

The Functions of Leadership in Managing Paradoxical Tensions in Coopetitive Interfirm Strategies

A Qualitative Case Study from the Fintech Industry

Johanne G. Hagelin
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A Qualitative Case Study from the Fintech Industry

by

Johanne G. Hagelin
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1 Introduction

1.1 Background and research question

The term *coopetition* is used to describe a situation where companies cooperate and compete at the same time, which is a common innovation strategy (Gnyawali & Park, 2011). The simultaneous pursuit of cooperation and competition between firms creates a paradox in the relationship, which in turn has the potential to cause tensions and emotional ambivalence (Raza-Ullah, 2020). To date, the field of research about different aspects of coopetition and the paradoxical tensions that could arise is nascent, and particularly the research on how the individual leader can manage these tensions is limited. Through our study, we aim to address a gap in existing theory concerning the role of leaders managing paradoxical interpersonal tensions. In accordance with a call for research by Czakon and colleagues (2019), we seek to explore the following research question: *How do leaders manage paradoxical tensions in the different phases of a cooperative project?*

1.2 Context and methods

To answer our research question, we have applied a qualitative inductive research approach in line with Edmundson & McManus (2007) argument concerning “methodological fit” used in nascent fields of research. Our study is further designed as an exploratory case study, where we deep-dive into a PSD2-case, a cooperative project facilitated by NCE Finance Innovation. The aim of the project was to collaborate on finding and testing solutions to the then soon-to-be-implemented PSD2-regulations, opening up for third-party data sharing for financial institutions. Five Norwegian banks participated in the project, which had its initial phase in January 2018 until the final launch of platforms at the end of 2018. Our primary data is collected through seven semi-structured interviews with key persons from the project, providing us with the flexibility to dig deeper into interesting topics and obtain a greater contextual understanding (Saunders et al., 2016). Further, we transcribed the interviews and coded them according to Charmaz (2006) emergent theory coding, using three rounds of coding to take our findings from the general to the specific and more easily navigate our data.

Overall, our study aims to illustrate how leadership is critical in different phases of a cooperative relationship and describe how leaders can manage paradoxical tensions. By gathering qualitative data through conducting in-depth interviews and analyzing the data, we generated several interesting findings. For our first finding, we developed a model where we identified three overarching cooperative phases and critical points of impact for paradoxical tensions. The three phases are referred to as *phase 1: formation*, *phase 2: execution*, and *phase 3: exploitation*. We further identified high-tension critical points of impact in the transitions between these phases. Our second finding was based upon data analysis of different leadership functions and how leaders can manage these critical points of tensions through functional leadership behaviors. We divided functional leadership behaviors into two categories: emotional-relational and task-performance. The emotional-relational dimension relates to how leaders deal with paradoxical tensions and emotional ambivalence to sustain the cooperative relationship, while the task-performance dimension embodies functional leadership behaviors, characterized as problem-solving or goal-oriented actions to achieve the purpose of cooperation – to achieve innovation. Lastly, our third finding addresses the role of leadership in sustaining cooperative relationships in order to achieve the projects' innovation potential. Here we look further into how functional leadership behavior and sustaining cooperative relationships can foster innovation, and in contrast, how opportunistic behavior can break relations, which in turn has the potential to hinder the project from achieving its innovation potential.

Our three findings are largely interconnected, and our empirically derived research data created a solid foundation for the relationships we propose. Through our conceptual model, we highlight where paradoxical tensions and emotional ambivalence may occur in the different stages and phases of a cooperative relationship. Our contribution to the existing research is to highlight leadership points of impact and look further into what the individual leader can do in practice to manage paradoxical tensions and emotional ambivalence in each cooperative phase. However, it is important to point out the fact that our findings are based upon qualitative interview data from one single case study, which means our findings are not generalizable but can be used to continue to develop theory that is transferable to similar projects in other settings (Pandey & Patnaik, 2014).

By researching a topic that is still nascent on the research agenda, both within studies of the organizational paradox (Smith & Lewis, 2011) and in cooperation research (Raza-Ullah, 2020), we aim to make a valuable contribution and possibly also inspire the development of

hypotheses and findings that later can be tested by other researchers. Still, the scope and time of the thesis and study have given us some limitations in our research. For example, we have chosen to look at only one cooperative project and conduct a single case study instead of looking at multiple cases. Other limitations include the Covid-19 pandemic, which imposed restrictions on how interviews were carried out, and also data collection occurred two years after the project. However, we have limited our research question to a scope that fits within the time we had to conduct the study, and we have chosen not to consider external factors that may have impacted the project or the individual informants at this time to keep the scope manageable. Note that to ensure the anonymity of our informants, we have neither described project leaders nor the banks and their competitive situations in detail in this thesis. However, complete anonymity is difficult to achieve in a Norwegian banking context.

1.3 Disposition

We have chosen to divide our thesis into six chapters, where this introduction is the first chapter. The second chapter is devoted to the theoretical foundation of our research, where key concepts regarding cooperation and paradoxical tensions are explained. Further, our methodological choices are described in the third chapter, together with an evaluation of our study's research quality, limitations, and ethical considerations. The fourth chapter summarizes our findings and presents key quotes to support these, which are further discussed in the fifth chapter. Lastly, our conclusion is presented in the sixth chapter, followed by the reference list and appendix.

2 Theoretical Framework

In this chapter, we review past research and introduce a theoretical framework in order to examine the concepts we study. The literature review presents important research themes, where we particularly examine the relationship between coopetition, innovation, paradoxical tensions and the role of leadership. In our literature review we will look further into the emotional ambivalence leaders may experience when they are exposed to paradoxical tensions while participating in cooperative relationships. We use this framework as a springboard to examine the gap in the current research concerning the role of leaders in managing paradoxical interpersonal tensions in cooperative relationships to foster innovation success.

2.1 Coopetition

While the traditional view of inter-firm dynamics suggests that relationships are either competitive or cooperative in nature (Walley, 2007), firms can compete and cooperate with each other at the same time. This phenomenon, termed “coopetition” was used by Brandenburger & Nalebuff (1996) to describe a situation where companies cooperate and compete with one another simultaneously (Bengtsson & Kock, 2014; Brandenburger & Nalebuff, 1996). Dorn et al. (2016) refers to coopetition as a simultaneous cooperation and competition between at least two actors. Coopetition is a “hybrid” activity based on what has traditionally been seen as opposing and mutually exclusive activities of cooperation and competition. One of the most well-known theoretical frameworks for coopetition is Brandenburger and Nalebuff (1996)'s game theory perspective. Coopetition is, according to this view, perceived as a win-win strategy for complementary companies along the value chain that together may “change the rules of the game” of a product, service or industry. Building on Bouncken et al.'s (2015) definition, Fernandez et al. (2018, p.386) define coopetition as “a paradoxical relationship in which economic actors jointly create value through cooperative interactions, while simultaneously competing to capture part of that value”. A paradox can be described as “contradictory yet interrelated elements that exist simultaneously and persist over time” (Smith & Lewis, 2011, p. 382). Many perceive coopetition as a new business model (Kotzab and Teller, 2003), and literature suggests that collaborating and competing for value creation may in fact lead to increased innovation (Bouncken & Kraus, 2013). Research has discovered several drivers of coopetition, including external shocks such as financial crises, economies of scale, and technological disruption (Hannah & Eisenhardt, 2018). Other drivers

include the desire to maintain and capture new markets, and the need to solve common problems while sharing the costs of R&D (Bengtsson & Raza-Ullah, 2016).

2.2 Tensions

The simultaneous pursuit of cooperation and competition between firms creates a paradox in the relationship, which in turn has the potential to cause tensions (Bengtsson et al., 2016). Although cooperation is beneficial, a cooperative relationship can be difficult to sustain and balance (Bengtsson & Johansson, 2012). Chiambaretto et al. (2020) refers to cooperation as a double-edged sword, and tension is viewed as the consequence of this interaction (Raza-Ullah, Bengtsson & Kock, 2014), as these tensions often are connected to the difficulty of working together with the competitor to create value while simultaneously competing to seize the maximum share of the value created (Brandenburger & Nalebuff, 1996). Generally, tensions portray the negative side of business relationships, represented as conflicts, competition, burdens, crises, and problems (Tidström, 2014). However, the outcome of tensions may be negative, positive or both positive and negative, and according to Tidström (2014) tensions in cooperation could also lead to new ideas and methods that benefit all parties involved. The most common tensions in cooperation are related to role conflicts, knowledge-sharing, power dynamics and dependence as well as opportunism (Tidström, 2014). Bengtsson et al. (2016) points to the huge failure rates of alliances between competitors and connects it to the firm's lack of required capability to manage tensions. Bengtsson et al., (2016) refers to an organization's ability to manage such paradoxical tensions as its cooperation capability, further defined as "the ability to think paradoxically and to initiate processes that help firms attain and maintain a moderate level of tension, irrespective of the strength of the paradox" (Bengtsson et al, 2016, p.22). Paradoxical thinking means having the mindset, analytical capabilities, and cooperation experience to understand and respond well to the often-contradictory demands of cooperation (Gnyawali et al., 2012).

There are several potential avenues for managing paradoxical tensions and gaining cooperation capability. Structural, legal and contractual challenges and tensions typically occur in the early stages of cooperation. Contractual governance theory offers some interesting insights to manage cooperative and competitive forces in strategic projects (Cassiman et al., 2009). However, a legal framework offers little help as the relationships evolve over time and in multiple dimensions (Fernandez et al., 2014). As the cooperative relationship develops, tensions can

also be experienced emotionally, and such relational tensions can create distress, fear or even paranoia. Personal emotions have the ability to influence subsequent attention, cognition, and behaviors, especially under uncertainty (Vuori & Huy, 2020). Because emotions influence human cognition, communication, and behaviors, they can also influence the strategy-making process in a cooperative relationship (Vuori & Huy, 2020). Raza-Ullah (2020) suggests that the paradoxical tension creates a state of emotional ambivalence, which can be explained as a feeling state where simultaneous positive emotions (e.g., happiness and excitement) and negative emotions (e.g., sadness and anger) coexist (Pratt and Doucet, 2000). The research by Ashforth et al. (2014) describe paradox and relational tensions as one of the main sources of emotional ambivalence as the simultaneous presence of contradictory demands foster opposite orientations such that leaders may feel positive toward one orientation while negative toward the other. Raza-Ullah et al. (2020) points to the link between paradoxical tension and emotional ambivalence, and how these could lead to a negative effect on cooperative performance. In Raza-Ullah's research (2020) it is noted that an overwhelming degree of ambivalence can lead to paralysis, powerlessness, and the loss of perspective. However, Ashkanasy et al. (2017) addresses this seemingly paradoxical situation and describes how negative emotions can also play a positive role in promoting creativity and productivity and refers to Lebel's (2017) model of how emotional regulation of anger and fear can spark proactivity. Raza-Ullah et al. (2020) suggests two organizational mechanisms that could minimize this effect, namely emotional capability (i.e., the organizational ability to recognize, accept, and embrace conflicting emotions) and balancing capability (i.e., the organizational ability to balance competing demands without jeopardizing the common objectives).

Coopetition creates various tensions between competitors and within competing firms, and according to Fernandez, Le Roy & Gnyawali (2014) tensions are located at three different levels: interorganizational, intra-organizational, and inter-individual. Cooperative tensions on an interorganizational level can be described as, for example, knowledge-sharing and preventing knowledge leakage, and due to differences in the strategies and goals of each partner (Fernandez et al., 2014). The cognitive difficulty and emotional ambivalence experienced when working with these contradictions create tension that is difficult to cope with on the individual level (Raza-Ullah et al., 2014; Raza-Ullah, 2017). At the individual level, an integration of the cooperation paradox is necessary to manage the cooperative tensions (Fernandez et al., 2018b). According to this research, the only way to control these tensions is to encourage people to understand the role of each employee in a cooperative setting. By implementing a core

understanding of the coepetition paradox, the firms can limit the tensions within the firm and allow individuals to adopt simultaneous cooperative and competitive behaviors with their competitors. Such integration can be facilitated by joint implementation of formal coordination such as procedures and regular meetings and informal coordination such as social interaction and building trust (Séran et al., 2016; Fernandez et al., 2018b).

