining alignment with the organization’s environment, the whole workforce must be involved in the identification of the need for change, implementing and learning (Burnes & al., 2003, 453). People need to be motivated in shared future at mental level (Lipasti 2007, 68-69). Hedlund (1994) argues that “know-what” and “know-how” are no longer associated with higher managerial levels but have entered the domain of front line managers. Linking and leveraging the distributed resources and capabilities and supporting the initiatives taken by front line managers rather than only implementing resource allocation decisions made at the top is the role of middle management. Front line managers pursue the opportunities that crop up in the environment themselves, and generate and update knowledge as necessary (Bartlett & Ghoshal, 1993; Hedlund, 1994).

People need to be involved and be aware of the organizational vision, structures and processes. In this way they discuss the concrete application to their own context and develop their own practice. (Von Krogh & al. 2000, 30-31.) Competent workforce and state-of-the-art information combined with creativity form the core of organizational intellectual capital that is the result of a deeper understanding of the organization (Stähle & Grönroos 2000, 32). Furthermore, individuals need to specialize (Simon 1991, 127) and know-how becomes a dynamic competence (Stähle & Grönroos 2000, 193). However, competencies, and particularly their dynamism, are difficult to recognize and measure.

4.3 Foundations of competitive advantage

The competitive advantage of a company, its foundations and its sustainability has received interest in management literature over the years. Any organization which operates in a competitive environment needs a competitive advantage in order to survive and prosper. The resource-based view (Prahalad & Hamel 1990, 88-91) sees the capabilities of a company as its primary source of advantage while the positional view (Porter 1990, 77) contends that a company's position within an industry is the source of advantage. Senge (1995) argues that competitive advantage is generated within organizations committed to improve quality, to delight customers, to energize and motivate employees and to manage change. In addition, Kay (2004, 66) recognizes the competitive advantage to derive from a distinctive structure of relationships with employees, customers and suppliers. Moreover, Kay (2004, 66) adds that businesses should focus on what they can do better than any other businesses though this may be something different than what they are best at doing.

Bohlander and Snell (2009, 58) highlight the role of people in building competitive advantage. According to them, value is increased when employees find ways to decrease costs or provide something unique to customers. Furthermore, people are a source of competitive advantage when their knowledge, skills and abilities are not equally available to competitors and capabilities and employees' contributions cannot be copied by others. Finally, people are a source of competitive advantage when talents can be combined and deployed to work on new assignments. (Bohlander & Snell 2009, 58.)

Johnson, Scholes and Whittington (2008, 121-122) identify development of competences as a source of the competitive advantage. Ulrich and Smallwood (2004, 3) argue that organizational capabilities emerge when a company combines and delivers on individuals' competencies and abilities, focusing on specific capabilities that make a difference and contribute for the success, in order to gain competitive edge. For example, shared mind-set, working across boundaries and building trust in relationships with the customers are highlighted. (Ulrich & Smallwood 2004, 2.) Additionally, Ulrich and Smallwood (2004, 3) suggest that organisations should analyse the independent and interdependent capabilities and build on the capabilities in which they are already good at, rather than primarily focusing on weak capabilities.

Furthermore, a competitive advantage may originate from the ownership and/or employment of difficult- to-replicate knowledge assets and the manner in which they are deployed (Teece 2009, 194) Peng et al. (2008, 734) see that routines form internally consistent bundles which are significantly related to operational performance and difficult to imitate and thus a source of competitive advantage. Furthermore, Peng et al. (2008, 730) note that routines and capabilities are embedded in the dynamic interaction of multiple knowledge sources. Therefore, focusing on sustainable competitive advantage by finding customized ways in increasing knowledge base and learning capabilities (Tidd 2006, 28) and development of learning is essential in creation of a superior performance (Paton 2008, 285). In addition, Timlon (2009) highlights the need to understand the links between sustainable competitive advantage and the repositories of organizational learning that exist at different organizational levels and within various contexts.

Kostova (1999, 310) defines the nature of competitive advantage through organizational practices and reminds that the practices that organizations develop and institutionalize vary widely and some are narrow in scope, referring to specific tasks within a functional area. Therefore, strategic organizational practices are more complex and broad in scope, more "people" rather than "technology" focused. Therefore they are likely to make a practice less imitable and more critical for the competitive edge of a company. (Kostova 1999, 310.) Imitation can be hindered by the fact that few routines are stand-alone, imitating a part of what a competitor does may not enhance performance at all (Teece 2009, 195). Teece (2009, 129) adds that replication in a different context may thus be rather difficult as differences within organisation also in the same country exist.

