KICKBACKS: IN THE AGE OF DISRUPTION

A QUALITATIVE STUDY ON INSTITUTIONAL DISRUPTION ON THE SWEDISH MUTUAL FUND MARKET

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Abstract

This thesis examines if and how an institutional disruption, in this study a regulatory threat, impacts institutional rules and competitive dynamics in the Swedish mutual fund market. In recent years, the industry has faced multiple disruptions, mainly stemming from financial technology, putting additional pressure on regulators and organizations to adapt. However, previous research has shown that also regulations can be a disruptive force. Since implementing the MiFID II regulation in the European Union, several nations have prohibited fund distributors from receiving a kickback. The discussion of a prohibition in Sweden has been brought to the front again because of a statement in the media by the Swedish Financial Supervisory Authority. This thesis is a qualitative study based on nine interviews with industry participants. The theoretical lens, consisting of neo-institutional theory and Porter's five forces, is used to analyze the individuals' perceptions of the regulatory threat to gain a deeper understanding of the competitive dynamics in the market. When analyzing the empirical data, we conclude that institutional disruption in the form of a regulatory threat leads to heterogeneity because of changing norms. However, neo-institutional theory suggests that the organizational field will become more homogenous over time with support from empirical data. It is also concluded that competitive dynamics are affected, facilitating new entrants, encouraging price reduction and customer focus, and backward integration. Summarily, the thesis provides a perspective on how competitive dynamics are affected by institutional change caused by an institutional disruption.

Keywords

Institutional disruption, competition, neo-institutional theory, institutional entrepreneurship, mutual fund markets

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Definitions

Concept	Definition
Financial institution	Actors in the financial market, for instance, banks, financial companies, corporate and municipal-financed institutions, and monetary investment funds (Sveriges Riksbank, 2020).
Fund company	Company managing mutual funds (Nasdaq, 2018b).
Fund distributor	Company distributing fund companies' funds to investors (Swedish Investment Fund Association, 2019).
Fund management fee	Ongoing fee paid by the investor to the fund company (Avanza, n.d.).
Institution	Socially constructed structures of rules and ways to interact and behave that organizations must adhere to in order to survive in a market (Jepperson, 1991).
Kickback	Fraction of the fund management fee paid by the fund company to the fund distributor (Nasdaq, 2018a).
MiFID II	The Markets in Financial Instruments Directive (MiFID) is a legislative framework instituted by the European Union (EU). Applicable in the EU since 2007 to ensure transparency on the financial market (European Securities and Markets Authority, 2021). The revised regulation and directive that apply within the EU from 2018 is referred to as MiFID II.
Mutual fund	A pool of money from many investors that is managed by a fund company (Nasdaq, 2018).
Retail investor	Small investors investing for personal accounts (Nasdaq, 2018c).

Table 1: Definitions

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1 Introduction

1.1 Background

The financial system is built upon the interaction of several different institutions[1] and organizations, creating a complex system that operates best in stable environments (Love & Stockdale-Otárola, 2017). Even more, it can be argued that standards that favor stability and homogenous behavior are built into the system, for instance, through heavy regulation. Thus, disruptions are unwelcome events, possibly altering the desired and sought-after milieu and stability.

Examples of disruption can be found throughout history, such as the financial crisis in 2007-2009, but also more subtle disruption taking the form of technological innovation and transformation (Anagnostopoulos, 2018). Nevertheless, irrespective of the type of disruption, the industry's underlying forces will be influenced, causing new conditions for institutions to emerge (Laurell & Sandström, 2016).

Disruption of such magnitude was expected as the MiFID II[2] regulation was implemented in 2018. The Swedish Financial Supervisory Authority (FI) recommended a prohibition of kickbacks[3] on mutual funds,[4] meaning that fund distributors[5] no longer would receive an allowance from the fund companies. However, after political debate and intense lobbying, a complete prohibition of kickbacks was disregarded, and kickbacks were only partly banned in Sweden (Rognerud Kainz & Rawet, 2021b). Nevertheless, new and current actors have challenged the status quo on the Swedish mutual fund market, and in 2021 the question regarding a prohibition of kickbacks was brought to the fore again by FI. Thus, a regulatory threat still surrounds the market, and new competitors are challenging incumbents. This creates a setting where competitive dynamics are challenged, which we further investigate in this thesis.

1.2 Previous Research and Research Gap

Technological disruption is a well-researched area, following its significant economic and societal effect. Studies show the immense impact financial technology (fintech) has on the financial market and its regulative structures (Anagnostopoulos, 2018; Vives, 2019). In terms of disruptive change and institutions, Christensen (2006) has contributed with research claiming that

[1] See definition in Table 1.
[2] See definition in Table 1.
[3] See definition in Table 1.
[4] See definition in Table 1.
[5] See definition in Table 1.

technology and innovations are possible drivers of institutional change, and Laurell and Sandström (2016) define the concept of institutional disruption as change that is impacting institutional rules and regulation. Regulations on the financial market are crucial to maintaining stability (Vives, 2019; Repiquet, 2019), but they can also shift the competitive dynamics in a market (Prorokowski, 2015; Vives, 2019).

According to DiMaggio and Powell's (1983) research on institutional theory, disruptions can be categorized as exogenous shocks when the catalyst for change lies outside the scope of current institutions. Building on institutional theory, Eisenstadt (1980) presented the idea of institutional entrepreneurship, which explains institutional change deriving from endogenous factors.

Focusing on competitive dynamics, this area is dominated by the research made by Michael Porter (2008). He published the Porter's five forces framework, which explains how market dynamics interact and develop.

To the authors' knowledge, little to no research has been made on the relationship between institutional disruption, institutional change, and Porter's five forces, which leaves a gap in the research area of management studies. As far as our knowledge stretches, there is more research on exogenous shocks than endogenously initiated shocks in the financial market. Lastly, most studies are focused on the financial market in general, while there is less research specifically on the mutual fund market. This is unfortunate as institutional disruption on the Swedish mutual fund market can significantly impact the financial wealth of approximately 80% of the adult population (Swedish Investment Fund Association, n.d.).

1.3 Purpose and Research Question

We explore how institutional disruption affects the competitive dynamics of the Swedish mutual fund market. Using the regulatory threat deriving from FI's statement of a potential prohibition of kickbacks as an example, we investigate how institutional rules interact with competitive dynamics and the competition between actors in the market. Therefore, the purpose is to develop a practical tool on how institutional disruption affects competitive dynamics. Our research question is formulated as follows:

Does institutional disruption affect competitive dynamics in the Swedish mutual fund market? If so, how?

1.4 Delimitations

The study is centered around the Swedish mutual fund market as nation-specific regulations limit the scope naturally. However, comparisons and examples from other countries are used throughout the thesis. Actors included in this study are retail investors,[6] banks and fund distributors, interest organizations, advisors, and FI. The regulative framework MiFID II is included since it has triggered prohibitions of kickbacks in several countries, and it is the section of law applicable for further regulations in Sweden.

1.5 Disposition

The thesis proceeds as follows. In the second part, we review concepts and empirical research to gain necessary context of the study. After follows a presentation of the theoretical framework. Our method is explained in part three, whereas the empirical data is presented in section four. An analysis of the data in section five is followed by a discussion of the results in section six. Finally, a conclusion is provided in section seven.

2 Theory

2.1 Concepts and Context

2.1.1 The Swedish Mutual Fund Market

Mutual fund trades in Sweden make up 12% of the stock market and are thus only a branch of the financial market (Nordström, 2020). Multiple actors are involved throughout a transaction on the Swedish mutual fund market, which is presented in Figure 1.

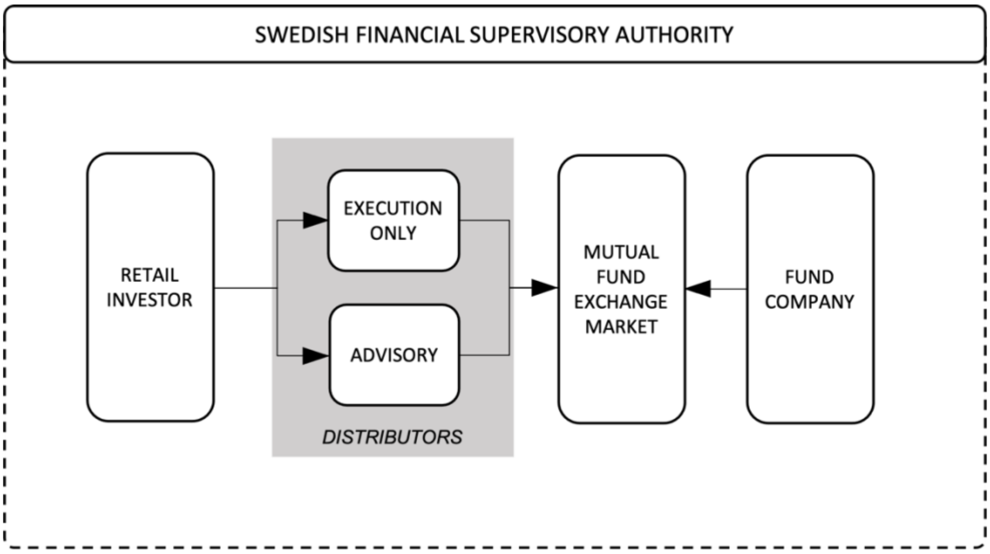

Figure 1: The Swedish Mutual Fund Market, by Baek and Juelsson

The outer limit in the figure above is set up by FI, which monitors and oversees the stakeholders in the market. Besides this, the Swedish Ministry of Finance states that FI should contribute to the financial market's stability and protect investors (Swedish Financial Supervisory Authority, 2020). Thus,

[6] See definition in Table 1.