Among the numerous coepetitive tensions at a project level, the tension between sharing and protecting information is one critical aspect; which knowledge should be shared or kept secret (Fernandez et al., 2016; Tidström, 2014), in addition to the risks of technological imitation (Le Roy & Czakon, 2016). Note that while potentially detrimental to coepetition success, the presence of paradoxical tensions in coepetitive collaborations is found by Raza-Ullah & Bengtsson (2014) to be necessary in moderate levels, in order to build the sufficient pressure to fuel coepetitive performance. At the same time, particularly high or low levels are found to bring negative outcomes (Raza-Ullah & Bengtsson, 2014). If the intensity of competition becomes too high, the partners will most likely become less willing to commit new resources, knowledge and skills, which will reduce the potential benefits from cooperation. Similarly, if the competition becomes too low, the partners might lose their vigilance (Chiambaretto et al., 2020).

The tensions and emotional ambivalence that can be caused by cooperating and competing simultaneously makes the leadership role central, as leaders have the potential to excel or harm the coepetitive success and performance. Individuals who feel torn between contradictory demands can often experience a state of strong ambivalence, which in turn can have negative consequences for the firm, if it is not managed properly (Raza-Ullah & Bengtsson, 2013). However, if emotional ambivalence is managed properly, it can bring positive outcomes (Raza-Ullah et al., 2014). Thus, the individual leaders involved must develop a coepetitive mindset in order to internalize the paradoxical nature of coepetition and to efficiently manage the related tensions (Raza-Ullah et al., 2014; Fernandez & Chiambaretto, 2016).

2.3 Managing Interpersonal Tensions: The Role of Leadership

As we look into how paradoxical tensions and emotional ambivalence best can be managed to achieve success in the different phases of the coepetition process, we find it essential to examine the centrality of the role of leadership. Northouse (2010) describes leadership as a

process that happens in the context of a group and involves influencing people with the aim to reach a shared goal. A leader can be assigned or emergent, meaning the person is either given a leadership position in the organization or is the most influential person in the group and thus exhibits leadership (Northouse, 2010). Leadership is an important concept when talking about cooperation, as management of cooperative tensions is a critical factor for cooperative success (Fernandez & Chiambaretto, 2016). In fact, Chin et al., (2008) identified and prioritized factors critical to successful cooperation, and found leadership, development of trust, and long-term commitment to be the most important factors for cooperation success.

However, we know from theoretical and empirical studies of organizational paradoxes (Smith & Lewis, 2011) that managing such a paradox may not imply resolving or eliminating tensions, but rather for leaders to be tapping into its energizing potential (Jakobsen, 2020) and explore its usefulness, instead of suppressing it (Lewis, 2000). While this is explored in a number of studies on organizational paradoxes more generally, such as in ambidextrous firms for instance, the management of paradoxical tension is less researched in a cooperative context. Yet, as the research on organizational paradoxes claims, managing tensions is not necessarily about resolving such tensions but to be able to address them as to not stifle the achievement of progress and desired outcomes. This is supported by a study by Fernandez et al. (2014) who also conclude that in cooperative relationships the critical issue is not to minimize tensions, but rather to manage it, in order for the beneficial outcomes of cooperation to be realized. This appears to be a central purpose of leadership in this context (Northouse, 2010; Morgeson et al., 2010).

Fiedler's (1964) leadership contingency theory states that a leader's efficacy is dependent on two elements; that the leader is both task-oriented and relationship-oriented. This view is further developed in functional leadership theory, where leadership is achieved when leaders do what is needed to achieve collective goals (Fleishman et al., 1991, Morgeson et al., 2010). While this may be different functions in different contexts and relationships, leadership is expected to occur along two key dimensions. Leadership that is task-performance oriented tend to focus on details and does not tend to commence with an action plan until complete contention, having all the required information (Henkel et al., 2019). On the contrary, relationship-oriented leadership tends to be focused on creating trust and respect; listening to the followers' needs and being comfortable with developing an action-plan when the followers' inputs have been heard (Geoghegan & Dulewicz, 2008; Henkel et al., 2019). Research shows

that a leader's success can be attributed to how these two leadership styles are exhibited and combined. In addition, a project manager must have the relevant business and technical skills to manage the standard triangle of the deadline, scope, and cost to accomplish the goals and objectives of a project (Henkel et al., 2019).

In particular, addressing the cooperative context's key challenge, dealing with emotional ambivalence stemming from paradoxical tensions (Raza-Ullah, 2020), a leader can use his or her emotions to regulate and manage the tensions and ambivalence that may appear in a cooperative relationship. Emotions refer to a process which "begins with a focal individual who is exposed to an eliciting stimulus, registers the stimulus for its meaning, and experiences a feeling state and physiological changes, with downstream consequences for attitudes, behaviors, and cognitions, as well as facial expressions and other emotionally expressive cues" (Elfenbein, 2007, p. 315). Emotion-theory has the potential to explain the underlying psychological conditions that strongly influence leadership behaviors and outcomes (Raza-Ullah et al, 2020). Emotions are often short-lived, yet their effects are long-lasting, intense, and challenging (Ashkanasy & Daus, 2002). According to Huy (2011), emotions can significantly influence the quality of thinking and behavior which, in turn, affects performance in organizational settings.

The research by Vuori & Huy (2020) looks into how top managers regulate their emotions during strategy making. Emotional regulation refers to attempts to change one's own or other people's emotions to align with a desired emotion (Vuori & Huy, 2020). Emotion regulation can occur through antecedent-focused or response-focused mechanisms (Schutte, Manes, & Malouff, 2009). Antecedent-focused mechanisms seek to change the appraisal that leads to the emotion. For example, people might avoid information that could make them feel bad. Response-focused mechanisms seek to control or suppress one's emotion after it has occurred. For example, people could pretend to feel fine, even though they were actually angry. As pointed out by Raza-Ullah et al. (2020), recent research in the field of cooperation has specifically noted that conflicting goals and paradoxical pursuits are likely to trigger multiple, complex, and inconsistent emotions (Ashforth et. al., 2014), that manifests in emotional ambivalence (Fong, 2006; Pratt & Doucet, 2000) which, in turn, could have potent effects on strategic outcomes.

Coopetitive tensions are important for leaders to manage at a project level because the implementation of coopetition strategies requires employees from competing parent firms to work together (Fernandez et al., 2014; Gnyawali & Park, 2011). As mentioned, Raza-Ullah (2020) suggests that the paradoxical tension can create a state of emotional ambivalence, which in turn, can contribute negatively to the overall performance. This paradoxical tension can trigger an even higher tension for managers (Raza-Ullah et al., 2014). Unlike organizational paradoxes that can be controlled and pursued under the hierarchy of one organization, coopetition involves two or more distinct entities with different – even conflicting – goals, cultural values, and operational routines (Raza-Ullah et al., 2014). The lack of hierarchy and control in coordinating the interactions between two different organizations cause additional complexity and ambiguity for managers, which further escalate the level of their experienced tension (Raza-Ullah, 2020). As a result, coopetitive performance tends to decline because managers under such complexity may not be able to develop a coherent and a unified strategy for the successful pursuit of the alliance's objectives.

Raza-Ullah (2020) proposes that these negative consequences can be managed through organizational-level mechanisms, namely, emotional capability and balancing capability. Bengtsson et al., (2016) further argue that such coopetition capability is thus a must-have competence of top managers, as they are directly involved in both cooperation and competition activities and therefore need coopetition capability to manage tension effectively. In addition, since lower-level employees are not usually involved in coopetition-related decisions and might not understand the necessity of different strategic moves and counter moves, it is critical that managers have the capabilities to handle external tension inside the firm.

Engaging in such paradoxical dualities may not be straight forward for firms, and it might require ambidextrous managers (Bengtsson et al., 2016; Seepana et al., 2020) who can articulate the intent of doing two opposing things simultaneously. Ambidextrous managers are highly motivated individuals who can deal with a wide variety of different as well as opposing activities, that include exploring and exploiting activities and opportunities (Tushman & O'Reilly, 1996). The results from the research of Seepana et al., (2020) offer three important implications for managers of firms that engage in coopetitive relationships: 1) Maintain strong knowledge-sharing routines with their partners, 2) Managers need to possess ambidextrous skills when engaging in strategic alliances such as coopetition and, 3) Managers must ensure the use of both the ambidextrous skills and the knowledge-sharing routines concurrently to

assist their firms to pursue successful coopetition (Seepana et al., 2020). By being able to explore and exploit coopetition activities and opportunities, managers will be better able to manage the paradoxical tensions, instead of focusing on suppressing or eliminating them.

When leadership is seen all together in this context – in line with Northouse’s definition of leadership and from a functional leadership perspective (Morgeson et al., 2010) – it is evident that success relies on managing tensions and ambivalence in order to sustain the coooperative relationship between firms. While this may be important in itself, these theoretical perspectives indicate that it may also be central to achieving success in innovating together, which is typically the purpose of these relationships.

2.4 Innovation

To further explore the concept of coopetition, we will look into one of its typical key drivers; innovation (Bengtsson and Kock, 2000). Innovation has long been seen as a source of competitive advantage (Schumpeter, 1942) and research shows that alliance partners and network help firms access, acquire, and leverage important resources in pursuing innovation (Gnyawali & Park, 2011). Coopetition is perceived not only as a strategy, but also in particular as a strategy for innovation (Gnyawali & Park, 2011), and through cooperation, firms can co-create common value and collectively improve their innovativeness (Chiambretto et al., 2020).

Influenced by Schumpeter’s definition, Garcia (2015) defines innovation as “a new idea, method, process or device that creates a higher level of performance for the adopting user”. Garcia (2015) points out that the change resulting from the implementation of the innovation typically increases consumer or producer value, and that an innovation provides economic value and diffuses to other parties beyond the inventor(s). The most widely referenced types of innovations are product and service innovations versus process innovation, radical versus incremental innovation, technological versus administrative innovation, architectural versus modular innovation, and disruptive versus sustaining innovation (Garcia & Calatone, 2002; Garcia, 2015).

Product innovations are tangible objects that deliver a new level of performance to adopting users (Garcia, 2015), and correspond to introducing a new or improved product to the market,

whereas process innovation relates to finding novel ways to improve production processes (De Propris, 2002). Service innovations are intangible methods of serving users with a new level of performance. They can be new service concepts, a new way to interact with customers or a new way of service delivery (Garcia, 2015). Radical innovations are described by De Propris (2002) as discontinuous events, which are the result of a deliberate research and development activity and can be further explained and categorized as revolutionary technological breakthroughs. Disruptive innovation, a term popularized by Christensen (1997), refers to technological innovation, product, service, or process with a different set of features and performance attributes, relative to existing products, which broadened or developed new markets by providing functionality that undermines existing market strategies. Incremental innovations are defined as the refinement, improvement and exploitation of existing innovations (Garcia, 2015). These are built on and reinforced by the applicability of existing knowledge, and subsequently strengthens the dominance and capabilities of incumbent firms. Sustaining innovations improve performance levels of established products and provide incumbent firms an opportunity to reinforce their core competencies (Garcia, 2015). Such sustaining innovation can also be seen as a type of incremental innovation. Garcia (2015) points out that companies that focus on sustaining innovations excel at knowing the market, listening to the voice of the customer, and designing incremental improvements to existing technology to meet the needs of their core customers.

Recently, cooperation has become a more widespread phenomenon, linked in particular to technological development in recent years (Barney et al., 2017). Collaboration is often crucial for technological progress and innovation (Winch & Bianchi, 2006) and Gomes-Casseres (1994) demonstrates that alliances help to achieve economies of scale when competitors collaborate to jointly develop new technologies. In these cases, innovation activities are no longer just internal processes within a single firm (Lasagni, 2012). Innovation and technological breakthroughs result from complex processes in which the contributions of various individual parties build upon each other rather than from individual creations (Bougrain & Haudeville, 2002). For instance, De Propris research (2002) show that for any of the types of innovation considered, firms' capacity to innovate could greatly improve if they cooperated with other firms over innovation, in addition to or instead of investing in R&D. Notably, Bouncken & Kraus (2013) state that there are three moderators that influence cooperation's innovation performance: 1) sharing knowledge with the partner, 2) learning from the partner (inlearning), and 3) technological uncertainty.