Some routines and competences seem to be attributable to local or regional forces that shape firm's capabilities at early states in their lives. According to Porter (1990, 78-80), differences in local product markets and institutions play an important role in shaping competitive capabilities. Additionally, the role of firm-specific history has been highlighted as a critical factor explaining firm-level differences (Nelson & Winter, 1982).

Barney (1991, 102) highlights a value creating strategy that requires a particular mix of physical, human and organizational capital resources. In addition, Barney (1991, 108) continues that a company with a unique and valuable organizational culture may have an imperfectly imitable advantage over the companies founded in another historical period. The resources controlled by a company are very complex and interdependent, often implicit and taken for granted by managers and seldom subject to explicit analysis. Therefore, numerous resources, taken by them or in combination with other resource, may yield sustained competitive advantage. In addition, when a firm with a competitive advantage does not understand the source of its competitive advantage any better than firms without this advantage, that competitive advantage may be sustained because it is not subject to imitation. (Barney 1991, 108.)

Loasby (1998, 6) argues that with limited direct capabilities and the consequent need to know how to get things done, it is recognized the possibility of building relationships to manage closely complementary capabilities. Special value can be created with cospecialization. Because the cospecialized assets in question are unique, competitors cannot necessarily obtain these assets, and even if they could, the cospecialized asset is likely to have a different value in use if the competitor has a different portfolio of complementary assets. (Teece 2009, 161.)

Porter (1985, 323-324) identifies different type of interrelationships among business units effecting on competitive advantage that are not mutually exclusive; tangible, intangible and competitive. Tangible ones arise from opportunities to share activities in the value chain among related business units, due to the presence of common customers, channels, technologies and other factors. They lead to competitive advantage if sharing lowers cost or enhances differentiation enough to exceed the costs of sharing. Intangible interrelationships lead to competitive advantage through transference of generic skills or know-how about how to manage a particular type of activity from one business unit to another. This may lower the cost of the activity or make it more unique. (Porter 1985, 325.)

Competitor interrelationships stems from the existence of rivals that actually or potentially compete with a firm in more than one industry and make tangible and intangible interrelationships all the more important to recognize and to exploit (Porter 1985, 325). Furthermore, Porter (1985, 350-351) reminds that identifying generic similarities among business units is important, whether or not value activities cannot be shared; similarities mean that know-how gained in one business unit is valuable and transferable to another.

As a conclusion, Mazzucato (2007, 173) adds that leaders should identify which make their business unique in the market and attractive to the customers, it is not enough to have just different capabilities from others. In the end, sustained competitive advantage cannot be created simply by evaluating environmental opportunities and threats. Rather, it is the unique resources and capabilities that a firm brings to competition in its environment. To discover these resources and capabilities, managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organization. (Mazzucato 2007, 173.)

In practice, Johnson & al. (2008, 110) suggest value chain analysis, which helps to identify if the product or service give or add value to the activities within the company and if these can be improved to offer its customers only the best. The end result should clarify if the company has a strategic capability or core competence within its activities. Activity mapping, in its turn, provides information how resources work together to create and add value and give competitive strategies to produce uniqueness and synergy (Thompson & Martin 2010, 174). Porter (2008, 43) notes that most managers describe strategic positioning in terms of their customers, while the essence of strategy is in the activities and choosing to perform activities differently or to perform different activities than rivals.

It is a widely accepted belief that successful organizations of the future are those who are sufficiently flexible to respond to these constantly changing demands more quickly than the competitors. Therefore, strategic leaders have the ability to develop new visions, create new strategies and lead the company on the new direction to catch the opportunities and survival. Paton (2008, 278) concludes that it is not enough merely to respond to the changes but to develop the capability to predict what changes may be, to develop corporate understanding of a range of possible futures and position the organization appropriately to meet any of these potential demands.

4.4 Classifying dynamic capabilities

Dynamic resources help a company to adjust its resource mix and maintain the sustainability of the competitive advantage. In other words, while the resource-based-view emphasizes resource choice, or the selecting of appropriate resources, dynamic capabilities emphasize resource development and renewal. There seems to be a broad consensus in the literature that dynamic capabilities contrast with ordinary or operational capabilities being concerned with change. Majority of researchers assume that dynamic capabilities are essentially firm-specific and unique (Makadok 2001; Teece & al. 1997; Barreto 2010, 263) and the key to competitive advantage (Teece & al. 1997). Dynamic capabilities can also be divided to definitions focusing on the results of dynamic capabilities (e.g. Griffith & Harvey 2001), the presence of external conditions (e.g. Teece & al. 1997; Eisenhardt & Martin 2000) and definitions focusing on abilities or activities which make the company dynamic (e.g. Zollo & Winter 2002; Zahra & al. 2002).