FI has a prominent role in legislation and greatly influences the market's development. However, FI should not be considered one of the main actors on the mutual fund market; instead, those are made up of the inner part of Figure 1. Here, the first movers are assumed to be retail investors, as they initiate the purchase of mutual fund shares.

The most common way to purchase mutual funds in Sweden is via distributors, consisting of two sub-categories: execution-only distributors and distributors offering advisory services. A critical characteristic of the distributors is that they receive kickbacks from the fund company,[7] see Figure 2 (Åkerblom & Törnqvist, 2015). This has raised a concern regarding their objectivity and whether they act in the best interest of their customers, and it regards those offering advisory services in particular (Rognerud Kainz & Rawet, 2021a; Runnemo, 2021). Following the reception of a purchase order, all distributors turn to the mutual fund exchange market (e.g., MFEX or All Funds) to make the deal. The mutual fund exchange market functions as the stock market, and here the distributors trade with the fund companies.

2.1.2 Revenue Models in the Mutual Fund Market

As mentioned, there are specific revenue streams in the mutual fund market that have been heavily debated during the spring of 2021 (Rognerud Kainz & Rawet, 2021c). The debate mainly concerns the kickbacks that fund companies pay the distributor for selling their products to investors. According to the Swedish Competition Authority, kickbacks correlate to approximately 40-50% of the fund management fee[8] and are being paid continuously from the fund company to the distributor while the investor holds the share (Åkerblom & Törnqvist, 2015). The revenue stream is presented in Figure 2.

[7] See definition in Table 1.
[8] See definition in Table 1.

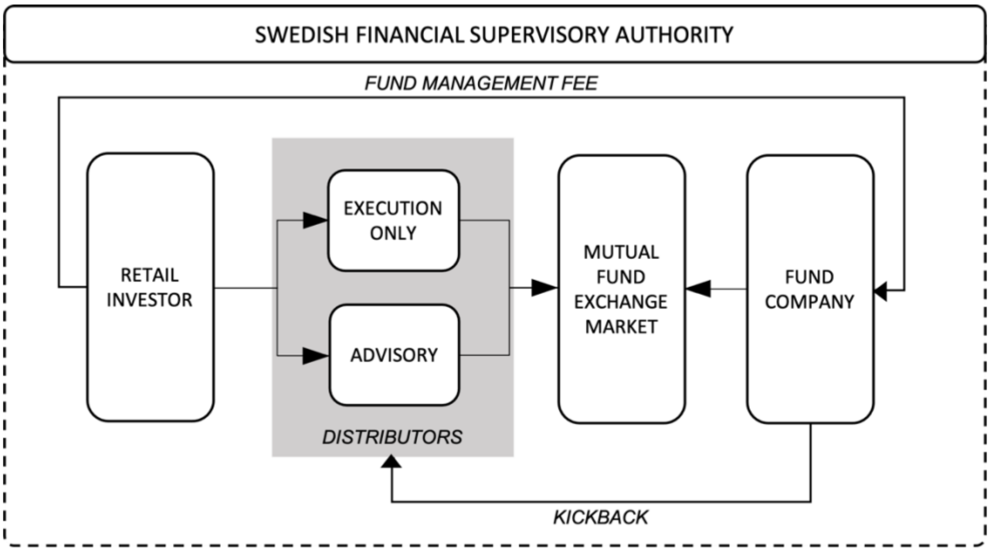

Figure 2: Traditional revenue model of mutual fund distribution, by Baek and Juelsson

There is a notion that kickbacks create an incentive for advisory distributors to recommend funds with a higher fund management fee and the funds they manage themselves (by owning the fund company) (Rognerud Kainz & Rawet, 2021c). In the first instance, recommending these funds can increase revenue as a higher fund management fee yields a greater kickback, and the latter entails that the corporate group earns the complete fund management fee (Rognerud Kainz & Rawet, 2021c). Even for execution-only distributors, there are concerns regarding their objectivity since they have other ways of promoting the more profitable funds (Rognerud Kainz & Rawet, 2021c). The incentives can be exemplified by the digital execution-only distributor Avanza, of which 18% of the revenue in 2020 could be derived from kickbacks (Avanza Bank Holding, 2021).

Given the concerns presented above, the EU suggested the MiFID II directive as a solution, which was implemented in Sweden in January 2018 (Swedish Financial Supervisory Authority, 2019). The directive is set to increase transparency regarding fees, with the aim to increase competition and strengthen customer protection. Technically, MiFID II implies that kickbacks are prohibited for independent advisory actors (Swedish Financial Supervisory Authority, 2019). Nevertheless, in Sweden, MiFID II is implemented with the reservation that kickbacks can be received anyway if quality enhancing services are provided to the investors (Rognerud Kainz & Rawet, 2021b).

Amid the implementation of MiFID II and the absence of a complete kickback prohibition, new actors have emerged with a disruptive revenue model (Bolander, 2021). These distributors challenge the status quo by charging a platform fee instead of accepting kickbacks from the fund company (Bolander, 2021). This enables the new distributors to offer the same mutual funds at a lower price as approximately 40-50% of the fund management fee is being repaid to the investor. Figure 3 presents the disruptive revenue model and how fees flow between actors.

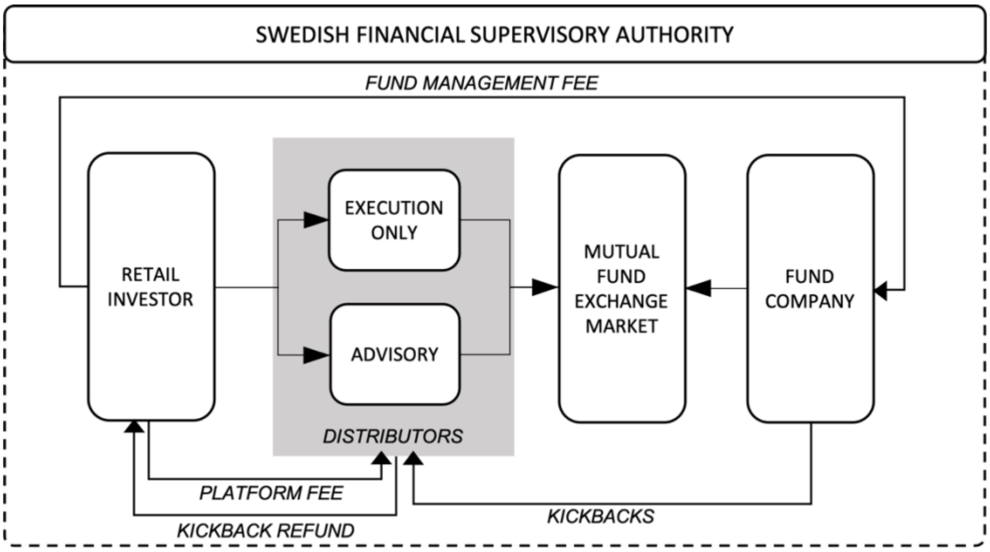

Figure 3: Disruptive revenue model of mutual fund distribution, by Baek and Juelsson

2.2 Literature Review

2.2.1 Disruption on the Financial Market

Areas of disruption widely researched within the scope of the financial market are disruptive innovation and technology. A common explanation for this is the disruption of the financial industry imposed by fintech (Jagtiani & John, 2018; Anagnostopoulos, 2018; Sangwan, Harshita, & Prakash, 2019; Vives, 2019). Anagnostopoulos (2018) examines the disruptive technological change imposed by fintech on the financial market and its regulatory structures. It is concluded that the disruption caused by fintech has significant implications on the value chains of the financial industry, which is slow to adapt in general. Agility in regulatory measures and collaboration are required to handle disruptive technological innovations (Anagnostopoulos, 2018). Vives (2019) claims the disruption of banking stems from changes in the use of digital technology and concludes that incumbent firms will need to change their business models because new entrants are changing the market.

Laurell and Sandström (2016) suggest that structural change which disturbs current regulations and institutional structures should be referred to as institutional disruption. Relevant to the case of the financial market, it is also concluded that both technology and innovation can drive institutional change (Christensen, 2006). This is currently happening in the financial market since both business models and regulations are experiencing change caused by disruptive technology and innovation (Anagnostopoulos 2018; Vives 2019).

2.2.2 Regulations on the Financial Market

Because of the changing financial market and the amount of capital invested, regulations are essential to allow for disruption and innovation while simultaneously maintaining stability (Vives, 2019; Jagtiani & John, 2018; Sangwan et al., 2019). Functioning regulation is crucial to prevent future financial crises (Repiquet, 2019; Cole, Johan, & Schweizer, 2021). Repiquet (2019) argues that EU law effectively prevents financial crises by preserving global financial stability. However, differentiation in regulation between member states within the EU can create uncertainty (Ringe & Ruof, 2020). Since the financial market is internationally exposed, national regulations and the behavior of individual actors can have international significance – possibly creating additional uncertainty (Farrell & Newman, 2010). The financial crisis in 2008 is an example of how domestic regulations can have a global impact. Such international shocks may lead to divergence in regulations since nations will build on the structures already in place, making overarching reforms by the EU a challenge (Farrell & Newman, 2010), which is exemplified with MiFID II. Even though legal frameworks are crucial for the functioning of the financial market, the industry is slow in adopting regulations to the emerging technology (Cole et al., 2021; Ringe & Ruof, 2020). This may harm retail investors, for instance, due to the unfair conditions between incumbents and new entrants that are utilizing the slow development of regulations (Vives, 2019). After all, the purpose of regulation and functioning competition is consumer welfare.