Even though research argues that cooperative strategies positively contribute to innovation (Ritala & Hurmelinna-Laukkanen, 2009; Gnyawali and Park, 2011), results has been somewhat ambiguous when it comes to the effect of cooperation on innovative outcomes (Bouncken et al. 2017; Ritala 2012). The impact of cooperation can be positive, negative or even neutral on both incremental and radical innovation, depending on how the innovation project is managed (Le Roy and Czakon, 2016). Quintana-Garcia & Benavides-Velasco (2004) demonstrated that cooperation has a positive impact on innovation, whereas other studies found no significant increase in innovation performance (Mention, 2011).

Indeed, cooperation can also involve negative states such as fear of opportunism and knowledge leakage with potential detrimental effects to both relationships and achieving results that lead to competitive advantage, where quite the contrary can happen (Park et al. 2014), something that can explain why cooperation not always have a positive impact on innovation. Park et al. (2014) argue that beyond a certain point, the cooperative tensions become too high, thereby limiting knowledge-sharing and hampering innovative outcomes. Because cooperation strategies are paradoxical, they are filled with tensions that can be turned into a win-win or a win-lose relationship, depending on the governance or management of the relationship (Bouncken et al., 2016). Vanyushyn et al. (2017), as well as Nesse (2018), argue that the role of leadership and the management of the cooperative relationship is critical for the success of cooperation for both incremental and radical innovations.

3 Methodology

In this chapter, we will describe the methodical choices and approach we have chosen to examine our research question: *How do leaders manage paradoxical tensions in the different phases of a cooperative project?* First, we will introduce our research philosophy and approach before describing our chosen research design. Further, we will discuss our approach to collecting and analyzing data before evaluating our study's research quality, ethical considerations, and study limitations.

3.1 Research philosophy and approach

Research philosophy is the system of assumptions and beliefs that points to how knowledge is developed within a particular field (Saunders et al., 2016). The philosophical foundation of the researchers further influences every part of the research process, from the research question to methods, sampling, and design (Hesse-Biber, 2016). The objective of this study is to gain a deeper understanding of how leaders can manage the paradoxical tensions that occur within different phases of a cooperative project. To achieve this, we aim to acquire insight as to how the leadership paradox and tensions in cooperation are managed in practice by conducting in-depth interviews with the project leaders of a chosen cooperative collaboration and read up on available cooperation-literature. Our primary data is therefore subjective and represents the constructed realities of each informant, meaning multiple individual realities and partly shared realities are likely to be present. To gain a deeper understanding of what lies behind these realities and how paradoxical tensions are experienced and managed, we will analyze our data from an interpretive point of view. This further aligns with interpretivism as research philosophy, as we seek to interpret and gain new and richer understandings of paradoxical tensions in cooperation through the individual perspectives of different project managers (Saunders et al., 2016).

Edmundson & McManus (2007) has developed a commonly used framework of methodological fit for management field research, based on the current state of available theory on the researched topic. The state of prior research can be categorized as well-developed (mature), underdeveloped (nascent), or something in-between (intermediate), which points to a fit with certain research questions, ways of data collection and data analysis, and theoretical contributions (Edmundson & McManus, 2007). There is limited previous research available on

our research topic, and our research question is developed in accordance with the future agenda of coepetition research published in 2020 (Czakov et al., 2019). Through our study, we aim to address a gap in existing theory on coepetition by exploring how managers can facilitate coepetition success through managing the paradoxical tensions within different phases of coepetitive projects in practice. Based on this, we have identified our study as nascent theory research and applied an inductive research approach coherent with its methodological fit in the framework (Edmundson & McManus, 2007).

An inductive research approach is characterized by research that starts by collecting data with the purpose of exploring a phenomenon, identifying themes and patterns in the collected data and ultimately generating theory (Saunders et al., 2016). Conversely, if the research on our topic was either well-developed or something in-between, we would have worked with either formal hypotheses testing or preliminary testing of new propositions based on relationships between new and existing theory (Edmundson & McManus, 2007). This would not fit our aspiration of exploring the managers' behavior in a contextual manner, as the methodology tied to a deductive approach tends to be highly inflexible and inhibits alternative explanations to findings (Saunders et al., 2016). A less structured and more flexible research design allows informants to elaborate freely on context, making it possible to find unexpected and intriguing patterns in the data (O'Boyle et al., 2016). This is particularly beneficial for our research as it allows us to explore the very nature of the problem and enables us to adapt to change.

To best answer the research question, we have, in line with Edmundson & McManus' (2007) framework, chosen to apply a qualitative method. Qualitative methods are preferable to answer an open-ended research question and provides open-ended data that supports the continuous development of understanding of the phenomenon for the researcher (Edmundson & McManus, 2007). Further, we have collected primary data through semi-structured interviews and executed an extensive literature review based on articles and web resources as secondary sources of data allow us to further triangulate and validate our findings.

3.2 Research design

We found an exploratory, qualitative, case-research design to be particularly fitting to answer our research question and gain insight into the complexity of this phenomenon (Saunders et al., 2016). Yin (2014) defines a case study as "an empirical inquiry that investigates a

contemporary phenomenon (the case) in depth and within its real-world context” (p. 16). It is especially desirable to apply when the objective of the study is to interpret and explain a phenomenon in rich detail while also identifying the contextual variables that affect the subjects’ behavior (Lindgren et al., 2020). Fundamental to this approach is performing literature reviews, conducting interviews, and reading documents iteratively, which requires a flexible research design that allows us to have a broad focus throughout the process.

Choosing a relevant context for the case and understanding the case context is essential in case study research (Saunders et al., 2016). To examine relevant cases for our study, we collaborated with NCE Finance Innovation, a fintech innovation hub located in Bergen. We decided to deep-dive into a cooperative project in the banking sector referred to as the “PSD2 (Payment Services Directive Two)-project” as our case. PSD2 is an EU-directive that affects providers of electronic payment services. It requires banks to open up their payment services to other companies, the third-party payment service providers, allowing people to both make payments to a third party through the app of any bank, regardless of which bank the account belongs to, and gain a holistic view of their financial situation across banks (BBVA, 2019). The new directive aims to foster innovation and increase competition within the market of payment providers and opens up for fintech companies to create disruptive payment solutions (Finans Norge, 2019). It was announced by the EU in January 2018 and entered into force in September 2019 (Finans Norge, 2019).

The PSD2-project was a collaboration between competing Norwegian banks initiated to understand and tackle the then soon-to-be-implemented PSD2-directive. It was facilitated by NCE Finance Innovation and stemmed from a brainstorming session they held for their members at the end of January 2018. Here, multiple ideas for collaborations were proposed, but PSD2 was chosen to be most important and suitable for cooperation, as it represented both a common threat and opportunity for the banks. Despite Norwegian banks being familiar with working together to ensure they stay relevant and fight off large international competitors, for example with Vipps, they still compete for the same customers and do not necessarily trust each other in different projects in new domains (Havnes, 2017). The PSD2-project itself was highly technical and relied on having project leaders with a certain understanding and knowledge of tech. In the initial phase of the project, there were five participating banks [Bank A, Bank B, Bank C, Bank D & Bank E]. In addition to the banks, NCE Finance Innovation supported the project with a project leader and neutral offices where in-person meetings took

place, as well as legal support from a juridical party and technical support from a technical party. However, after a short time, two banks [Bank A & Bank B] withdrew from the project. The project was fully executed by the three remaining banks [Bank C, Bank D & Bank E] and supporting parties [NCE Finance Innovation, Juridical Party & Technical Party], and their co-created platforms were launched in December 2018.



Figure 1: Timeline of the PSD2-project (Interview data)

Our primary data is collected over a two-month period in 2020, around two years after the finished platforms were launched. Yet, the interview guide is created to disclose the development of factors like trust and tensions within the different phases of the project, going on in 2018-2019. Based on this, we study the phenomenon in the project over time and not only at a particular time, categorizing it as a longitudinal study (Saunders et al., 2016).

3.3 Data collection

In line with recommended techniques of data collection for nascent theory research, we have used semi-structured interviews as our primary source of data (Edmundson & McManus, 2007). This is a common technique of data collection for explorative studies and supports our desire to explore our informants' experiences within a real-life cooperative project and obtaining a deeper contextual understanding (Saunders et al., 2016).

For our study, the flexibility to dig deeper into interesting topics while at the same time providing enough structure to easily compare the data and find patterns were particularly beneficial (Saunders et al., 2016). By following a semi-structured interview guide, all interviews covered certain pre-decided topics and key questions, yielding structure while also allowing us to freely ask follow-up questions and questions on other intriguing topics. Our guide covers the main topics: respondent background, innovation, collaboration, cooperation, and leadership. Within each topic, the key questions are highlighted. For example: *“Can you explain the timeline of the project from the initial discussions to the finished platform?”*, *“What did you specifically do to promote collaboration and trust in this cooperative project?”* and *“How did you handle the paradoxical tensions in this project?”*. The key questions are the questions we perceive to be most important to answer our research question. Also, most key questions have suggested follow-up questions based on the answer of the informant. These are not highlighted and are made to ensure we dig deep enough into the topics we are looking to explore while also preventing misunderstandings.

The interview guide was first tested, altered, and approved before using it in interviews with informants. The complete interview guide can be found in appendix 8.1. As we conducted the interviews in Norwegian, the interview guide is also presented in Norwegian. Further, we have observed the environment at NCE Finance Innovation’s offices in Bergen, where we were provided weekly office spaces for the first months of our study. This is the “neutral ground” where the PSD2-project meetings took place. These observations and our primary data have further been complemented by secondary data on the project, project participants, and literature on relevant topics, gathered from a range of topic-and project-relevant articles and webpages. This has particularly been beneficial for our understanding of cooperation, leadership, and innovation as concepts and has helped us form a more holistic view of the innovation hub, work environment, and participants. Additionally, it has been vital for the creation of a relevant and sufficient interview guide.

3.3.1 Preparation and execution

After deciding to go forward with the PSD2-case, we spent time understanding key themes and deciding the overall aim of our research in collaboration with our supervisor. Further, we drafted an interview guide that was tested, adapted, and then approved by our supervisor. The test-interview helped us confirm which questions were key questions and which should be

removed or altered. To facilitate a good dialogue where the informants speak freely and give a realistic impression of the case and context, we asked open-ended questions.

The interview guide was structured for us to use one hour per interview, where around 30 minutes was used on understanding the context and surroundings of the project, and 30 minutes used on digging deeper into the emotional and cooperative aspects. This is a split we found beneficial to gain the information we need to answer our research question. In total, we conducted seven interviews, where six were conducted online using the platforms Zoom or Teams, and one was conducted in-person, at the office of NCE Finance Innovation.

3.3.2 Sample

This study was conducted in cooperation with DIG RaCE and is part of an ongoing research project at NHH, meaning the overarching topic of our thesis, competition, was set beforehand. Through the project, we had the option to collaborate with one out of four innovation hubs. We chose to collaborate with NCE Finance Innovation due to our interest in fintech and were put in contact with one of their representatives through our thesis supervisor. From NCE Finance Innovation, we were presented with multiple cooperative projects to choose from and decided for the PSD2-project. We selected this case for multiple reasons. Firstly, because we perceived it to be most relevant and revelatory for meeting our objectives (Yin, 2012). Secondly, it provided an ideal context for studying cooperation, and as the project was already completed it allowed us to study the process longitudinally from start to end. Lastly, we found it particularly interesting as we both have worked in banking and thus had prior knowledge about the Norwegian banking sector. We perceived this as an advantage for understanding the context of the collaboration and how previous relationships and perceptions between banks might affect the cooperative relations.

