Editorial

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Biographical notes: Anne-Laure Mention is leading a research unit focusing on innovation economics and management within the Public Research Centre Henri Tudor (Luxembourg). She is actively involved in research projects, mainly focusing on innovation and performance measurement and management in the financial and business to business services industries. Her research interests mainly concentrate on open and collaborative innovation, intellectual capital measurement and management, innovation and technology management. She has been a Visiting Researcher at McGill University, Canada and Ferrara University, Italy. She received an IBM Faculty award for the project entitled 'Towards accrued transparency of operations in the fund industry' in 2011 focusing on organisational innovation. She is also a founding member of WICI, is the Deputy Head of the ISPIM Advisory Board Member and is a member of several scientific committees.

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Besides their own significance, financial services are critical for the overall economy. Having a sound financial system is a prerequisite for the well being of the whole economy, as financial services offer products and services to other businesses, rendering its proper functioning essential for the running of the entire economy. Nevertheless, financial services have hitherto been largely neglected in innovation studies (Fasnacht, 2009; Frame and White, 2004; Lerner and Tufano, 2011; Tether, 2005; Tufano, 2002). Financial innovation, which embraces both product innovation but also the other traditional forms of innovations, i.e., service, process, organisational and marketing, is complex in character and thus requires the adoption of a multidisciplinary approach to apprehend its multiple facets. Clearly, the collaboration of experts and scholars in many fields of research, such as economics, business, marketing, law and technology, is needed. This special issue of the *International Journal of Entrepreneurship and Innovation Management* precisely aims to contribute to deepen our understanding of innovation in and for financial services.

The last five papers of this special issue were selected from a set of articles presented at the First Innovation for Financial Services Summit, organised jointly by the Public Research Centre Henri Tudor and the International Society for Professional Innovation Management, ISPIM, which is the leading worldwide network in the field of innovation management. After a thorough review process, the accepted papers of this special issue exemplify the variety of contributions and perspectives needed to deepen our understanding of innovation in financial services. They mobilise a wide variety of methodological approaches, thus contributing to develop sound basis for further research in the field.

The opening article, ‘Drivers, processes and consequences of financial innovation: a research agenda’ by Mention and Torkkeli sets the stage for this special issue. This paper addresses the questions of what is financial innovation, what distinguishes it from other forms of innovations, and tackles issues such as the protection of financial innovation, its diffusion and its impact, mainly at firm-level.

The second paper, by Sveiby, ‘Innovation and the global financial crisis – systemic consequences of incompetence’, explores the unintended and undesired effects of securitisation as a product innovation, and discusses the temporary or persistent incompetence that may arise from the introduction of a radical innovation. In challenging the pro-innovation bias, this article paves the way for further research on the negative effects of innovation and suggests approaches to deal with risks inherent to financial innovation.

The third paper by Diaz-Rainey and Ibikunle, ‘A taxonomy of the ‘dark side’ of financial innovation: the cases of high frequency trading and exchange traded funds’, also adopts a nuanced view of financial innovation and concentrates on the negative effects of financial innovation, analysing two recent product innovations through the lenses of a proposed taxonomy focusing on the potentially damaging aspects of financial innovation. Based on their analysis, the authors elaborate recommendations for mitigating the risks related to these specific innovations.

‘Exploring the influence of regulation on the innovation process’, by De Smet, examines how the interplay between governmental bodies, professional associations and actors from the private sector acted as an innovation catalyst through the fast implementation of a major European directive, thus providing a sustainable competitive advantage to Luxembourg. Policy implications revolve around the essential role of reputation and the mechanisms of relational embeddedness to accelerate the innovation process in a leading financial centre.

The fifth paper, ‘Project portfolio management in financial services: aligning systems and climate’, by Storey and Harborne, uncovers attitudes, approaches and practices related to this form of organisational innovation. In their exploratory study of 24 leading financial firms in the UK, the authors unveil significant disparities in the approach and effectiveness of project portfolio management, both between investigated organisations and inside organisations. Managerial implications are centred around the importance of understanding project interdependencies, the ability to proactively take decisions to cease irrelevant or failing projects and the need to implement appropriate governance mechanisms for portfolio management.

The sixth paper, ‘Co-creation and co-profiting in financial services’, by Martovoy and Dos Santos, investigates the role of customers in developing financial innovations in the retail and corporate markets. In their qualitative study, the authors elaborate a typology of innovation, based on the developer of innovation and the nature of innovation benefit and further coin the notion of co-profiting, which applies to co-created innovations that are jointly commercialised. Their findings resort to the selection of users for the co-creation process and their integration in the innovation process.

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