2.2.2.1 Regulations' Impact on Competition on the Financial Market

Implementing new regulations may shift competitive dynamics (Prorokowski, 2015; Vives, 2019). Regulations not only ensure stability when new entrants emerge, but they also control entry barriers, user data, and customer protection (Vives, 2019). Prorokowski (2015) argues that the implementation of MiFID II commands substantial changes in business models and that the regulation will stimulate healthy competition. He suggests that organizations within the sector should dedicate independent teams to handle the implementation since technological and structural changes are expected. Another example of an EU regulation that disrupted the competitive landscape on the financial market, in general, was the Payment Service Directive (Segendorf & Wretman, 2015). It allowed for companies other than banks to enter the market, increasing the competition and variety of technical solutions, which challenged incumbents.

2.3 Theoretical Framework

We use neo-institutional theory and Porter's five forces to investigate the impact on competitive dynamics on the mutual fund market in Sweden in a setting of disruption due to a regulatory threat. We elaborate on how the two theories relate to each other in Section 2.3.3.

2.3.1 Neo-Institutional Theory

Contrary to the perception that organizations act on rational grounds, institutional theory claims that organizational behavior is affected by the external environment (DiMaggio & Powell, 1983). An organization's environment consists of other organizations and institutional rules that influence decision-making. The neo-institutional theory emphasizes how organizations in the same field are affected by institutional rules and how these can both constrain and lead to development. Scott's definition of the term institution is as follows: "Institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behavior." (Scott, 1991: 33). Hence, an institution is not a company nor an organization, but rather the socially constructed norms and regulations it must follow to survive.

According to Meyer and Rowan (1977), neo-institutional theory describes how organizations must conform to institutional rules to earn legitimacy. In turn, legitimacy is crucial for organizations to survive (Scott, 1995). Organizations that do not conform to the institutional structures and expectations are perceived as illegitimate and will get difficulties participating in the organizational field (Eriksson-Zetterquist, 2009). An organizational field is a group of organizations that share suppliers, resources, customers, regulative institutions, or produce the same products or services (DiMaggio & Powell, 1983). Thus, organizations acting in the same field will become homogenous – a process DiMaggio and Powell (1983) refer to as isomorphic change. Isomorphism is defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions." (DiMaggio & Powell, 1983: 149). However, isomorphic change does not necessarily mean increased effectiveness (DiMaggio & Powell, 1983).

There are three different mechanisms of isomorphic change (DiMaggio & Powell, 1983), which are presented in Figure 4. Scott (1995) refers to them as the coercive pillar, normative pillar, and mimetic pillar. Together, these three mechanisms create the institutional norms and expectations that organizations follow. Changes in the coercive, normative, or mimetic pillar will affect the institutional rules, and in turn they may alter the pillars.

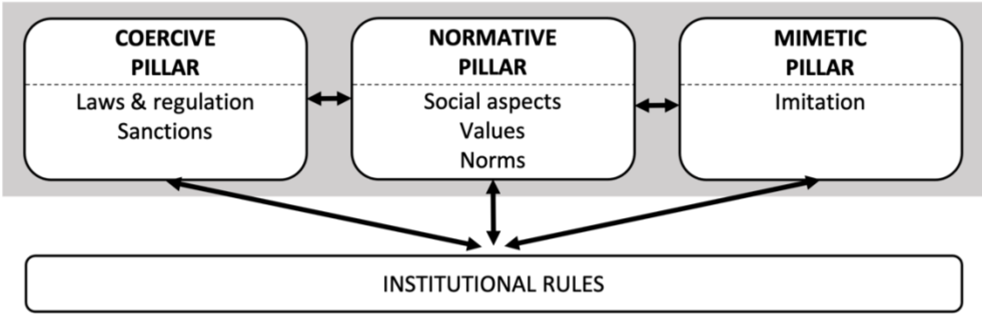

Figure 4: Mechanisms of isomorphic change (Scott, 1995; DiMaggio & Powell, 1983)*, edited by Baek and Juelsson*

2.3.1.1 Coercive Pillar

The coercive pillar of institutional theory consists of rules, regulations, and a monitoring function to impose sanctions (Scott, 1995). Regulative forces mainly stem from the government and politics of organizations (DiMaggio & Powell, 1983). With laws, policies, agreements, and similar activities, institutions with legitimacy can control other organizations and force them toward similar practices (Eriksson-Zetterquist, 2009).

2.3.1.2 Normative Pillar

The normative pillar includes the norms and values in society; hence this pillar defines the social aspects of institutional theory (Scott, 1995). Values are the conceptions of the preferred or the desired, and they are comparisons for existing behavior. Norms define the legitimate way to reach goals, hence how things should be done (Scott, 1995).

2.3.1.3 Mimetic Pillar

To handle uncertainty, both organizations and individuals imitate others' behavior (DiMaggio & Powell, 1983). Organizations that are perceived as successful and legitimate tend to get imitated. By imitating more successful organizations, less successful ones avoid costs to find viable solutions or innovations themselves. This may occur either consciously or unconsciously, but the result is the same: homogenization (Eriksson-Zetterquist, 2009).

2.3.1.4 Institutional Entrepreneurship

Apart from external explanations to institutional change, there are endogenous explanations (Eisenstadt, 1980). Individual actors in an organizational field can also start structural change and institutional disruption, a phenomenon referred to as institutional entrepreneurship, that affects the three pillars and institutional rules.

2.3.2 Porter's Five Forces

Porter's five forces, illustrated in Figure 5, are used to analyze how the regulatory threat of a ban of kickbacks affects competitive dynamics on the fund market. It can be used to anticipate and influence competition over time and understand the structure of an industry, which affects the profitability in the market (Porter, 2008).

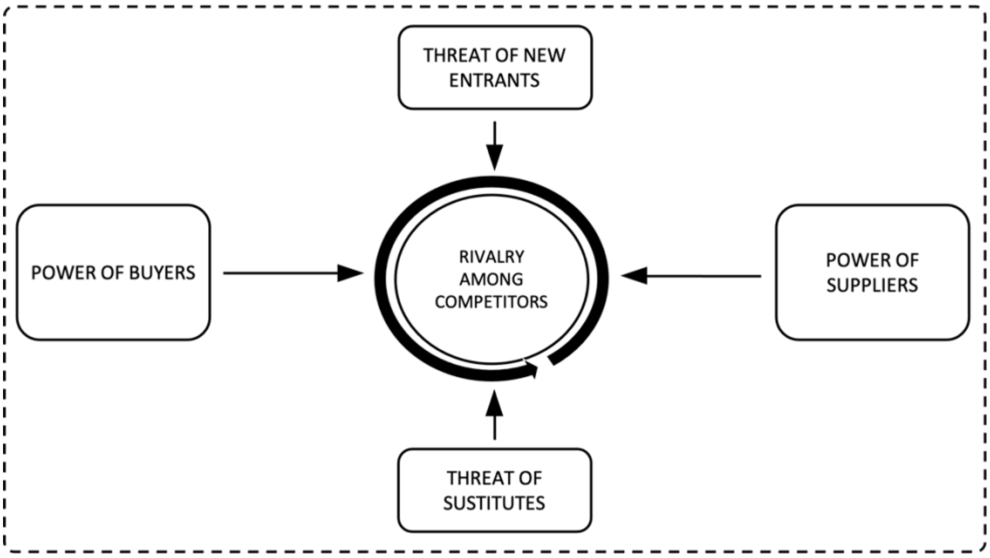

Figure 5: Porter's five forces (Porter, 2008)*, edited by Baek and Juelsson*

New entrants to an industry can result in a "pressure on prices, costs, and the rate of investment necessary to compete." (Porter, 2008: 3). When the threat of new entrants is significant, industry participants need to keep low prices to prevent new entrants; hence there is a cap on profits. A substitute is something that "performs the same or a similar function as an industry's product by a different means." (Porter, 2008: 8). Prices can only be increased to a certain limit without customers transferring to substitutes. The threat of substitutes increases when the switching costs are low and when the substitute's relative value is high.

The bargaining power of the suppliers can have detrimental effects on the profits (Porter, 2008). Powerful suppliers can charge higher prices, limit the supply of products and services, or shift the costs to other actors within the industry. A supplier group is powerful when it is more concentrated than the companies it is supplying. According to Porter (2008), the power of suppliers is also reduced when they are highly dependent on a specific industry for their revenues and when shifting costs of the industry participants are low. The supplier's power may increase if they have a unique and differentiated product and there are no substitutes on the market. Buyers have the most power when they are big themselves or collectively gain negotiating leverage compared to industry participants. Then they can put pressure on prices and demand improved service and quality, hence decreasing profitability (Porter, 2008). Buyers gain power if they can easily switch vendors and if the switch comes with low costs and price sensitivity.

Significant competition among rivals in a market can increase profitability, but the opposite is presumed to occur (Porter, 2008). High competition often leads to price discounts, service improvements, and product introductions. Factors that may harm profits in a highly competitive market are high exit barriers (forces unprofitable companies to stay on the market) and sustained price competition (Porter, 2008). This can arise from slow market growth and fights for market share, lack of knowledge of competitors, low switching costs for consumers, and when fixed costs are high and marginal costs low.