For the selection of informants, we applied a non-probability sampling technique in line with our aim to understand a complex and specific phenomenon through in-depth interviews (Gripsrud et al., 2016). Our sample of informants, the project participants, was selected based on their relevance in the project and their assumed ability to provide us with relevant information and experiences. We were put in contact with them through NCE Finance Innovation, where seven out of eight possible informants responded and agreed to participate in our study. In total, we interviewed the five project leaders from participating banks, the

project leader from NCE Finance Innovation, and the juridical representative that were present in all meetings and observed how the collaboration developed.

This way of sampling is best described as theoretical sampling, as we knew where and whom we wanted to sample but initially not exactly what we wanted to sample (Saunders et al., 2016). It normally means theory emerges from an iterative process of oscillating between data collection, coding and analysis, and is strongly tied to grounded theory research (Saunders et al., 2016). One way we did this was through bringing surprising interview findings into upcoming interviews to try to gain more holistic impressions of these. For example, the discovery of a canceled second phase of the PSD2-project and specific perceptions of the other participants' behavior were findings we tried to gain a more in-depth impression of.

The appropriate sample size for studies based on semi-structured interviews depends on the research question and objectives. Saunders et al. (2016) recommend basing it on theoretical saturation, meaning additional interviews should be held until additional data adds limited or no new value to the study. In our last interviews, we experienced much repetitiveness of stories and themes from previous interviews, and we believe this points to seven informants being a suitable number for our study. The benefits of having few informants are that we got to spend more time on each individual informant, it made the data analysis easier, and it fit within the time frame we had to conduct our study.

| | Description of informant | Interview date | Interview length |
|-------------|---------------------------------|-----------------------|-------------------------|
| Informant 1 | Independent facilitator | 01/10/2020 | 0:39 |
| Informant 2 | Project leader Bank A | 07/10/2020 | 0:44 |
| Informant 3 | Project leader Bank B | 14/10/2020 | 0:34 |
| Informant 4 | Project leader Bank C | 07/10/2020 | 0:46 |
| Informant 5 | Project leader Bank D | 08/10/2020 | 1:03 |
| Informant 6 | Project leader Bank E | 19/10/2020 | 1:05 |
| Informant 7 | Juridical representative | 12/10/2020 | 0:34 |

Table 1: Overview of informants and interviews

3.4 Data analysis

Our raw data, the recorded interviews, was initially non-standardized, of large volume, and complex to understand. In order to use it for our study, we needed to transform the raw data

into useful information that sheds light on the phenomenon studied, which was done through data analysis (Saunders et al., 2016).

3.4.1 Transcribing, coding and categorizing

We began by transcribing the raw interview data, meaning the recordings were converted from sound to writing. The interviews were conducted in Norwegian and thus transcribed in the same language to ensure accurate interpretation. Quotes used in the findings were further translated to English after their interpretation. When transcribing, Saunders et al. (2016) stress the importance of not only portraying what is being said but also how it is being said. To make the transcribed interviews easier to interpret, we decided to leave out irrelevant non-verbal communication like “ehm” and “hmm” while including breaks for thinking and laughter. This way, we kept the transcriptions easily readable and managed to put emphasis on meaningful non-verbal communication for our interpretation. Further, it is important to assure consistency in the transcribed material by following a common structure (Saunders et al., 2016). To ensure this, we constructed the transcriptions in a question-answer format, where we had pre-decided on a system of markings for identifying the person speaking, non-verbal communication, and quotes we perceived to be important. This made the process of coding and categorizing easier and less time demanding. Lastly, the transcribed interviews were saved in separate files and shared with our thesis supervisor.

After all the interviews were transcribed, we coded them in line with Charmaz (2006) emergent theory coding, consisting of two coding rounds: initial and focused. Initial coding, or first-order coding, means we study fragments of data closely to separate the data into categories and see clear processes (Charmaz, 2006). We did this by labeling the research question relevant data from the perspective of our informants, with the aim of making us see and develop new ideas from the data set (Charmaz, 2006). Further, we categorized using conceptual coding, meaning we gathered the most frequent and analytically significant codes in more overarching categories and tested them against our data (Charmaz, 2006). These codes capture the main topics of our data. Lastly, the focused categories were theoretically coded, where possible relationships between the categories were identified to move our findings in a more theoretical and easily analyzable direction (Charmaz, 2006).

We were iterative in our coding in the beginning until we understood which key theoretical categories of data were most relevant for our study. The theoretical codes we have used are *critical point of impact*, *paradox*, *leadership*, and *outcome*. Key interview quotes from the different categories are presented in figures 2, 3, 4, 5, and 6. Coding our interviews using multiple coding categories helped us form ideas and understandings of theoretical possibilities in our interview data that we might have missed if we did it a different way. After coding and categorizing the interview data, the coded data was further analyzed and used to form our discussion.

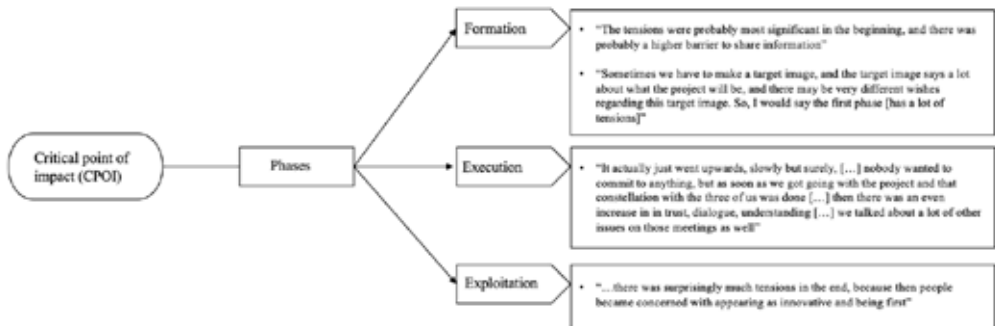


Figure 2: Example quotes of Critical Points of Impact & Phases (Interview data)



Figure 3: Example quotes of Paradox & Tensions (Interview data)



Figure 4: Example quotes of Leadership & Relational / Emotional (Interview data)

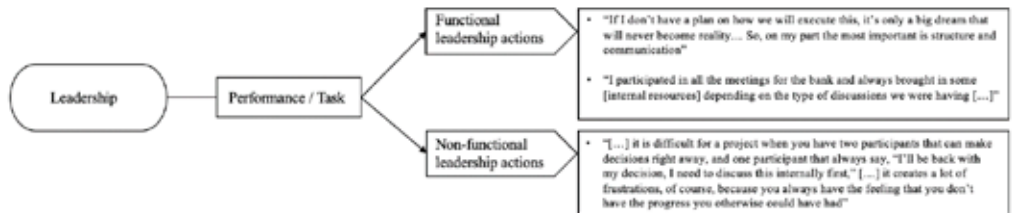


Figure 5: Example quotes of Leadership & Performance / Task (Interview data)



Figure 6: Example quotes of Competition Outcomes (Interview data)

3.5 Research quality

Research quality is most often evaluated through the traditional concepts of validity and reliability (Drost, 2011). However, it would be challenging to demonstrate the quality of our qualitative study against criteria created for quantitative studies, and we need to use different criteria (Saunders et al., 2016). We assess our research based on the dependability, credibility, transferability, and conformability of our study, which are parallel criteria evaluating the trustworthiness of qualitative studies (Lincoln & Guba, 1985).

3.5.1 *Dependability*

Dependability is parallel to reliability and is concerned with “the stability of findings over time” (Bitsch, 2005, p. 86). To assess this, we must ask ourselves: If we replicate the study with similar participants and context, will we have the same results? For research based on in-depth, semi-structured interviews, this is naturally not the case, as our interview data reflects the reality of the informant at the moment of the data collection, which may be subject to change (Saunders et al., 2016). However, dependability can still be ensured through receiving feedback from an external researcher, in our case, our thesis supervisor, and establishing an audit trail (Lincoln & Guba, 1985). This means the data collection and changes made throughout the process are described in detail, making it possible for an external researcher to evaluate and challenge the process and findings of the study (Pandey & Patnaik, 2014).

To strengthen our study’s dependability, we had a good dialogue with our thesis supervisor throughout the study, and the study has been critically evaluated and approved. As part of DIG RaCE, we have also received feedback on our study from faculty and other researchers and participated in a number of meetings to discuss challenges and opportunities we have encountered in the research process. In addition to external feedback, we have documented brainstorming sessions and meetings in joint online documents and worked along a clear process list of further steps we need to take. We have also journaled after each interview, and all interviews have been recorded and transcribed in their natural language. These documents have further been used to form the methodology chapter to ensure accuracy in the description of our research process. This has been particularly important for our study as it has been executed in sequences over two semesters, and our focus has developed in different directions based on new discoveries and insight throughout the study.

3.5.2 *Credibility*

Credibility is parallel to internal validity and assesses “the equivalence of research results with the objective reality” (Bitsch, 2005, p. 82). To assess this, we must ask ourselves: Do the realities we get from the data match the realities our participants conveyed? Ensuring matching realities is vital to achieving a trustworthy study (Lincoln & Guba, 1985).

To best do this, it is important to understand the context in which the case study takes place, which can be strengthened through prolonged engagement and persistent observation (Padney & Patnaik, 2014). Prolonged engagement is about establishing trust, while persistent observation is about understanding the most important characteristics of the case. Due to the limited scope of our thesis, we have had limited time to achieve this, impacting the credibility of our research. However, we focused on getting to know NCE Finance Innovation and thus gained a deeper understanding of the PSD2-project through understanding how they work. This has been done by studying relevant and available information on the organization and project, following them on social media, and working on our thesis at their office space at Media City Bergen. Additionally, we included questions about context and cooperative relationships in our interview guide.

Digital interviews and limited in-person contact with our informants made it challenging to establish trust, which we perceive to be a weakness of our study. Still, we believe that having NCE Finance Innovation reach out to the informants on our behalf as the initial contact positively affected this. We focused on establishing a good and clear dialogue from the beginning and encouraged all informants to contact us regarding potential questions and concerns. One week prior to the interviews, we sent the informants a mail with the link and key information for the interview and asked them to sign the DIG RaCE consent form. In contrast to digital interviews being a weakness, it allows the informants to stay in familiar surroundings, which may be experienced as less stressful and lead to better and more thorough answers.

Another challenge to our study is interviewee biases. This is a central threat to the credibility of any study based on in-depth interviews. To prevent this, in addition to promoting trust, we began each interview with small-talk and assuring anonymization. Throughout the interviews, we focused on creating natural dialogue instead of talking in a question-answer format and executed all interviews with one lead interviewer and one observer to make the conversation flow better and capture the details of the interview, thus supporting the credibility of our study.

Lincoln & Guba (1985) further emphasizes member checks as the utmost important factor to strengthen the credibility of a study. This means the data is tested to avoid misinterpretations (Padney & Patnaik, 2014). In the prevention of this, we asked the interviewees to further explain or elaborate on experiences, opinions, and topics we needed more information on to fully grasp. We also reframed and re-asked and re-asked questions we suspected were being misunderstood by the informant, where having one lead interviewer and one observer was particularly advantageous. Further, all interviews were recorded and saved in One Drive, making them easily accessible in case of disagreements, and transcriptions were done with the same structure, making it easy to find and apply relevant quotes for our discussion.

Lastly, data triangulation can strengthen a study's credibility (Lincoln & Guba, 1985). One way to do this is by combining multiple sources of data, in our case multiple informants, to gain a deeper understanding of the researched phenomenon and thus reach a more credible conclusion (Padney & Patnaik, 2014; Denzin, 1978). By interviewing seven participants, we gained deeper insight into the project from seven different perspectives, giving us a more holistic view of the project itself and the relationship between the different parties. Through comparing their individual stories, we have been able to validate that their stories match, decreasing the possibility of interviewee bias and strengthening our study's credibility.