Furthermore, attention to the environmental turbulence is devoted. Researchers within the field are divided into those who relate dynamic capabilities with highly dynamic environments (Teece & al. 1997), those who acknowledge the relevance of the concept in both stable and dynamic environments (Eisenhardt & Martin 2000; Zollo & Winter 2002, 340) and those who ignore the characteristics of the specific environment (Makadok 2001). Ambrosini et al. (2009, 33) suggest that in stable environments dynamic capabilities are often small adaptations of resources, whereas in high-velocity environments more radical modifications and changes in the resource base are needed.

Intangibles typically do not reside with just a few individuals, but are deeply embedded in processes and procedures (Zott 2003, 98; Teece 2009, 66). Helfat and Peteraf (2003) believe that dynamic capabilities influence a firm's performance as they indirectly contribute to the output of the firm through an effect on operational capabilities. Oxtoby, McGuinness and Morgan (2002, 4) agree on that a key dynamic capability is an organisational change capability. According to Andreeva and Chaika (2006, 10) it is namely dynamic capabilities that ensure proactive reaction to the environmental changes that in turn allows a building of distinctive competencies and appropriate economic rents.

The literature is divided about the links between dynamic capabilities and a company performance. Some authors (Griffith & Harvey 2006, 597) have explicitly linked dynamic capabilities and competitive advantage. However, others see the link between dynamic capabilities and a company's performance indirect (Bowman & Ambrosini 2003; Zott 2003, 98) and some argue that dynamic capabilities do not necessarily lead to competitive advantage (Helfat & al. 2007, 140) because dynamic capabilities change the resource base, the renewal is not necessarily valuable.

Teece et al. (1997, 516) define dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments". Zollo and Winter (2002, 340) remark that Teece & al. definition gives the understanding why the company needs the dynamic capabilities and how they work, but not the answer where they come from. Accordingly, Helfat et al. (2007, 37) explain that a dynamic capability is the capacity of an organization to purposefully create, extend or modify its resource base. The definition highlights the role of intentionality and leaves open the possibility that dynamic capabilities may address organisational changes unrelated to environmental change.

In other words, dynamic capabilities are concerned with the intentional change of the resource base (Ambrosini & Bowman 2009, 33). Collis (1994) is particularly explicit and formal in making the point that dynamic capabilities govern the rate of change of ordinary capabilities. Winter (2003, 991) proposes that dynamic capabilities modify and change operational capabilities. Organizational capabilities are directly related to dynamic capabilities since reflecting the idea of the necessity for dynamic improvement of business processes (Amit & Schoemaker 1993, 35). Moreover, Andreeva & Chaika (2006, 12) note that a change capability is the only existing dynamic capability, as a functional capability becomes obsolete very quickly in the dynamic environment.

According to Teece (2009, 6) company success depends upon the discovery and development of opportunities: the effective combination of internally and externally generated inventions for example upgrading of best practice, business processes, the invention of new business model as well as shaping new rules of the game. Factors emerging from the company history enable the development of dynamic capabilities. If the company has been innovative during its history, it has probably learned good practices which can also be utilised to increase the innovativeness in the future. (Teece 1997, 1346.)

In addition, Eisenhardt and Martin (2000) explain that path-dependent learning mechanisms shape the creation and development of a firm's dynamic capabilities. Loasby (1998, 6) reminds that there is, in general more than one path available from any particular configuration. Winter (2003, 991) notes that not all enterprise-level responses to opportunities and threats are manifestations of dynamic capabilities, for example ad hoc-problem solving is not necessarily a capability. Nor is the adoption of a well-understood and replicable "best" practice likely to constitute a dynamic capability (Teece 2009, 7) nor a superior operational efficiency, while being valuable (Teece 2009, 57).

According to Zollo and Winter (2002, 340), creating dynamic capabilities is learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness. Winter (2002, 344) suggest that dynamic capabilities emerge from the coevolution of tacit experience processes with explicit knowledge articulation, enabling a company to change its routines. Learning capabilities facilitate the creation of dynamic capabilities (Easterby-Smith & Prieto 2008, 237). For instance, Eisenhardt and Martin (2000, 1116) identify knowledge transfer routines as important elements of dynamic capabilities and conceptualize them as a combination of simpler capabilities and related routines. In addition, Johnson et al. (2008, 121-122) identify organizational learning to improve dynamic capabilities and Collis (1994, 148) relate learning to outperform competitors. Teece et al. (1997, 520) state that learning is a process by which repetition and experimentation enable tasks to be performed better and faster.