2.3.3 Conclusion of Theoretical Framework

In conclusion, we aim to explore the impact of a regulatory threat on institutional rules and competitive dynamics by using the potential prohibition of kickbacks on mutual fund sales in Sweden as an example.

Institutional theory explains how organizations act to keep and receive legitimacy, in this case, when an institutional entrepreneur initiates a disruption. We will use neo-institutional theory to examine how the fund market and its institutional rules adapt to a regulatory threat. Throughout the research about institutional theory, different researchers in various research areas have emphasized one of the pillars (Scott, 1995). This is not the purpose of our thesis; instead, we study how the pillars are interrelated and affect competitive dynamics.

To examine this shift in detail, we use Porter's five forces to consider changes in industry profitability and competition. By adding this framework, we can examine how organizations will act upon the changes in institutional rules by analyzing the impact on the competitive environment. Shifts in one competitive force may trigger reactions in others, which affects industry competition.

To study how the threat of a potential ban of kickbacks would affect the central institutions on the mutual fund market through the lens of neo-institutional theory and Porter's five forces, we have developed the theoretical framework in Figure 6.

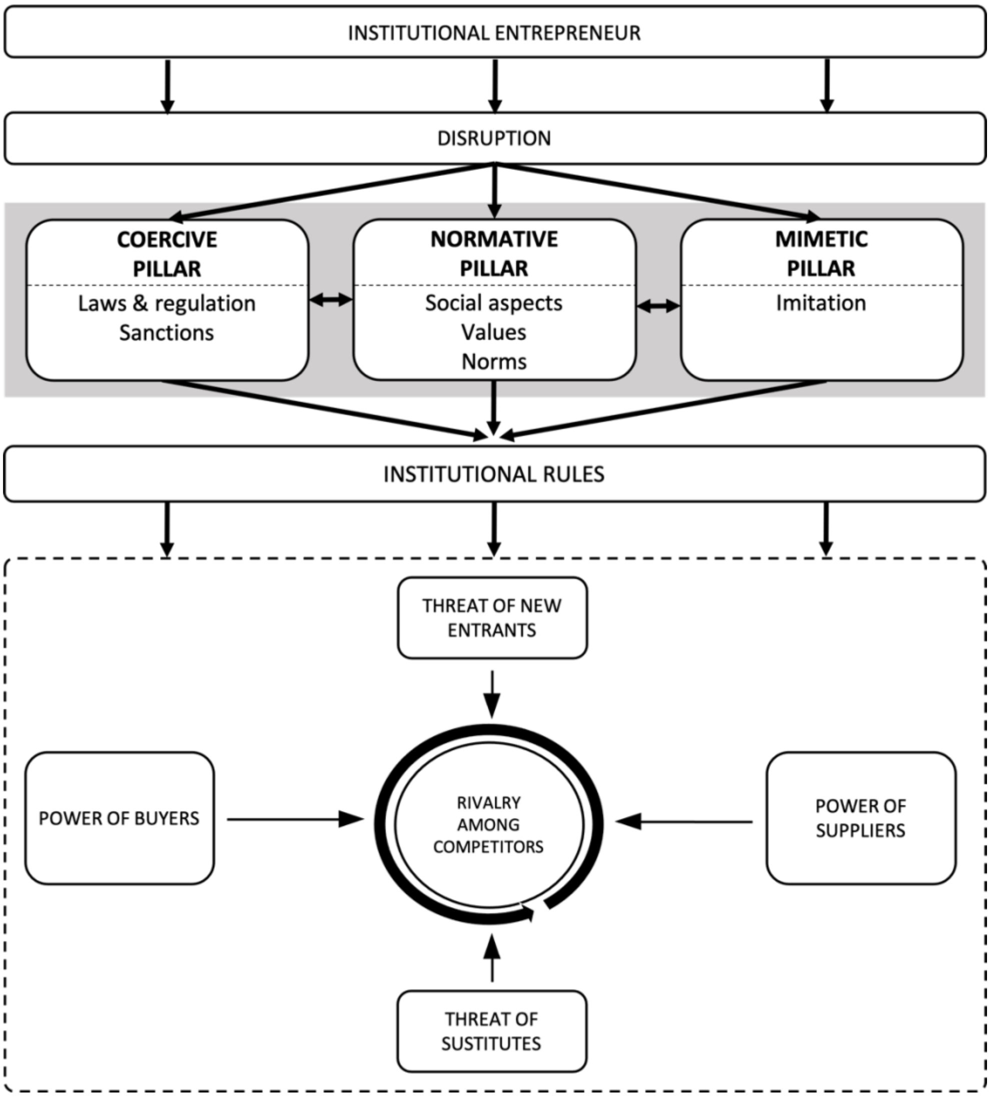

Figure 6: Illustration of the theoretical framework, by Baek and Juelsson

2.3.4 Theory Discussion

We acknowledge that the findings in our study will be limited to the scope of neo-institutional theory and Porter's five forces. However, we find these two theories the most suitable to solve our research question. We chose neo-institutional theory as it works well to understand how the external environment influences organizational behavior, especially when analyzing homogenous markets and stable institutions. Institutional entrepreneurship adds an additional layer since the disruption is catalyzed endogenously but affects the environment of the organizational field. The authors discussed contingency theory as an alternative or complement to neo-institutional theory. It was disregarded since it concerns internal effectiveness rather than legitimacy (Donaldson, 2008), which lies outside of the scope of the research question. Regarding Porter's five forces, it is a tool for analyzing competitive dynamics that have been heavily used since its release in 1979 (Porter, 2008).

Alvesson and Spicer (2019) criticize institutional theory by claiming it has become too broad because almost anything can be defined as an institution.

We are approaching this issue by clearly defining the term institution in Table 1 and Section 2.3.1., which is noted as a solution by Alvesson and Spicer (2019). Furthermore, they approach whether institutional theory is a lens that allows a specific way of seeing things or if it is simply a mirror of reality. To address this, we have chosen to approach neo-institutional theory as a theoretical lens by structuring our research around the three pillars defined by DiMaggio and Powell (1983) and Scott (1995).

A critical aspect of Porter's five forces is to define the industry one analyzes. There is a risk of strategic errors by defining it as too broad or too narrow (Porter, 2008). We mitigate this risk by having a clear delimitation in Section 1.4. We delimit this study to the mutual fund market in Sweden, hence clearly defining the product offer, relevant organizations, and geographical scope.

3 Method

3.1 Choice of Method

3.1.1 Abductive and Qualitative Research Approach

An abductive approach was chosen to enable us to go back and forth between empirics and theory (Bell, Bryman, & Harley, 2019). Given the broad nature of disruption in financial institutions[9] and competition, it was suitable to use empirics to narrow the thesis' object of study. Likewise, the theoretical framework was used as a foundation for data collection, and a revision of it was necessary after the object of study was concluded. This could have been done with neither a deductive nor inductive approach as to why the abductive approach was preferable.

Moreover, considering this study investigates if and how institutional disruption affects institutional rules and competitive dynamics, the study was conducted with a qualitative method. A qualitative method with semi-structured interviews entails collecting more descriptive and enriched data, which is preferable to a quantitative method with structured interviews as it allowed the authors and participants to deviate from the pre-determined interview guide. This enabled us to focus on areas and factors that would have been difficult for the authors to identify by themselves. However, this method may lead to deviations across interviews, resulting in an increased risk of not identifying generalizable themes across interviews.

3.1.2 Ontological and Epistemological Considerations

The study employs a constructivist ontological perspective. According to Bell et al. (2019), the constructivist ontology suggests that objects are made real by the actions and understandings of humans. This applies well to the objects

[9] See definition in Table 1.

in this study since institutions like banks and financial securities (e.g., mutual funds) exist only because of human interaction and a particular social order.

The epistemological considerations of this study refer to knowledge of institutions and market dynamics (Bell et al., 2019). Thus, this study aims to scrutinize how institutional disruption affects competitive dynamics, and such studies require interpretation of empirical data that can exemplify this aim. To succeed with such interpretation of data, the study is based on an interpretive approach, where the authors will interpret the participants' understandings and experiences.

3.1.3 Research Design

This study is characterized by the cross-sectional research design, which requires observation of multiple cases at one point in time (Bell et al., 2019). The design aims to include variation in organizations and interviewees to capture different perspectives on how a prohibition of kickbacks would affect Swedish financial institutions. Thus, a case study focusing on only one corporation or organization would be ineffective.

3.1.4 Sample

The sampling method used was purposive, as targeted interviewees were chosen based on their relevance for the object of study. The targeted group was relatively homogenous, which contrasts samples used in quantitative data, which are set to represent the population (King, Horrocks, & Brooks, 2019). We approached a diverse set of candidates within the targeted group of candidates to ensure that the data collected captures various aspects of our studied phenomena. The risk associated with purposive sampling is that relevant individuals may be excluded, as the sampling is limited to professionals that the authors know of and deem relevant, which might cause unwanted biases.

Overall, we contacted 36 potential candidates in 23 different organizations, of which 100% responded (See Table 2 for selection criteria). However, for various reasons only nine organizations offered interviews, resulting in nine interviews with 10 participants. All individuals were contacted via email through contact details collected from LinkedIn and the firms' websites.[10] The selection criteria for approached individuals are presented in Table 2.

[10] See Appendix 1 for e-mail to approached candidates.