3.5.3 *Transferability*

Transferability is parallel to external validity and considers the generalizability of a study (Lincoln & Guba, 1985). In general, qualitative research is argued to be "too specific on a particular social setting to be generalizable to a wider world ... [and] should be understood as an effort to seek depth rather than breadth" (Pandey & Patnaik, 2014, p. 5745). However, to which degree we can transfer our findings to other situations, settings, times, and people can be assessed through the concept of transferability (Padney & Patnaik, 2014; Lincoln & Guba, 1985). This means our study is not generalizable to a wider world but can be used to develop theory that is transferable to similar projects in other settings.

Purposeful sampling and thick descriptions are used to facilitate transferability in qualitative studies (Bitsch, 2005). Our sample is purposely selected based on its potential to answer our research question and provide insight into the PSD2-project, thereby strengthening the transferability of our study.

Thick descriptions mean the phenomenon is described in sufficient detail to evaluate its transferability to other settings and situations with similar conditions (Padney & Patnaik, 2014; Lincoln & Guba, 1985). We have particularly focused on providing thorough descriptions of the design and execution of our study from beginning to end, as well as the physical and social context of our case. This supports the transferability of our research and makes it possible for readers and other researchers to understand and replicate the study.

3.5.4 Confirmability

Confirmability is parallel to objectivity and concerns the “degree of neutrality or the extent to which the findings of a study are shaped by the respondents and not researcher bias, motivation, or interest” (Pandey & Patnaik, 2014, p. 5746). To assess this, we must ask ourselves: Have we managed to be neutral and objective in our research? One way of doing this is to include multiple investigators (Padney & Patnaik, 2014). We are two persons executing this study, where both participated in all interviews and decisions made. Having two opinions in all matters has been an advantage as it hinders personal opinions and values from interfering with the research process and our interpretations. Further, we wrote down and discussed our main take-aways and perceptions after each interview, in line with our argued obligation as researchers to practice reflectivity about what we see and how we see it (Charmaz, 2006). We also kept a close dialogue with our thesis supervisor regarding our study’s data, findings, and conclusion, which supports our study’s confirmability (Lincoln & Guba, 1985).

3.6 Ethical considerations

Foundational behavioral standards related to informant rights and the rights of the people affected by it are ethical considerations that must be actively considered in all stages of a research project (Saunders et al., 2016). To withhold these, we have focused on conducting or study in accordance with the NHH ethical guidelines for research and have been particularly cautious and respectful in how we collect, store and use our data. Protecting the privacy and anonymity of our informants has been particularly important for us, and we have carefully evaluated, and anonymized personal and sensitive data used in our thesis.

We have informed our informants that participation is voluntary and that they at all times can choose to drop out or decide not to answer interview questions. All informants had to sign a consent form before participating, where the planned use of our collected data and their rights

were closely explained. The consent form can be found in appendix 8.2. They were also informed about the overarching topics we seek to learn more about through the study and which aspects of the project they should reflect upon before the interview. Further, we have strived to execute our research project with a high degree of integrity and objectivity and to be accurate in our analysis and interpretation of the data. Our collected data has been saved locally on our personal computers and shared with our supervisor through a collaborative DIG RaCE One Drive location. After the project is over, all the collected data will be deleted. The study is also approved by the Norwegian Center for Research Data.

3.7 Limitations

This study, like most studies, has its limitations. We are writing a master's thesis, which instantly limits the time and scope of our study. Further, we have never conducted a fully qualitative study of this scope and level before, which can be perceived as a limitation. Conducting in-depth interviews during covid also comes with some instant limitations. We particularly perceive digital interviews as a noticeable weakness, as it is difficult to create the same psychological safety and good conversation as we would have aimed for in an in-person interview. Additionally, we were not able to see the informants' body language to the same extent as we would if the interview was conducted in person.

Our selected case may also represent a weakness to our study, as the PSD2-project was executed two years before we interviewed the informants about it. Thus, it is possible that what was the realities and perceptions of our informants at the time of the project have changed or become altered from what it originally was. Also, our informants may have forgotten important details and topics that would have impacted our selected findings and results.

4 Findings

In line with our purpose of exploring how leaders manage the paradoxical tensions that occur within different phases of a cooperative project, the inductive analysis revealed several interesting findings. First, the leaders in the cooperative project experienced several critical points of paradoxical tensions, where more tensions occurred in the first and last phase of the project than during the middle phase. Second, the leaders attempted to cope with these tensions by engaging in a range of relational and task-oriented functions to manage the felt emotional ambiguity stemming from the paradoxical tensions, where if such attempts were unsuccessful, the partners might engage in behaviors that were likely to cause them to withdraw from or stall the project. Third, we found that overall, engaging in more or less functional leadership behaviors could impact the sustainment of the cooperative relationship, which may further impact the innovation potential of the project. These findings are presented in more detail below.

4.1 Critical points of tension during different cooperative project phases

Our data analysis suggests that the project leaders experienced paradoxical tensions in the cooperative relationship due to the leadership paradox of cooperating with competitors. From our data we were able to identify phases and critical points of leadership impact where the level of tensions was particularly high. These are illustrated in figure 7.

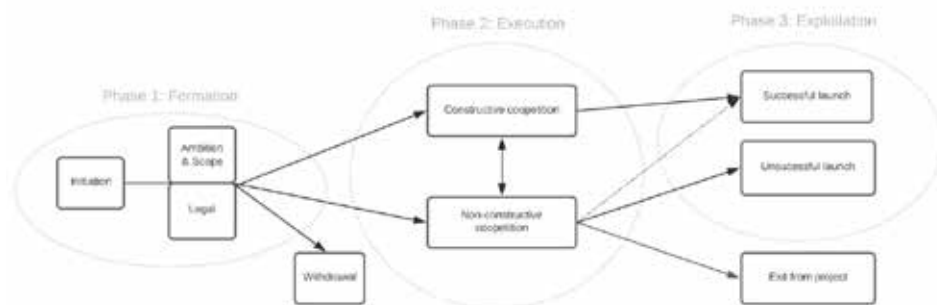


Figure 7: Phases & Critical Points of Impact in the Cooperative Project

Based on our cooperative case study, we have categorized three overarching phases, referred to as phase 1, phase 2, and phase 3, where the formation, execution, and exploitation in the project took place. We have identified high-tension critical points of impact in the transitions between the different phases. First in the ambition and scoping step, before the organizations decided to enter the project. Then secondly in the crossroads between the first and second phase, when they decided whether to enter the project or not. And lastly, in the transition between execution and launch of the project. These are further explained in the following subsections.

4.1.1 Phase 1: Formation

In phase 1, the project scope and ambitions are defined, and critical decisions regarding the project execution, timeline, and end goal are made. What is decided here dictates which organizations participate in the project and which organizations withdraw. The first critical point of impact takes place in the ambition, scope, and legal phase, after the overarching issue of collaboration is decided. Here, discussions regarding the details of the project and its execution go on at the same time as legal matters related to competition law and what is allowed to compete about is decided. This phase of the project is characterized by discomfort with the situation, lack of trust amongst the participants, and uncertainty regarding which information and ideas can be shared in a room full of competitors and not – constituting a critical point for leadership impact. As one respondent says:

“[...] there was a lot of wondering in the beginning – about what this shall become, are we really going to collaborate as competitors and so on [...] maybe someone wanted to join just to listen but not contribute”

The quote illustrates the uncomfortableness with the cooperative paradox in the first phase and the uncertainty it created amongst the participants. They did not trust each other's incentives for participating, which further led to tensions and affected the sharing of information. This is illustrated in one respondent saying:

“The tensions were probably most significant in the beginning, and there was probably a higher barrier to share information”

As the quote suggests, they did not trust each other enough to comfortably share information and ideas within the group. Working with such a high degree of uncertainty and lack of trust makes cooperating difficult and the level of tensions high. Another quote serves to illustrate that this was so difficult that a facilitating party was necessary:

“In the beginning, they [NCE Finance Innovation] played an important role as facilitator [...] they controlled the discussions and provided input on which direction the project should take”

The quote suggests that the project was highly reliant on a neutral facilitator that made sure everyone participated, and no single participant took full control of its direction. Such a role is needed due to the high level of tensions to drive the project forward, and in a direction that benefits all. This was particularly important when discussing and coming to an agreement about the project target image, as one respondent illustrates:

“Sometimes we have to make a target image, and the target image says a lot about what the project will be, and there may be very different wishes regarding this target image. So, I would say the first phase [has a lot of tensions]”

As portrayed in the quote, each participant may enter the ambition and scoping phase with different ideas of what the project should be. Thus, finding a common target image that balances all these expectations for the project may be difficult and lead to long discussions and tensions between the participants. The difficulty of finding a common target and the tensions it creates is further emphasized by this respondent:

“So, one could suspect that they were more concerned with what they got out of it themselves and their own customers, than how it was going to work for the group – but I think they had good intentions for it and that they just were very engaged in it”

The quote illustrates that each participant was most concerned about what they will get out of the project themselves and naturally wished to emphasize their own needs and wants in the discussions. As a project leader recollects about the ambition and scoping phase of the project:

“[...] it wasn't always very smooth [...] in the beginning it was very difficult”

This quote points to the relational tensions present at this point and underlines that the ambition and scoping of the project was a difficult step to overcome. However, after the critical point in the ambition and scoping phase, the project is approaching a crossroad and a new critical point of leadership impact. At this point, what has been decided in the first phase dictates if the participants choose to withdraw before the project execution begins, or if they choose to enter, whether they will enter the project with either a constructive or non-constructive attitude. One respondent says:

“[...] if you do not believe in what you work with, then you will not have that founding commitment to actually go through with it”

As the quote emphasizes, having agreed on a project and target image that all participants see the value of is key for commitment. Feeling that other participants win more on the project than your own organization is likely to have a demotivating effect for project participation, as one respondent explains:

“Bank A tried to set the tone and control how this should be, and they were not motivated for what we wanted [so they withdrew]”

The quote suggests that one participant withdrew from the project because they were not happy with the direction it took and the value it would bring to the company. Thus, they lacked the motivation to further participate in the project.

4.1.2 Phase 2: Execution

In the second phase, the scope, timeline, and execution of the project are set and agreed upon. This makes it a straight-forward execution phase as long as the leaders manage the consistent paradoxical tensions effectively and don't brush it off; rather rationalizing it, being open, being structured, and facilitating a healthy relationship by actively building bonds and increasing the level of trust in each other. We have categorized this type of positive cooperative environment as constructive. A respondent emphasized the difference in difficulties and tensions between the formation phase and the execution phase, saying:

“[...] it is crucial for such projects to get it done [phase 1] – first then we see what can be made – we see the scope, have defined the timeline of the project, who is to deliver this and that ... then it is only downhill from there”

The quote indicates that the execution phase is “downhill” in terms of complications and tensions compared to the previous phase, due to the uncertainties of the project scope and ambition now being defined and agreed upon. Another respondent puts this into the context of increased trust within the now set project group:

“It actually just went upwards, slowly but surely, [...] nobody wanted to commit to anything, but as soon as we really got going with the project and that the constellation with the three of us was done [...] then there was an even increase in trust, dialogue, understanding [...] we talked about a lot of other issues on those meetings as well”

This quote illustrates the importance of having a decided project group for the execution phase and how it has a positive impact on the trust in the relationship. In total, it appears the lack of uncertainties and straight-forward execution in this phase creates a constructive environment that aids the establishment and sustainment of trust. However, our data suggest that cooperative projects also can enter into, or alternate in-between, constructive and a more negative cooperative environment in the second phase, which we have chosen to refer to as non-constructive. This means the leaders are not able to sufficiently manage the consistent paradoxical tensions and internal relationships in the project. An example of this may be the lack of communication from one or more participants, creating uncertainty and tensions for the others, particularly towards the end of the second phase. One respondent says:

“[...] we saw, when approaching the end, that it was a bit more difficult to reach them and that they were a bit vaguer [...] because then the business side started focusing on how we can take some – how we can win some on this [project] as well”

The quote illustrates how everything becomes more uncertain and tensions increase as the straight-forward execution phase comes to an end and the project is entering the transition phase between the second and third project phase. This also marks the entry into our last identified critical point of leadership impact. Based on our data, it appears leaders become more

observant of the behavior of others out of fear that one of the other participants will engage in opportunistic behavior at this point. One respondent says:

“[...] it is clear that everyone felt that we actually wanted to take some customers from each other for a short period in the end there ... and that is, and never was, the intention of the project”

The quote explains that opportunism and wanting to win a bit more on the project than the others was a thought everyone had, although the actual intention of the project was to be the first to launch a PSD2-solution, together. Another respondent further explains the impact these thoughts had on the project leaders:

“[...] we were afraid that someone should, somehow, be the first to jump up out and scream “we are ready” loud and clearly to the market, and then we would be number two and nobody would know who we are”

The quote implies that the feeling of fear was particularly strong for the leaders at this point of the project. Fear of opportunism naturally creates uncertainty and tensions in the cooperative relationship and enhances the necessity for positive leadership impact and acknowledgment of the situation. This is underlined by the following quote:

“[...] there was surprisingly much tensions in the end, because then people became concerned with appearing as innovative and being first”

This quote illustrates the increased level of tensions due to the fear of opportunism. Another respondent emphasizes how this impacts information sharing:

“[...] so, we always said you were not always sure about when you stretched out a hand, if you were met by a friendly handshake or if you were met by a knife. Meaning, you never really knew what you could share and not”

This quote illustrates how the uncertainty and high levels of tensions further impact the leaders' willingness and comfortability with sharing information regarding their final PSD2-solutions within the project group. The fear of sharing is further supported by another quote:

“[...] but when I started sharing our things [the final PSD2-solution], then the others started sharing theirs as well [...] I could feel that nobody wanted to be the first to share - they wanted to see before sharing themselves”

This quote underlines the tensions and unwillingness to be the first to share due to the fear of opportunism. However, in the PSD2-project, this fear of another participant engaging in opportunistic behavior was well reasoned, as one participant conducted a secret simultaneous project with a competing bank and let the other participants know only short time before launch. Until this, the tensions of the critical point of leadership impact had been manageable, but as this happened, the built-up level of trust was significantly reduced. One respondent says:

“[...] it may have gotten a bit awkward when we dropped the ball and told them we are doing a simultaneous competing collaboration [...] but it was not any “foul play”, it was not anything illegal that we did [...] it was just our wish to take a bigger part of the market, that was it”

The quote illustrates how the participant that worked on the two simultaneous projects acknowledges that they executed the project with the intention to capture a bigger part of the market than the other participants. Another respondent describes how this had a negative impact on the level of trust in the project:

“[...] we knew there was a possibility [to be cheated on], but when we were at the finish line and about to launch together, they said “no, we want to wait because we want to launch [the secret project they had on the side] as well” [...] then it felt like it was two with the same motives and a third-party that actually had a completely different motive and wished for a distortion of competition [...]”

The quote illustrates how the level of trust in the project decreased, and it now felt like there were two participants against one. At the same time, the quote emphasizes that they were aware of the possibility of it happening, which may be interpreted as a coping mechanism with feeling betrayed by a trusted party. This also underlines the criticalness of this transition phase.

4.1.3 Phase 3: Exploitation

Although the possibility of being betrayed is said to be well known, it still awakens strong negative emotions that may affect the final outcome of the project. One respondent says:

“[...] I actually had a phone call with [one of the other project leaders], he called me and was raging, he asked me how we should react and what we should do – should we just launch [without them] and not give a F about Bank C?”*

As the quote illustrates, it does not matter if the project leader knew it was a possibility to get stabbed in the back by one of the others; it still feels like a betrayal and awakens a lot of negative emotions towards that participant. For the PSD2-project, these negative emotions lead to two participants launching the project without the third party, as explained in the quote:

“They were probably a bit surprised [by the revelation of our secret side-project], so they [the two other participants] actually launched [the project] before we were ready, perhaps as a small payback for what we did to them”

The quote describes how the feeling of betrayal led the other participants to launch without the last participant. Although the PSD2-project managed to define a common ambition, scope, and aim and three out of five participants entered the project with a constructive attitude, the revealing that one participant was doing a secret competing project with a competing bank led the two other participants to refrain from the original aim of the project – to launch first and together. Based on this, we consider the outcome in phase 3 of the project to be an unsuccessful launch. In this case, the leaders were not able to control their negative feelings regarding the betrayal and may have acted out of fear and anger rather than rationality.

4.2 Managing critical tensions through functional leadership behavior

Our second finding is based upon our data analysis of different leadership functions and how leaders can manage these critical points of tension. Based on our data, we have found that how leaders manage critical tensions depends on how they deal with emotional ambivalence through more or less functional leadership behaviors. We divide functional leadership behavior into two categories: *emotional-relational* and *task-performance*. The emotional-relational dimension relates to how leaders deal with paradoxical tensions and emotional ambivalence

that sustain the cooperative relationship, while the task-performance dimension embodies functional leadership behaviors, characterized as problem-solving or goal-oriented actions, that are conscious actions or tasks performed by the individual leaders to achieve the desired outcomes of the project, including innovation.

4.2.1 Emotional-relational functional leadership behaviors

Our findings show that paradoxical tensions appear in different stages of the cooperative relationship and are a natural consequence of competitors simultaneously cooperating and competing. A potential reaction to these paradoxical tensions is emotional ambivalence, a state where you feel both positive and negative emotions at the same time. The data analysis reveals that a leader may experience positive emotions of happiness and excitement to be in the project, but at the same time be afraid and worried about what might happen if too much company information or ideas are shared – if it gives the competitors a competitive advantage. Thus, there always appears to be paradoxical tensions present in the cooperative relationship tied to the potential withholding or concealing of important information and finding a balance between what to share and what not, in addition to the legality of sharing information, which both are difficult evaluations. However, this becomes a significant challenge first when ambivalence turns into a domination of negative emotions, and where anxiety, fear, and paranoia become salient, and the leaders begin to consciously withhold information that could have improved the cooperative project and co-creation, or when leaders keep secrets that potentially could harm the cooperative relationship. From our interview data, we have recognized that uncertainty regarding which information to share or not was a significant issue for the project leaders in the PSD2-project, particularly in the identified critical points of tensions. One of the respondents recall:

“[...] we always said we were not always sure about when you stretched out a hand, if you were met by a friendly handshake or if you were met by a knife. Meaning, you never really knew what you could share and not [...]”

This quote clearly illustrates the presence of fear and uncertainty regarding the sharing of information in the high-tension points of the project. It underlines the importance of project leaders being able to deal with the tensions and emotional ambivalence in these critical points of tension, to which we have identified four functional leadership behaviors: 1) *active*

awareness of tensions, 2) accepting and rationalizing, 3) building trust and emotional safety and 4) transforming emotions.

1) Active awareness of tensions

The first functional leadership behavior we have identified is an active awareness of paradoxical tensions, which means the project leaders acknowledge the presence of a paradox in coopetition and identify the feelings tied to it – enabling them to take an active role in managing the paradoxical tensions in the relationship. This awareness is critical to building sustainable coopetitive relationships. One respondent shows active awareness of tensions by admitting to the possibility of being deceived:

“[...] we knew there was a possibility [to be cheated on] [...]”

The quote illustrates the awareness of the risks of cooperating with a competitor in the PSD2-project, and thus also the awareness of the tensions that such a situation brings. This is supported by one of the other respondents, who says:

“[...] you might not see things like that [as a threat], and you might not be very affected by it [the tensions] [...] but there is this underlying truth that everyone knows about”

This quote describes the risks connected to being in a coopetitive relationship as “*an underlying truth that everyone knows about*” and that this risk creates tensions that typically are present in coopetitive relationships. However, it is not enough only to be aware of the paradoxical tensions; the project leaders must also acknowledge them and actively make decisions on how to handle them. By accepting that there is a possibility of being lied to or cheated on in coopetitive projects, one is already one step closer to mitigating the emotional ambivalence. One respondent says:

“[...] and then you got to think about what kind of information you want to give your competitors. We want to receive, but do we really want to give? [...] we decided pretty early that if this is going to be fair, we have to give as much as we receive, and that became the basis of the coopetition”

This quote illustrates how the project leaders in the PSD2-project actively handled paradoxical tensions at the beginning of the project by being conscious of its existence and thus taking a stand regarding how much information is given and received in-between participants. However, such active handling of tensions was not always the case in the project, as the following quote suggests:

“This [project] had a background in a legal regulation [...] so this was not a project that created any friction at all, because the law has decided that this is how it should be”

This quote illustrates that it is often easier and more pleasant to ignore the tensions or rationalize them away. Here, the project leader brushed off all tensions by mentally categorizing the project as a legal regulation that everyone had to comply with, and that the project had no frictions nor competition. From our research, it also appears that project leaders who are somewhat emotionally disconnected from the project and rationalize it as a compliance matter more easily also rationalize dysfunctional leadership actions, such as opportunistic behavior. As mentioned, one of the participants in the PSD2-project was doing a simultaneous competing project with a competing bank and kept this a secret from the others until the end of the project. This was not well received by the other participants. Withholding this information may be interpreted as a way to temporarily sustain the relationship throughout the execution of the project, based on the assumption that it would negatively affect the collaboration and relationship with the other participants. However, when asked about the side-project and tensions it created, the project leader has rationalized it to be a legal matter and do not appear to acknowledge the tensions it created by saying:

“[...] it was not any “foul play”, it was not anything illegal that we did [...] it was just our wish to take a bigger part of the market, that was it”

The quote illustrates the inability to acknowledge tensions created through dysfunctional leadership and renationalizing as a way to brush them off. However, managing emotional ambivalence is indeed challenging even when being aware of the paradox and tensions. Leaders in cooperative projects find themselves in an unfamiliar situation where the lust to both cooperate and compete is present. One respondent says:

“[...] it was clear that everyone felt that we actually wanted to take some customers from each other for a short period in the end there [...]”

This quote illustrates how hard it can be to manage emotional ambivalence. For the PSD2-project, we particularly see this in the last critical point of tensions, through the way the leaders admit to wanting to steal customers from each other and win a bit more than the others on the project while cooperating to create a common solution for a common issue.

2) Accepting and rationalizing fear

In addition to accepting and rationalizing risks and tensions, the project leaders must master the second identified functional leadership behavior, being able to rationalize the experienced fears and focus on the reason for why they are there – to co-create value. We have identified fear to be particularly present in the last critical point of tension, where the fear of the other competitors engaging in opportunistic behaviors close to launch is significant. However, it is also important for the information sharing in the first critical point of tensions and also sustaining the information sharing in the last critical point of tensions. By accepting and rationalizing fear, leaders can mitigate the consequences of their emotional ambivalence. This can, for example, be done by having a plan and structure, enabling the leader to manage and rationalize his/her fears. One respondent explains:

“[...] it is always a challenge to work on projects like this one with other banks, there is always a certain risk to it [...] if you have a good plan and a good structure as foundation, and people are familiar with the challenges, then I believe we can manage the challenges, and it will be no problem”

This quote illustrates how one of the project leaders uses planning and structure as a way to manage and cope with the feelings stemming from the uncertainties of cooperating with a competitor. However, not all project leaders are able to cope with such feelings, which may lead to natural reactions like stalling or backing out of the project. Distancing or disconnecting from the uncomfortable situation makes it easier to suppress the conflicting emotions, something one of the respondents expresses:

“[...] when we dropped the news about our other ongoing project, I actually think I

was sick that day, so I got my boss to tell the others [...] so you can say that was good timing on my part (laugh)”

The quote describes how the project leader that was running the secret competing project distanced himself from the fear of the other’s reaction by not being present in the situation and thus not having to deal with the emotional ambivalence.