Integrating know-how from outside as well as within the enterprise is especially important to success. Good incentive design and the creation or learning, knowledge-sharing and knowledge-integrating procedures are likely to be critical to business performance and a key foundation of dynamic capabilities. (Teece 2009, 164.) Organizational units may create and accumulate knowledge with their own means and resources (Nonaka & Takeuchi, 1995). Minkler (1993, 520) reminds that to know something is to be able to understand and otherwise make sense of it. Therefore, members of an organisation must interpret and understand the new knowledge. Understanding and implementing the processes and structures that undergird dynamic capabilities is enterprise specific and requires intimate knowledge of both the enterprise and the ecosystem in which the enterprise cooperates and competes (Teece 2009, 56).

In the economy of today, managers play a key role in company's ability to adapt to changing circumstances as their decisions concerning strategy or organisation is at the heart of the company's performance. Teece (2009, 54) argue that operational capabilities help sustain superior operations. Dynamic capabilities relate to high-level activities that link to management's ability to sense and then seize opportunities, navigate threats, combine and reconfigure specialized assets to meet changing customer needs and to sustain evolutionary fitness, thereby building long-run value for investors. In other words, managers have to be able to build dynamic capabilities (Augier & Teece 2009, 411). However, managers' capability to do this depends on factors such as motivation, skills and experiences (Adner & Helfat 2003, 1012). The dynamic capabilities that emerge over time are enabled by a series of decisions managers make on resource investments (Helfat & al. 2007, 53). In a modern company, term 'manager' or 'entrepreneur' does not necessarily mean an individual, but a function (Augier & Teece 2009, 417) and dynamic capabilities is an organizational phenomenon, stretching much further than the leader's personality (Andreeva & Chaika 2006, 13).

Companies with strong dynamic capabilities are intensely entrepreneurial and shaping business ecosystems through innovation and collaboration with other enterprises, entities and institutions, instead of adapting to them (Teece, 2009, 3-4). Winter (2003, 5) reminds that dynamic capabilities involve long-term commitments to specialized resources. Cool, Almeida Costa and Dierickx (2002, 56-57) note that failure to correctly identify the real source of above normal earnings may lead to inadequate protection of scarce resources and neglect to examine the forces threatening this potential. Ambrosini & Bowman (2009, 38) note that deployment of dynamic capabilities can also lead to failure if the resulting resource base is irrelevant to the market. According to Andreeva and Chaika (2006, 15) prioritizing general development task for the sake of the future, an organization can lose the linkage to the real today's business tasks. On the other hand, overusing dynamic capabilities can lead to deterioration of the basic competitive capability (Winter 2003, 993; Eisenhardt & Martin 2000, 1118).

5 EMPIRICAL FINDINGS

This chapter presents the main findings of this study and provides answers to the first and the second research questions of this study. Background information of respondents is presented only in Appendix 5. The answers from the branch managers are brought together in Appendixes 6, 7 and 8 presenting one border region at time. Main findings from these appendices are written in this chapter.

6 DISCUSSION

This chapter discusses the empirical findings of the study related to the cross-border context and the theoretical framework. The focus is on the branch office of Haparanda and insights to the cross-border reality are provided. The discussion aims to answer the third research question of this study and to present managerial implications that derive from the discussion. Additionally, the limitations of the study are addressed and finally, the suggestions for the future research presented.

7 CONCLUSION

The branch office of Haparanda operates in the border region of Sweden and Finland and is challenged by this operational environment at a daily basis. The aim of this study was to explore co-operational resources in the cross-border context of banking services, focusing on the border region of Haparanda and Tornio. In this study experiences from other branch offices operating in the border regions of Norway and Denmark was collected. Information from other the branch offices located at national borders was to support the study and help to define the relevance of local level cross-border co-operation within Nordea. Those viewpoints were highly valuable when building the conclusion of branch offices common characteristics with each other and speciality compared to other branches not locating at the national borders.

Firstly, it was evaluated how the proximity of the national border impact on the branch offices in the border regions of Denmark, Finland and Norway. Secondly, the role of the local level co-operation across national borders was revealed and the factors to develop co-operation were discussed. Thirdly, it was evaluated in which ways the co-operation across the national border relates to resources and both organizational and dynamic capabilities within Nordea Haparanda.

Therefore, the theoretical part of this study combined of several theoretical discussions. Resources and routines underline capabilities, whereas as enablers for knowledge creation and learning need to be considered within an organization operating in border regions. In addition, foundations for competitive advantages were discussed as well dynamic capabilities classified. The leading thoughts deriving from these theoretical viewpoints were brought into the cross-border context and discussed further.

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