Selection criteria for approached companies	**Selection criteria for approached individuals**
• Actor on the Swedish fund market • Affected by MiFID II • Interaction with investors	• Day-to-day interaction with mutual funds as a topic • Senior position to provide relevant insights • Differentiating characteristics compared to other participants

Table 2: Overview of selection criteria

The selected participants came from various companies and organizations, though mostly from execution-only distributors. This might result from self-selection bias following that the object of study possibly is of higher relevance for execution-only distributors, and thus they have a more substantial interest in participating. However, by being aware of the skewed sample, we have weighted the empirical data appropriately and mitigated the bias to some extent. Even so, the bias can influence the result and lead to misrepresentation of reality.

Within the execution-only group, both established actors and new entrants participated. There was also a variation in whether the distributor retained kickbacks or not in the sample, which was beneficial for collecting various perspectives. Table 3 provides an overview of the participating companies and individuals.

No.	Respondent[11]	Company[12]	Company type	Position
1	Adam	Company A	Interest organization	CEO
2	Ben	Company B	Independent advisory firm	Independent Financial Advisor
3	Charles	Company C	Execution-only distributor	CEO
4	Dan	Company D	Interest organization	CEO
5	Eric	Company E	Execution-only distributor	CEO
6	Felix	Company F	Execution-only distributor	Manager
7	George	Company G	Execution-only distributor	Manager
8	Gary	Company G	Execution-only distributor	Manager
9	Ian	Company I	Advisory providing distributor	Segment Manager
10	John	Company J	Government authority	Acting Director

Table 3: Overview of participating companies and individuals

3.2 Data Collection and Analysis

3.2.1 Preparatory Work

For the data collection to be sufficient and optimized for the qualitative method, an interview guide was developed.[13] An interview guide is preferable as it allows the interviewer to be more flexible and prepared in the semi-structured interview format (King et al., 2019). The initial literature review and theory regarding institutional theory and Porter’s five forces laid the foundation for the interview guide, allowing us to focus on specific areas

[11] Fictive names of respondents are used throughout the study. All respondents have been given male names to further anonymize the female respondents since they were few and thus more traceable.
[12] Company and organization names have been anonymized throughout the study.
[13] See Appendix 2 for interview guide.

identified as relevant for this study. A summary of identified themes is provided in Table 4.

Theme	Question Focus
Introduction	Experience Relation to the object of study
The Swedish mutual fund market	Market insights Attitudes toward kickbacks Industry norms
MiFID II: impact & implementation	Adaptation Attitudes
Prohibition of kickbacks	Attitudes toward the regulatory threat Effect of prohibition Normative change
Market development and future	Industry forces Market dynamics

Table 4: Themes and focus of interview guide

After completing the interview guide, a mock interview was arranged to test the relevance and viability of the questions, which resulted in minor revisions.

3.2.2 Collection of Empirics

For two weeks, nine interviews were arranged with ten participants from nine different companies. Due to the ongoing pandemic and current social distancing recommendations, all interviews were held via video link in Microsoft Teams. The duration of interviews ranged from 23 to 57 minutes, with an average duration of 39 minutes.[14] After nine interviews were held, we evaluated whether we had reached data saturation or not and concluded that no further interviews were necessary.

3.2.3 Processing and Analysis of Collected Empirics

Since all interviews were recorded, the data was processed by converting video files into text by manually transcribing all interviews. All recordings were transcribed, which allowed for analysis of content. According to King et al. (2019), analysis of content can be viewed as stage one coding in thematical analysis, from where first-order concepts were extracted. Following the descriptive coding of stage one, clusters were identified as

[14] See Appendix 3 for information about the interviews.

second-order themes, subsequently allowing us to define overarching themes, both shown in Table 5.[15] The empirical material is presented in depth in Section 4.

Second-order themes	Overarching themes
Implications of MiFID II A Static Market Perception of Threat	Regulatory Change
Attitude Toward Kickbacks Changing Expectations	Development of Norms
Other Countries Within Sweden	Comparisons and Imitations
New Entrants Market Dynamics Revenue Models	Competitive Dynamics

Table 5: Overview of empirics

3.3 Methodological Discussion

3.3.1 Ethical Considerations

Ethical thoughtfulness was applied throughout the work to increase the authenticity and reliability of the study. By ensuring complete anonymity in the data collection process, we expected the probability of candid and forthright empirics to increase. This was achieved by informing participants that participation was anonymous while also highlighting the possibility to withdraw at any time, without reservation. Because all interviews were held in Swedish, quotes have been translated into English. This process required some flexibility in wording as direct translations often lose the possibility to capture certain concepts or implications.

Other actions to improve the ethics of the study concern the storage of video recordings and participant data. Following the Stockholm School of Economics' routine for storing personal data, we set up a routine for data collection before interviewing, and we informed participants of what data is collected, its storage, and how the data is to be used. This process aligns with the current GDPR-regulation and guarantees a sufficient ethical standard of the thesis.

[15] See Appendix 4 for more extensive, yet not exhaustive, overview of thematic analysis.

3.3.2 Method Criticism

Reliability and validity in qualitative research are best measured using Lincoln and Guba's criterion's credibility, transferability, dependability, and confirmability, where dependability is associated with the thesis' reliability, and the remaining aspects deal with the validity of the study (Bell et al., 2019).

Criticism can be directed toward the validity of the thesis. The cross-sectional design cannot be manipulated, and thus causal relationships cannot be established, resulting in a decrease of trustworthiness in our findings (Bell et al., 2019). Thus, data saturation is necessary to reduce this effect. Further on, the contextual intensity and the focus on individuals with specific characteristics associated with cross-sectional methods negatively affect the transferability of the study. However, by providing sufficient details regarding the setting and the individuals in the study, a thick description has been provided, which according to Bell et al. (2019), ensures the transferability to other milieus.

Additionally, Bell et al. (2019) present ecological validity as a tool to further strengthen credibility and transferability. After one year of social distancing and working from home, we argue that the digital video conference format used for interviewing is a natural setting for the data collection to take place, meaning that the participants were comfortable and thus not inhibited to provide detailed and truthful answers due to being in an unnatural setting. In terms of confirmability, actions have been taken to establish objectiveness. Since one of the authors works within the industry, reflexivity was applied, meaning that potential biases, connections, and conflicts of interests were thoroughly discussed early on to design the study to minimize the potential effect. To further ensure confirmability, the interviews were transcribed, which diminished the risk of priming personal values or misinterpreting the empirical material.

Finally, the dependability of the study should be discussed. The dependability of the study results from an auditing process throughout the creation and finalization of the thesis. Our supervision group (supervisor and peers) reviewed this study, resulting in discussions regarding both methodology and theoretical inference. The standpoints presented have been considered and incorporated into the theses, which we believe have strengthened the study's dependability.

4 Empirical Data

The presentation of empirical data follows the themes in Table 5, which were derived from our theoretical framework.

4.1 Regulatory Change

"The regulation of the financial industry is enormous. I have heard that it is the most regulated industry apart from nuclear power." – George

4.1.1 Implications of MiFID II

Most of the interviewed fund distributors agree that the implementation of MiFID II had a significant impact on their fund distribution model. Despite some had been working with related issues before, they had to adjust their ways of working to comply with the new regulations. Charles explains what the implementation means in Sweden: *"The way MiFID II is implemented in Sweden today mainly has an impact on the way we need to present different kickbacks and fees … We need to present all costs in a very transparent and clear way."* Except for transparency, Charles also describes the other requirements allowing distributors to receive kickbacks: *"One needs to add value or similar to the customer to be allowed to keep the kickback, and that is the loophole in MiFID II, and that is why distributors can keep the same model."*

Even though companies need to fulfill these requirements, John is opposing the opinion that MiFID II was a significant change in the industry: *"No, I actually do not think it was a drastic change since there was no complete prohibition of kickbacks. If there were a complete prohibition, then there would have been a drastic change."*

4.1.2 A Static Market

Many respondents agree that the financial market is static and opposes change. Various actors on the market actively work to keep the industry as it is, which leads to slower regulatory adaption. Charles clearly states: *"First of all, the financial industry loathes change and uncertainty. Everyone wants to keep things as they are."* Dan describes how change is opposed and what it leads to: *"Banks, through the Swedish Bankers' Association and others, will prioritize lobbying and show how extremely threatening regulations would be to the system, how it leads to catastrophe for everyone. Then you will sit there as a politician, making decisions and being terrified of the consequences of your actions. So, I think it will take a really long time before we have any regulatory restrictions."*

Not a single respondent believes regulations are to prefer, but they may be necessary to improve the functioning of the market. For instance, Dan says: *"I believe that a working free market is the best way to create good products and services for customers. So, of course, a prohibition is not my first go-to.*

But you also need to realize that sometimes regulatory instances are required to get a market to work better, and I am not saying that is not the case here."