3) Building trust and emotional safety

After accepting the presence of tensions and risks of being lied to as a natural thing in cooperative collaborations, it is possible to begin building trust and emotional safety, which is our third identified functional leadership behavior. Establishing trust and emotional safety in the relationship is critical to control ambivalent emotions and create an environment for fruitful cooperation. Based on our findings, this is particularly important at the beginning of the project. One respondent says:

“So, what we focused a lot on in the beginning was building a platform of trust [...] some of it was of course embodied in legal agreements, but it was very important to us that the legal agreement was not what carried the project, but rather the trust we managed to create”

The quote illustrates the importance of having trust as a foundation for the cooperative relationship, not only legal agreements. This is key to establish a proactive and fruitful dialogue amongst the participants and helps defy the leaders’ natural instinct to not share company information with competitors. Thus, the establishment of emotional safety and trust enables value creation and positive synergy effects in terms of working together towards a common goal. Another quote illustrates the importance of building a trusting and personal relationship within the project group for information sharing:

“[...] the more they got to know each other, the easier it was to share information...”

The quote indicates a clear connection between getting to know each other personally and how easy it felt sharing information within the group. Trust and emotional safety take much time and effort to build but can be torn down in no time by non-functional leadership actions such as withholding information or telling lies. The revealing of the previously mentioned secret

competing project by one of the participants serves as a good example of this. One respondent explains:

“[...] it was not fraudulent in any way; it was just that the platform of trust that we had built got torn down a couple of floors”

The quote illustrates how the level of trust in the relationship between the participants was negatively impacted by the revealing of the secret competitive project.

4) Transforming emotions

The fourth functional leadership behavior we have identified is the ability to regulate and transform your own or other people's negative emotions into positive emotions. This enables the leaders to manage critical paradoxical tensions in the cooperative project, which is important throughout the whole project, but becomes crucial in critical points of tension. We found that this was effectively done in the PSD2-project by not only directing the focus towards a common goal but also a common enemy. One respondent says:

“[...] there was also a real risk that Apple and other tech giants would use PSD2 as a straw to our customers and try to steal our position and customers [...] so there was a common front between the banks against these actors – a defense mechanism [...]”

This quote illustrates how the project was perceived as a “common front” against the enemies, creating an initial bond and unity between the participants. By regulating the emotions towards this common enemy and the common necessity to not let them win, the leaders were able to rationalize their emotions and turn them from being insecure and suspicious of each other to use them as motivation to succeed together. Another respondent emphasizes the same thing:

“[...] I definitely believe that a common need or a common enemy is fundamental [for successful cooperation]”

As the quote implies, having a common goal or a common enemy to unify the project group and create a sense of togetherness is perceived as crucial for a successful cooperative project.

4.2.2 *Task-performance functional leadership behaviors*

The emotional-relational perspective of how leaders manage critical tensions and emotional ambivalence is supported by task-performance functional leadership behaviors. We characterize these functional leadership behaviors as conscious problem-solving or goal-oriented actions or tasks done by the individual leader with the aim of achieving the outcome of interfirm innovation. Our research indicates that the leaders who are most aware of their own emotional management and have acknowledged and accepted the presence of emotional ambivalence also are the ones that use most task-performance functional leadership actions. Our assumption is that not being controlled by fear and negative emotions makes the leaders more capable of taking a step back, evaluating the situation, and making the right strategical decisions to sustain the positive cooperative relationship. We have identified three task-performance related leadership behaviors for managing critical tensions in a cooperative relationship: 1) *creating structures*, 2) *clarifying expectations and goals*, and 3) *clear communication*.

1) *Creating structures*

The establishment of advantageous project structures is our first identified leadership behavior along this dimension, critical to successfully manage paradoxical tensions and overcome the critical points of tension throughout the project. Multiple project leaders underlined the importance of facilitating and maintaining structures in the collaboration to ensure fruitful collaboration, through having regular meetings where all participants attend, having a clear timeline and deadlines for execution, making sure the internal resources needed are available within each organization, and having the right people present to be able to make rapid decisions and progress. Creating suitable project structures is particularly critical for the beginning of the project. Establishing a good foundation for managing emotional tensions makes it easier for the participants to regularly attend and actively participate in meetings and facilitate internal anchoring in the project. One respondent says:

“[...] in this setting we were able to meet in person, so that was good [...] and when someone meet regularly like that, trust will start building up after a while, making one feel like colleagues”

This quote illustrates how meeting in person and getting to know each other personally and not only as a representative from a competing bank has a clear positive effect and aids the

establishment of trust and good communication within the project. Another respondent further explains:

“I participated in all the meetings for the bank and always brought in some [internal resources] depending on the type of discussions we were having [...]”

This quote exemplifies how one of the leaders actively participated in all the meetings and brought the resources needed to have a progressive discussion and make quick decisions, which benefitted the project greatly. However, not all project leaders manage to do this, and we see indications that in a collaboration without sufficient structures, leaders may fall into organizational absence – a state categorized by a lack of emotional and physical investment in the project. This means they, for example, do not participate or prepare for meetings, follow up on deadlines or allocate sufficient internal resources to make quick decisions and ensure project progress. One respondent says:

“[...] it is difficult for a project when you have two participants that can make decisions right away, and one participant that always say, “I’ll be back with my decision, I need to discuss this internally first,” [...] it creates a lot of frustrations, of course, because you always have the feeling that you don’t have the progress you otherwise could have had”

This quote illustrates how not being able to make rapid decisions stalls the project and creates a frustrations and tensions in the cooperative relationship. While bringing the right people to the project meetings show commitment, one participant stalling the whole project due to not sending a project leader with decision authority can be perceived as a non-sustaining leadership action.

2) Clarifying expectations and goals

Our second identified leadership behavior is the clarification of expectations and goals, which is key to having a successful execution phase and project. This makes the clarification of expectations and goals particularly important at the beginning of a cooperative project. Having a clear and collectively motivating goal and sub-goals for the project makes it more tangible and aids the project leaders in keeping the focus on the end goal and not getting overly caught up with paradoxical tensions and emotions. Also, as one project leader stated:

“We must show through [the completion of] sub-goals that we are to be trusted [...]”

This quote illustrates how making a plan and individual goals also pose as an important factor to build and sustain the trust within the project. Another respondent further emphasizes:

“If I don’t have a plan on how we will execute this, it’s only a big dream that will never become reality [...] So, on my part the most important is structure and communication”

This quote illustrates the importance of having a plan and structure for the execution of the project, as well as the importance of clear communication in terms of expectations and what is wished to get out of the project. The importance of this is further supported by another project leader:

“Structure means, at least to me, that you have a plan – you make deadlines for yourself, you are able to follow up others and if they are able to deliver or not, if the delivery that is agreed upon is accomplished and if the target in general is achieved”

This quote emphasizes the impact each participant’s delivery and accomplishment has on the relationship and trust between the participants and underlines how important structure and having sub-goals are for the project and sustaining the relationships.

3) Clear communication

The third identified leadership behavior is the importance of clear communication, which can be considered a direct reaction to how the leader deals with emotional ambivalence. From our data, we clearly see the importance of listening to each other and attempting to understand each other’s point of view in cooperative projects, particularly in its early phases. Through making an effort to understand the other participants, being willing to make compromises, and finding fair solutions to project issues, it is also easier for the leaders to establish trust in the project relationships and have better and more fruitful discussions. One respondent says:

“[...] it is important to listen to the others and try to understand why things are important to them and how it may fit into the project”

This quote emphasizes the importance of listening to others, trying to see things from their perspective, and make compromises or find solutions that benefit all. However, communication must also be seen from your own perspective, as another respondent says:

“If you have a question, something you do not agree with or you think something may lead to a catastrophe for you (laughs), then you have to raise the issue and we discuss this together”

This quote stresses the importance of communicating thoughts and issues as they arise, to prevent the development of tensions. Another respondent emphasizes that being able to communicate is not only what is communicated, but also how it is communicated:

“If you cannot communicate in a good enough way, people perceive you to be too demanding or just the person that criticizes all the time”

This quote underlines the importance of being aware of how the communication comes across in the room and how it is perceived by the other participants. It suggests that a leader might be perceived in a negative way based on the way of communication, which further might affect the dialogue and relationships within the group. If the project leader is not able to communicate well and regulate emotions, the consequence may also be non-constructive communication which may create tensions in the cooperative relationship. One respondent says:

“It all goes back to communication and integrity; you have to be open and honest in relation to those you work with. I fully understand if they kept quiet about a trade secret or a unique competitive advantage, or whatever, but based on the fact that it was a competing project and basically the same as we were doing together, then it was very difficult to understand why they chose to do it in that way”

This quote illustrates how negative emotions develop due to the way a leader fails to communicate in a clear and good way. In the PSD2-project, we saw a very clear example of such non-constructive communication in the way one participant withheld information about their secret competitive project. The feelings tied to this revealing and secrecy are illustrated in the quote above, where clear communication can be expressed both verbal and non-verbal, and sometimes actions can speak louder than words.

4.3 The role of leadership in sustaining cooperative relationships to achieve innovation

Our findings show that while participating in cooperative interfirm relationships may lead to innovation and has become an important strategy for companies to survive and thrive, the experienced paradoxical tensions of creating and capturing value with a competitor complicates this. From our data, we have discovered a possible relationship between leadership behavior to sustain cooperative relationships and the respective project leader's perception of the project outcome.

The PSD2-project was initially expected to consist of two project steps – one primary step to solve the compliance part of PSD2 and establish a foundation for further innovation, and a second step where innovation was the goal. The primary project step, which we have used as our case study, was initially perceived as more about building the foundation to create innovation in the future than to create innovation here and now. According to one respondent:

“An infrastructure needs to be in place before we can start working on innovation [...] And I believe, especially within innovation in fintech, that it [innovation] is mainly based on existing infrastructure”

This quote illustrates how a project leader perceives the project as building the infrastructure needed to create innovation in the future, rather than an opportunity for innovation at the moment. The second part of the project, the innovation part, was to be executed shortly after the primary project, depending on its success. Our data suggests that leaders who accept and manage the presence of emotional ambivalence and paradoxical tensions, are able to exhibit a greater extent of functional leadership behaviors, which in turn contribute to sustaining the cooperative relationship. Based on the interviews, we can see a connection between leaders who sustain the cooperative relationship and their ambitions towards the projects' innovation potential. Such behavior promotes a foundation for trust and can be accomplished by being structured, clear and good communication, showing understanding and the willingness to compromise and being active and present in the project.

Further, we noticed that leaders who contributed to sustaining the cooperative relationship also seemed more optimistic regarding the outcome of the project and its potential for innovation, and one leader described how the PSD2-project, with time *“developed from being a legal*

requirement to be an opportunity". This meaning it went from being perceived as a straightforward compliance matter that everyone had to do, to be an opportunity as the project progressed and the level of trust grew within the cooperative group. Thus, sustaining the relationship between the parties appears to be an important outcome for achieving collective goals, but also in fostering innovation. This hope for achieving more than what was initially the purpose – moving from incremental innovation to more radical innovation is illustrated several times in the data. As one respondent says:

"[...] PSD2 got a lot of attention and being able to deliver on it at an early point of time was interesting – and maybe even deliver something outside the directive to achieve a competitive advantage"

The quote above illustrates how another project leader entered the project with the aims to not only deliver a PSD2-solution early but also to deliver something outside the legal requirement – something innovative that can create a competitive advantage. Another respondent also suggests that there was optimism for innovation in the project:

"[...] by having [the project] in place, you have the opportunity to deliver on being innovative later"

As we can see from this quote, although the initial project per se was not perceived as innovative, the project leaders within this category still were optimistic regarding the future innovation potential of the collaboration. As previously mentioned in our literature review, cooperation is perceived not only as a strategy but as a particular strategy for innovation (Gnyawali & Park, 2011). By engaging in a cooperative collaboration, the participating firms can co-create common value and collectively improve their innovativeness. One respondent describes the innovation potential as:

"[...] I won't categorize it as innovation, but rather a natural development"

This quote characterizes the innovation potential of the project as "natural development", which can be interpreted as a reference to incremental innovation. As pointed out by Garcia (2015), sustaining innovations improve performance levels of established products and provide incumbent firms with an opportunity to reinforce their core competencies. Such sustaining

innovation can also be seen as a type of incremental innovation (Garcia, 2015). However, there were also project leaders in the project who showed less functional leadership behaviors and chose to ignore or take distance from the tensions in the project. From our data, we see that these leaders were more pessimistic towards the innovation potential of the project already from an early point. One respondent says:

“Initially, it [the project] was basically a legal requirement, and I don’t know how innovative a legal requirement can be”

The quote above illustrates how a project leader with less functional leadership behavior perceived the project to be a basic legal requirement that everyone needed to deliver and the cooperative project to be a cost-saving convenience rather than an opportunity for innovation. Another project leader within the less functional leadership behavior category says:

“[...] it opened up for the possibility to access more data and make innovative services of these [...] and there the collaboration stops as well”

This quote suggests that as soon as there is innovation and a possibility to create a competitive advantage from the project, that is also where the competing organizations stop collaborating and start competing. The same project leader underlined this perception when saying:

“Finance Innovation has the motto “collaborate when we can, compete when we must”, which is kind of flippant, right? Because in reality it is the opposite [...] you collaborate when you have to, like here on compliance things, because it is something that everyone has to solve [...]”