4.1.3 Perception of Threat

Some respondents are worried as the debate about kickbacks has been brought to the light again. Charles describes how it started with FI's statement: *"I know there were rumors in the industry in 2020 that FI was looking at the regulation again to evaluate it. I heard it from many, and since FI's statement in SVT, these rumors increased. There is definitely worry."* The necessary change in fund distributors' revenue models is one of the biggest reasons behind this worry. As an example, Felix says*: "I think people are a bit worried because of what it will mean, as one will have to change the whole business around fund distribution – how one gets paid for funds."* When talking about his experiences of regulatory threats within the financial industry, Eric says*: "I was still in the thinking from when I worked at a big bank, and I almost started shaking when there were conversations about big regulations."* In contrast to the other interviewees, Ian states: *"There is actually no one who believes there will be a prohibition of kickbacks."*

4.2 Development of Norms

"The customers. That is the only reason to push the case of a prohibition of kickbacks." – John

4.2.1 Attitude Toward Kickbacks

There are different perceptions of how much change the financial industry is going through because of the regulatory threat from a potential prohibition of kickbacks and the emerging revenue models that leverage a potential change of regulations. Felix argues that the following changes are happening in the attitude toward kickbacks: *"I do not think that any actor will act preventive and remove the kickback. Maybe they discuss this and look at changing to some sort of model that SAVR* [execution-only distributor using the disruptive model] *has that gives back the kickback. In that case then, surely people in different institutions are counting on what it would mean and how much we would dare to give back and still make sure that it is a business for us."* Charles agrees that companies are preparing for a prohibition of kickbacks: *"I know that many are preparing as if it would happen."*

When asked if the norms regarding pricing are changing, Ian states: *"Yes, that is definitely happening. Absolutely, and we have seen that, for instance in Norway, it has happened. And it will happen. That is how it is."*

Most respondents recognize normative changes; however, a few disregards the discussion of kickbacks. Ian believes the pricing norms are changing, but he also says: *"It* [the kickback prohibition] *is not really aimed at the big banks. It is* [aimed] *to other actors, someone else."* Gary is also opposing that they are affected by the current debate about kickbacks: *"Actually, we do not let the discussion in media affect our work."*

4.2.2 Changing Expectations

Several interviewees mention changing customer expectations, which affect the companies in the financial industry. Charles is describing the shift in technology as follows: *"I think the consumer will have very high expectations on the user experience, on the digital user experience, and is used to extremely good digital services in other verticals, like music or movies or whatever streaming, so you need to have a world-class digital product and user experience."* On the other hand, Dan does not believe in changing consumer behaviors regarding kickbacks: *"No, I believe all changes in public opinion take time. We should be aware that most retail investors have not noticed this debate at all."* However, Dan still believes there is a growing demand for new revenue models, otherwise new entrants would not market that they are giving back the kickback: *"You would not do this if you did not believe there was a market for it."*

4.3 Comparisons and Imitations

"We move toward the European model or the MiFID II model. We can see that the rest of Europe has headed that way, and we think it is only a matter of time before that happens in Sweden." – Anonymous quote[16]

4.3.1 Other Countries

Most companies have been following the progress in other countries to identify successful revenue models and more worrying developments. Dan believes the development in other countries can be a sign of what is to come in Sweden: *"It is regulations that have changed the markets in other countries, and therefore I am not excluding that from being necessary for Sweden as well."* Charles is discussing the price development in other countries after kickbacks have been banned: *"I know the Netherlands is a country that is in the forefront here, and the average platform fee is 19 basis points, the UK is much more expensive at 40- 50 basis points, and in Norway where change is happening now and started last year, it is about 30 basis points. So, I think there is data whether it has become cheaper or not for the customers, and it has, but at a different speed in different countries. It is only a matter of time before it gets cheaper."* Even though cheaper distribution would serve the retail investors well, Eric proposes a downside with a prohibition of kickbacks that have been seen in other countries: *"Well, the bad thing is that the old classic advisory service is only available to those*

[16] Anonymous to ensure anonymity of the respondent.

with significant capital, as £100,000 and more. Classic investment advice is more complicated with the new rules since you need to get paid directly from the customer."

4.3.2 Within Sweden

One of the respondents[17] working at a company not using kickbacks states that he believes other fund distributors will imitate their revenue model: *"I know that copies are coming on what we are doing, and there is room for more."*

4.4 Competitive Dynamics

"It is not easy to enter as a new company, especially in a market dependent on credibility. To get people to invest their money in something new that they are not sure of what it is, that is hard." – George

4.4.1 New Entrants

The interviewees agree to a large extent that it is difficult for new entrants to enter the fund market. However, some believe the market is saturated, while others believe there is room for new actors. George explains the difficulties with entering the market: *"There is heavy regulation in the financial industry, so it is not easy. There might not be a lot of new entrants because there are quite many barriers that make it anything but easy."* Ian agrees with this and argues that the market is saturated: *"It is not easy to enter the Swedish banking market, and there are already a lot of digital execution-only distributors like Avanza and Nordnet, and it is starting to get saturated."* In contrary to Ian's statement, Charles argues: *"It is such a big market, so there is room for many actors, and the growth of new entrants is happening on behalf of the big banks. The new entrants take from the pie, and then they grow, so the whole pie grows as well. There are more savings, and the interest for the fund market is growing among people, so the total is growing. There is still a lot to take from the incumbents."*

4.4.2 Market Dynamics

Although many fund distributors would need to change their revenue model if kickbacks were prohibited, John does not believe the stability on the market is threatened: *"I do not dare to say so, I actually do not think it would affect the stability at all."* A reason for this could be that the emerging new entrants do not have enough power on the market, at least according to Adam: *"They only make up a fraction so far, and there is not enough supply or competition among them to steer the whole market in that direction."* However, one respondent at an execution-only fund distributor[18] believes that new digital

[17] Anonymous to ensure anonymity of the respondent.
[18] Anonymous to ensure anonymity of the respondent.

solutions threaten the big banks: *"We can see with our customers and in our product that the user experience* [apps and website] *becomes more important. At the forefront, there are the new entrants and us."* The big banks may lack technological solutions, but they still significantly influence the market. Charles explains: *"They have power from a lobbying perspective and with the politicians when it comes to the debate of kickbacks."*

4.4.3 Revenue Models

According to most respondents, there would be a change in revenue models in the case of a prohibition of kickbacks. Dan exemplifies this: *"A complete prohibition of kickbacks that also includes measures within the corporate group ... threatens the revenue models, however not the business models, as you only need other ways to get paid."* In addition to this, Dan says: *"Maybe actors would develop different models on how to get paid. Right now, it is actually very homogenous in most cases."* Charles resonates about the development in case of a prohibition of kickbacks: *"To continue earning the same amount of money as today, Avanza would have to take 35 basis points in a platform fee. If they do that, eventually Nordnet, who is like a little brother to Avanza, would take 32 basis points to get an advantage. Since Avanza hates to be more expensive than someone else, they will go down to 29 basis points. Then a start-up will come and take 25 basis points. It would be free competition and healthy price competition, which is to the customers' advantage. Just as it works with other products."*

Charles illustrates with an example what he thinks will happen to the banks' revenue models: *"I think they will focus more and more on their own products. In the scenario when you only receive a platform fee and not the kickback, what is left to do to earn more money is to sell your own funds. Then you can keep the whole fund management fee for yourself."* He goes on to compare it with the grocery store: *"You can compare it to ICA. Instead of selling Santa Maria's taco spices or Barilla's pasta, you develop Ica pasta and Ica taco spices and put them in the best place on the shelves. Then you keep the whole margin to yourself instead of sharing half with suppliers*." Eric also supports this concept: "*I think there will be much focus on keeping it in the family. You will integrate backward in the value chain and try to control as much as possible."*

5 Analysis

This section aims to analyze how the regulatory threat of a prohibition of kickbacks creates institutional change and challenges current competitive dynamics. We have expanded the theoretical framework based on the empirical data to facilitate the analysis. Institutional disruption, institutional change, and competitive dynamics have been added as summarizing themes. The expanded framework is presented in Figure 7.

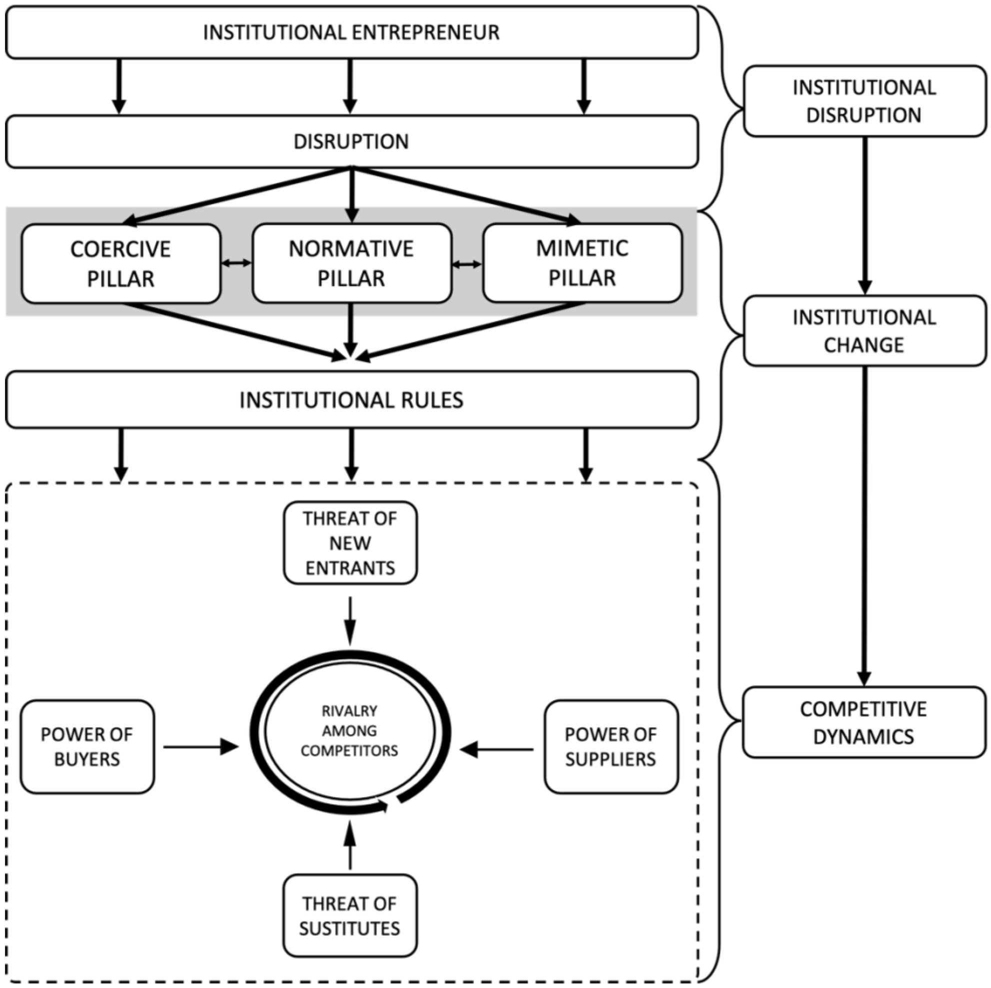

Figure 7: Overview of analysis, by Baek and Juelsson

5.1 Institutional Disruption

Empirical data suggests that market incumbents are concerned about the outcomes of a kickback prohibition. As presented earlier, interviewees have expressed worries that a prohibition would be "drastic" and followed by structural changes resulting in turbulence in the market. In line with Laurell and Sandström's (2016) definition of institutional disruption, we acknowledge the institutional entrepreneurship by FI and the disruptive regulatory threat as such. However, some might argue that new distributors not using kickbacks are institutional entrepreneurs. These actors capitalize on a potential future without kickbacks; hence, they have somewhat earned their legitimacy via the regulatory threat. Thus, FI is the origin for disruption and hence the institutional entrepreneur.

5.2 Institutional Change

The institutional change caused by institutional disruption can affect either all or some of the three pillars (coercive, normative, or mimetic). Since there has been no official change in regulation, there is no coercive shift. However, by considering the empirical data, we can identify emerging changes and movements causing homogeneity among institutions to decrease.

During the interviews, it became apparent that the market is experiencing heterogenization as new revenue models establish themselves. The fund market has been immune to drastic changes in the latest decades as to why heterogenization needs to be recognized as a rather radical movement. It being seen as radical also stems from the worry among interviewees and the financial market being heavily regulated. Changes and disruption often run slowly, which derives from change often being driven by regulatory change. However, here the change is driven by a regulatory threat, which has resulted in both a faster and a normative change rather than a slow coercive one.

That normative change is taking place can be seen among most professionals while studying the empirical data. Interviewees state that the expectations of firms are changing and that consumers are becoming more aware of costs surrounding mutual funds. This creates pressure on the historically legitimate way of monetizing on funds – receiving kickbacks. The pressure is further enhanced as new actors earn legitimacy since their model aligns with the outcome of FI's regulatory threat. Thus, given DiMaggio and Powell's (1983) take on norms as the legitimate way of reaching a goal, there is a growing normative shift in institutional rules.

However, empirical data also suggests an unwillingness among firms to comply with the normative change. This can be traced to two factors. Firstly, the emerging companies using a new revenue model without kickbacks are not perceived as a threat, nor as successful enough yet. However, actors are prepared to change and imitate their model if necessary because of the regulatory threat. Secondly, the implementation of similar prohibitions in other countries is deemed as unsuccessful by some. These two factors are understood by taking the mimetic pillar into account. The mimetic pillar states that institutions mimic those who are thought to be more successful, and as several actors on the Swedish market deem new revenue models and foreign bids to prohibit kickbacks as unsuccessful, it is clear why they are hesitant in their adaptation to the new, emerging norms.

5.2.1 Changes in Institutional Rules

Using the theoretical framework, we have digested institutional change on the mutual fund market in Sweden. We find that disruption was notably higher in the normative sphere than the coercive and mimetic sphere. Nevertheless, they interact and push as well as restrict the institutional change. This interaction is especially noticeable in the discussion regarding whether a firm chooses to adapt to new norms; here, mimetic factors hold back the normative change, causing the overall institutional change to decelerate.

5.3 Competitive Dynamics

Changes in institutional rules implicate a change in the competitive dynamics as the way firms act is affected by the standards set in the industry. For a firm, the institutional rules can be viewed as exogenous factors influencing how a firm operates its business. Empirical data do not present any changes in the field of potential substitutes; however, support is found for movements within other competitive fields.

Entering the fund market is challenging, mainly because of solid regulative forces and a crucial need for legitimacy for organizations to stay competitive. As earlier concluded, the regulatory threat expands the scope of which revenue models are legitime, which causes the threat of new entrants to increase and intensify competition. Additionally, when companies emerge and more importantly, succeed, the new revenue model will result in imitations, all following mimetic isomorphism.

In terms of supplier power, the regulatory threat has caused distributors to consider increased backward integration to a greater extent. Empirical data suggests that some distributors wish to own the complete value chain, and thus the regulatory threat will lower the power of the fund companies. On the other hand, the same empirical material states that the power of buyers has increased. The concern for the customers is the main reason for the existing regulatory threat, and even though customer values may not have changed to a large extent yet, as changes in public opinion may take time, theoretically they have the power to impact the market collectively.

The rivalry among existing competitors is expected to intensify as the pressure from new entrants and customers is increasing. Professionals expect this to develop into price competition, and the need for technical solutions and improved user experience will rise for them to justify the management fees and stay competitive.

6 Discussion

6.1 Answer to Research Question

With a qualitative method and empirical data from nine interviews, we examine the regulatory threat of a prohibition of kickbacks in the Swedish mutual fund market, intending to answer the research question:

Does institutional disruption affect competitive dynamics in the Swedish mutual fund market? If so, how?

In Section 5 it becomes evident that shifts in institutional rules alter the competitive dynamics. However, contrary to neo-institutional theory, we find that disruption leads to heterogeneity rather than homogeneity as institutional change occurs. Though, empirical data also suggests that diversification most likely is temporary as institutional rules change. The findings are summarized in Figure 8, which presents the result of our analysis together with the analytical framework.

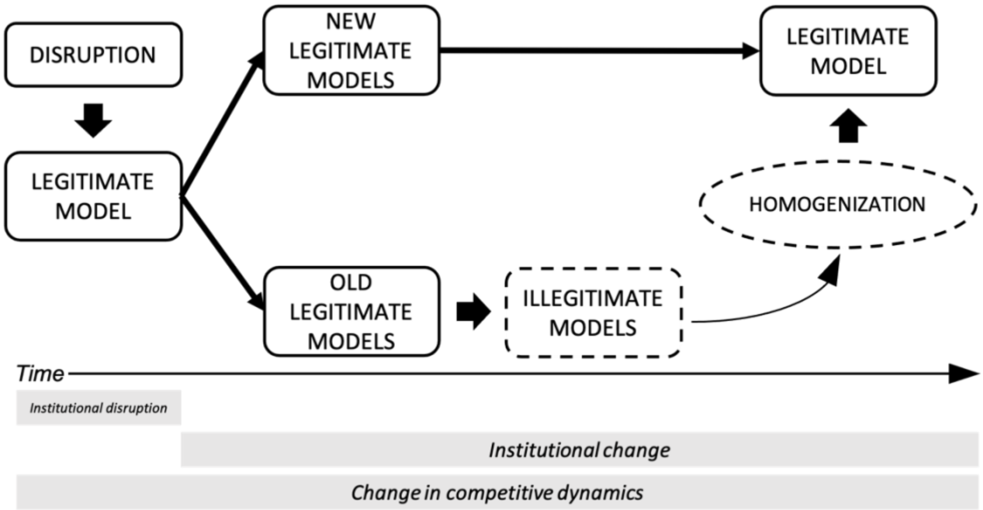

Figure 8: Diversification During Institutional Change, by Baek and Juelsson

The figure presents institutional disruption, which affects the legitimate revenue model by changing the institutional rules. In the process of institutional change, more than one revenue model has been proven to earn legitimacy. This causes the market to become more heterogenic, which is supported by the empirical data. However, in the long run, one of the models will be proven superior – causing the mimetic and normative pillar to shift again, and homogenization will occur. Thus, the heterogeneity of the mutual fund market in Sweden is assumed to be temporary.

We conclude that institutional disruption shifts institutional rules in favor of the emerging revenue models, causing a diversification on the market. This institutional change affects competitive dynamics by legitimizing new entrants, increased price competition, enhanced customer focus, and backward integration. Altogether, the rivalry among existing competitors is expected to intensify. However, in line with neo-institutional theory, one can assume homogenization of revenue models in the long run.

6.2 Contribution and Practical Implications

The thesis aims to understand how institutional disruption interacts with competitive dynamics, an area of research that has primarily focused on innovation and technology, for instance, by Anagnostopoulos (2018) and Vives (2019). While doing our literature review and researching the topic of disruption, we wished for a more practical approach and real-life implications of institutional disruption. Hence, our contribution lies in understanding how changes in institutional rules interact with competitive dynamics by utilizing neo-institutional theory and Porter’s five forces in Sweden.

The study implies that a regulatory threat should not be underestimated compared to an implemented regulation. Even a threat can disrupt revenue models, and we encourage organizations to be aware of this. If not, market participants risk becoming illegitimate instead of leading or participating in the change. We also argue that our findings are applicable in areas beyond the current scope, as institutional disruption is not unique for revenue models.

6.3 Limitations and Suggestions for Future Research

Some limitations can be discussed with this study. It is limited to the Swedish mutual fund market and the frame of our theoretical lens. In addition, the constructivist perspective and interpretive approach pose a limitation since the authors have interpreted the empirical data. Furthermore, since the respondents were interviewed as representatives for their company or organization, there is a risk of biased or excluded information.

To increase the transferability of the study, it is justified for future research to explore the effect of institutional disruption on institutional rules and competitive dynamics in different industries and countries. We encourage a review of the findings compared to the development in other countries that have either implemented a prohibition or have chosen not to proceed with a regulatory change. Furthermore, it could be rewarding to scrutinize if there is a difference in results between a regulatory threat and an implemented regulation regarding divergence or convergence of institutional rules.

7 Conclusion

The thesis concludes that the regulatory threat is an institutional disruption, causing changes in competitive dynamics. The institutional change primarily regards the norms on the fund market in Sweden since the regulatory threat legitimizes emerging revenue models. This leads to a less homogenous market; however, in opposition to this are mimetic practices. The absence of successful examples of countries and companies working without kickbacks constraints the development of new revenue models. Since these two are in opposition, the market is expected to diverge initially. Nonetheless, eventually, homogenization is expected because of isomorphic change. These changes in institutional rules impact competitive dynamics by facilitating new entrants exploiting the regulatory threat. Since the new revenue models are legitimized, there is an increased price competition and emphasized focus on the customer experience. Additionally, fund distributors are integrating backward to keep as much profits as possible. In summary, the rivalry between industry participants is anticipated to intensify.

The thesis implies that a regulatory threat, even though disregarded by some, is not to be underestimated. Hence, there is more for participants in an organizational field to consider than implemented changes. Moreover, this research adds to the field of management studies by providing an additional theoretical lens to analyze institutional disruption and institutional change and its consequences on competitive dynamics. Since previous research has focused on the impact of technology and innovation and excluding the relationship between institutional disruption, institutional change, and competitive dynamics, we have contributed to filling a research gap.

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Appendix

Appendix 1. Email Sent to Prospective Interview Subjects

All emails have been sent from the emails provided to us by the Stockholm School of Economics to keep the correspondence formal.

Hej [Namn],

Våra namn är Johanna Juelsson och Johanna Baek och den här terminen skriver vi vår kandidatuppsats inom management på Handelshögskolan i Stockholm, vilken kommer fokusera på fondprovisioner och affärsstrategi.

Givet den rådande debatten om fondprovisioner/kickbacks och Finansinspektionens avsikt att utreda kickbacks ytterligare vill vi undersöka hur ett förbud mot fondprovisioner skulle påverka den svenska bankbranschen och bankernas nuvarande affärsmodeller. Vi är intresserade av att se vilka möjligheter som finns inom branschen men även vilka utmaningar som är att vänta om Finansinspektionen skulle gå vidare med att förbjuda kickbacks.

Vi önskar att träffa er för en intervju under de kommande veckorna (gärna under v. 9, 10 eller 11) och studien är självklart anonym för både er som intervjuperson och ert företag. Vi är väldigt flexibla avseende tid för intervjun, som vi föreslår sker digitalt i och med rådande omständigheter. Vi hade varit väldigt tacksamma för ditt eller en kollegas deltagande.

Vi ser fram emot att höra från er för att boka en intervju.

Vänliga hälsningar,
Johanna Juelsson | 24287@student.hhs.se | +46 70-932 40 51
Johanna Baek | 24042@student.hhs.se | +46 76-611 81 14

Appendix 2. Interview Guide

Etiska Aspekter

- För att kunna transkribera intervjun efteråt vill vi veta om vi har ditt tillstånd att spela in intervjun. Har vi ditt tillstånd att göra det?
- Ditt deltagande i den här akademiska studien är helt frivilligt.
- Både ditt och företagets namn kommer att anonymiseras i kandidatuppsatsen. Detsamma gäller de andra deltagarna.
- Du kan när du vill avbryta intervjun och ditt deltagande i studien utan vidare förklaring.
- Du har möjlighet att inte svara på frågorna om du inte vill eller pga. andra anledningar t.ex. sekretess.
  Innan vi börjar med frågorna, har du några frågor?

Bakgrundsfrågor

1. Kan du berätta lite om dig själv?
2. Var studerade du?
3. Vad har du för titel och berätta om din roll på X?
4. Berätta om Xs roll på fondmarknaden?

Fond- och bankmarknaden

1. Enligt dig, vilka är de största och viktigaste aktörerna på fondmarknaden idag i Sverige?
2. Hur ser du på bankernas roll i fondaffären?
   a. Hur har den förändrats genom åren?
   b. Hur tror du den kommer förändras framöver?
3. När började ett möjligt förbud mot kickbacks diskuteras hos er?
   a. Hur har diskussionen förändrats sen dess?
4. Hur ser ni på bankernas intressekonflikt?
5. Upplever du att det finns dolda incitament och standarder i branschen som hindrar företag från att erbjuda billigare fonder till sina kunder?
6. Hur skulle du beskriva skillnaden mellan nätbankerna och storbankernas vinstmodeller?
   a. Är det någon vinstmodell som du anser är bättre eller sämre för kunderna?

MiFID II: Påverkan och införande

1. Vilka effekter har införandet av MiFID II haft för er verksamhet hittills?
   a. Var det en drastisk förändring eller en naturlig utveckling?
2. Vilka har varit de största utmaningarna och möjligheterna med införandet av MiFID II?

Utökad reglering gällande fondprovisioner

1. Anser du att marknaden i Sverige är orolig eller optimistisk för ytterligare regleringar gällande fondprovisioner?
2. Hur skulle ett förbud påverka stabiliteten på marknaden?
3. Vad tror du händer om ett förbud inte införs?
4. Tror du att hotet om ett förbud kan leda till självreglering?
5. Vid ett förbud mot kickbacks, hur kommer det påverka bankernas affärsmodeller generellt sett?
6. Hur tror du att ett förbud mot kickbacks kommer påverka konkurrensen på den svenska bankmarknaden?
7. Hur tror du att kundernas inställning till bankerna kommer att förändras i och med att fondprovisioner har blivit ett stort ämne i medierna på senaste tiden?

Marknadens utveckling och framtid

1. Hur tror du att branschen kommer att utvecklas de kommande åren (3, 5 och 10 år)?
    a. Nya aktörer (fintechs/startsups)
    b. Aktörer som försvinner
    c. Nya affärsmodeller
    d. Lagstiftning
2. Vilka tror du är de största vinnarna med införandet av MiFID II och eventuellt vid ett fullständigt förbud mot kickbacks?
3. Vad anser du kommer ge konkurrensfördelar i industrin i framtiden?

Avslutning

1. Finns det något du upplever att du inte fört fram under intervjun som du skulle vilja framföra?
2. Finns det något som du sagt som du skulle vilja ändra eller förtydliga?

Appendix 3. Information about Interviews

No.	Respondent[19]	Time	Date
1	Adam	53:03	4 March 2021
2	Ben	22:31	8 March 2021
3	Charles	43:36	11 March 2021
4	Dan	28:18	16 March 2021
5	Eric	34:47	17 March 2021
6	Felix	43:04	18 March 2021
7	George	38:21	19 March 2021
8	Gary		19 March 2021
9	Ian	28:02	19 March 2021
10	John	56:47	22 March 2021
	Total	**5:48:29**	
	Average	**38:43**	

[19] Fictive names of respondents are used throughout the study. All respondents have been given male names to further anonymize the female respondents since they were few and thus more traceable.

Appendix 4. Thematic Analysis of Empirical Material

Note that the table is not exhaustive and only works to exemplify the thematic analysis.

1st Order Concepts	2nd Order Themes	Aggregate Dimensions
"One needs to add value or similar to the customer to be allowed to keep the kickback, and that is the loophole in MiFID II, and that is why distributors can keep the same model." – Charles *"No, I actually do not think it was a drastic change since there was no complete prohibition of kickbacks. If there were a complete prohibition, then there would have been a drastic change."* – John	Implications of MiFID II	Regulatory Change
"The regulation of the financial industry is enormous. I have heard that it is the most regulated industry apart from nuclear power." – George *"I do not think there will be a big change in the upcoming years unless there are new regulations."* – John	A Static Market	
"I think people are a bit worried because of what it will mean, as one will have to change the whole business around fund distribution - how one gets paid for funds." – Felix *"It will be kickbacks and provisions and fund management fees, and the biggest power that challenges this is the regulatory threat."* – Dan	Perception of Threat	
"There is like, an agreement that this is how it has always been done, this is how it works when you get paid." – Felix	Attitude Toward Kickbacks	Development of Norms
"This needs to go on for many years or become regulated to become a big consumer movement." – Dan *"You would not do this if you did not believe there was a market for it."* – Dan	Changing Expectations	
"We move toward the European model or the MiFID II model. We can see that the rest of Europe has headed that way, and we think it is only a matter of time before that happens in Sweden." – Anonymous quote[20]	Other Countries	Comparisons and Imitations
"I know that copies are coming on what we are doing, and there is room for more." – Anonymous quote[21]	Within Sweden	
"It is not easy to enter the Swedish banking market, and there are already a lot of digital execution-only distributors like Avanza and Nordnet, and it is starting to get saturated." – George *"It is an enormous addressable market. I mean, many people are talking about Avanza as a market-leading actor, but they only have 6.5% of the Swedish market."* – Charles	New Entrants	Competitive Dynamics
"*I believe competition will become better in the long run, no doubts."* – John	Market Dynamics	
"Maybe actors would develop different models on how to get paid. Right now, it is actually very homogenous in most cases." – Dan	Revenue Models	

[20] Anonymous to ensure anonymity of the respondent
[21] Anonymous to ensure anonymity of the respondent