This quote further suggests that cooperation is something that is avoided when innovation is the goal, but also that it is cost-effective when there are common compliance issues that need to be solved. Having this attitude towards the innovation potential of the project also affects the project leader’s behavior and ability and motivation to sustain the cooperative relationships. In the PSD2-project, this was the same project leader that engaged in opportunistic behavior and conducted a simultaneous competitive project with a competing bank. One of the project leaders confessed:

“[...] if not create innovation, then more about capturing customers, a little more cynical approach”

This quote illustrates how the motivation for entering the project was more cynical than the motivation expressed by other project leaders. Also, the quote emphasizes the lack of perceived innovation potential in the project. As previously mentioned, opportunistic behavior reduces the established trust in the cooperative relationship, which in our case lead to the expected innovative second step of the project not being executed due to the broken relations. Thus, it can be said to have hindered the project in achieving its expected innovation potential. Also, the general lack of trust and ability of the leaders to engage in functional leadership behaviors and sustain the cooperative relationship can be found to have a direct effect on the innovation potential of the project. One of the respondents recalls:

“[...] when you are reserved like this, then, of course, you will not have the innovative and free discussions [...] you are just not in the flow zone, it is as easy as that”

In this quote, the project leader expresses that without the established trust, as well as a belief and motivation for the project to share relevant ideas and information, the discussions will not be free enough to foster innovation. This underlines the importance of leaders being able to sustain the cooperative relationship in order to promote and achieve the innovation potential in the project.

The connection between the variables is further illustrated in figure 8, which is inspired by the conceptual models created by Raza-Ullah (2020) and Nesse (2018). In the figure, we describe how dealing with emotional ambivalence and functional leadership behavior can help leaders overcome interpersonal tensions and thus contribute to sustaining the cooperative relationship. This can further act as a mediating factor to achieve the innovation potential of the project.

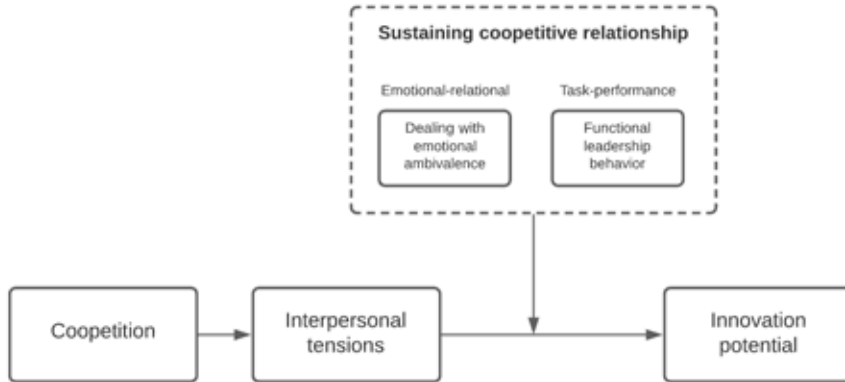


Figure 8: The role of leadership in sustaining competitive relationships in order to achieve the projects' innovation potential

Overall, based on our current data, it is not possible to say for sure whether the project could have led to innovation if the relationships were sustained beyond completing the project, moving to phase 2 and realizing the innovation potential. However, a key finding derived from these data, is that how the leaders engage in the different leadership behaviors, and particularly the efforts they put in to sustain the relationships, as well as awareness concerning the relationship between their own behaviors and innovation potential, is likely to have an influence on actual innovation over time.

5 Discussion

The purpose of our study is to contribute to existing research in the field of organizational paradoxes (Smith & Lewis, 2011) especially concerning cooperation and paradoxical tensions (Raza-Ullah, 2020), by studying the role of leadership in the context of a cooperative project facilitated by NCE Finance Innovation. Overall, our study illustrates how leadership is critical in different phases of a cooperative relationship and describe how leaders can manage paradoxical tensions, particularly stemming from emotional ambivalence. By gathering qualitative data through conducting interviews and analyzing the data, we have generated several interesting findings. In our first finding, we have identified phases and critical points of leadership impact, characterized by a significant level of paradoxical tensions and emotional ambivalence. Further, in our second finding, we have identified key emotional-relational and task-performance leadership behaviors that suggest there is a connection between how leaders manage critical tensions and how they deal with emotional ambivalence. Lastly, in our third finding, we have suggested a connection between functional leadership and the ambitions and potential for an innovation outcome of the cooperative project. Based on our findings, we will discuss the potential theoretical and practical implications of our study. Finally, we address strengths and limitations and suggestions for future research.

5.1 Theoretical implications

The field of research about organizational paradoxes and the different aspects of cooperation and the paradoxical tensions that could arise is still nascent, and research is particularly limited when it comes to how the individual leader can manage these tensions and the emotional ambivalence that arise from it in practice, to sustain relationships and achieve its innovation potential. As an overall theoretical implication, we contribute with new insights to how functional leadership can sustain a cooperative relationship by managing paradoxical tensions in different phases of the project, which extends prior research in several ways.

In our first finding, we identify critical points of tensions where the leadership impact is greatest and most important and conceptualize these in a temporal model with different phases. By illustrating different phases and critical points of leadership impact in managing the organizational paradox, we contribute to the emerging literature on organizational paradoxes

and how these are managed (Andriopoulos & Lewis, 2009; Smith & Lewis, 2011; Raza-Ullah et al., 2014). While past research has examined how these are attempted managed, little emphasis has been put on the leadership role as well as on critical points of impact for leaders (Czakov et al., 2017; Nesse, 2018). Our study specifically adds temporal and impact aspects and begins to theorize about their importance in managing paradoxes, tensions and emotional ambivalence.

In our second finding, we are expanding the existing research about cooperative leadership by examining functional leadership behaviors (Morgeson et al., 2010). We approach these from two different dimensions: emotional-relational and task-performance and suggest that there is a relationship between how the leaders manage critical tensions and how they deal with emotional ambivalence. This work adds to the research on managing cooperation (Fernandez et al., 2014; Fernandez & Chiambaretto, 2016; Le Roy & Czakov, 2016; Raza-Ullah, 2020) by including a leadership perspective, and in addition extends the work on functional leadership behaviors in cooperative relationships (Nesse, 2018). Thus, we lay the grounds for further exploration of leadership functions and behaviors in this field, adding a theoretical basis for leadership that has been missing in this literature to date.

Lastly, in our third finding, we establish a connection between functional leadership sustaining the cooperative relationship and the experienced ambition and potential for reaching innovation as a project outcome. Past research has not linked these two aspects together, especially not the specific leadership behaviors and how they may have an influence on this process (Nesse, 2018; Raza-Ullah, 2020). In figure 8, we have developed an illustration of the suggested connection between the variables, where sustaining the cooperative relationship is a mediating factor to achieving the innovation potential of the project. This is an extension and bridge to future studies that offers a vantage point to examine the relationship between not only leadership and their role in sustaining cooperation but also leadership and reaching an innovation potential.

5.2 Practical implications

Our research is directed towards leaders in cooperative projects, and as an overall practical implication, we want to emphasize the importance of leadership for sustaining a useful cooperative relationship – not only in order to foster cooperation success but also for achieving the projects innovation potential. However, in order to sustain a constructive cooperative

relationship, leaders must be able to manage the paradoxical tensions that appear in different phases of the coopetition project, engage in specific behaviors to sustain relationships and get tasks accomplished, and be motivated to achieve innovation together with other firms. While several researchers have pointed to the importance of leadership in these processes (Bengtsson et al., 2016; Bouncken et al., 2016; Vanyushyn et al., 2017; Nesse, 2018), this research is yet an early contribution concerning how leaders manage this in practice. This leads us to the practical implications of our first finding. An interesting aspect of this study for leaders is that creating awareness regarding critical paradoxical tensions that can arise in the different phases of a coopetitive project may help leaders prepare for, and understand, when and why to be more observant on tensions, in addition working to limit the implications they might have on the coopetitive relationships. For example, by being aware of the tensions that are likely to arise towards the end of a project, one will better be able to manage these tensions and can reduce the negative impact they may have on the coopetitive relationship and project. By having an open dialogue regarding the fears of opportunistic behaviors towards the end of the project, leaders may also be able to sustain an environment of trust and emotional safety. Knowing when to be particularly observant of such tensions in coopetitive projects can thereby be a significant benefit for project leaders and facilitators.

The practical implications of the second finding are particularly tied to creating awareness about how leaders manage critical tensions. We have found that this depends on how they deal with emotional ambivalence through more or less functional leadership behaviors. Several of the leaders we interviewed quickly expressed disbelief regarding there having been any tensions in the coopetitive project. According to them, there were no tensions due to the technical scope and the project being a compliance matter that everyone had to do. However, during the interview, all interviewees described several ambivalent feelings and situations characterized as paradoxical tensions. By being actively aware of the presence and their own experience of ambivalent emotions and paradoxical tensions in a coopetitive project, the leaders are more likely to be able to accept, manage and rationalize these feelings. This underlines the importance of leaders engaging in functional leadership behaviors, both emotional-relational behaviors and task-performance behaviors, which support each other.

For leaders in coopetitive projects, being aware of critical points of tensions and having insights on how selected leadership behaviors can impact these situations has the potential to make it easier to foresee the approaching tensions, acknowledge their presence and rationalize them in

a way that makes them more easily processable emotionally. This hinders leaders from suppressing, brushing off or ignoring what they are feeling and experiencing. Awareness of how to successfully manage and not manage paradoxical tensions in a cooperative collaboration adds value to the awareness of critical points of leadership impact and has the potential to guide leaders on what to do in times of uncertainty.

In our third finding, we look into the role of leadership in sustaining cooperative relationships and the projects perceived innovation potential. As a practical implication, it is helpful for leaders to be aware of this potential relationship between leadership behaviors to sustain cooperative relationships and the respective project leader's indicated perception of the project outcome. Each leader in a cooperative project has an important role in sustaining a constructive cooperative relationship through functional leadership behaviors, which according to our findings, can contribute to either achieving or hindering the projects innovation potential. By providing concrete insights into the characteristics of such functional leadership behaviors and supplying it with insights suggesting a correlation with innovation potential, we hope to enable cooperative project leaders to reach the innovation potential of future projects.

5.3 Strengths, limitations and future research

A key strength of our research is the contextual, functional and relational leadership view we have had on a cooperative project, where we have been looking at the competition process as a whole and not one particular phase or incident. Another strength lies in our research methods. We have applied a qualitative research approach with semi-structured interviews and emergent coding to collect and analyze our primary data, which has given us the flexibility to go in-depth in the interviews and examine relationships between aspects of competition that has not previously been examined (Langley, 2012). Further, we have executed interviews with all relevant participants in the cooperative project, including the participants that withdrew at an early stage, ensuring theoretical saturation in our data. These interviews have been very insightful and interesting and have given us a good understanding of the project and its context before working on analyzing the data and identifying patterns and findings to build our argumentation.

However, similar to all studies, our study also has its limitations. Our research and assumptions are based on qualitative interviews and a single case study, meaning our findings are not

generalizable to a wider world (Pandey & Patnaik, 2014). Also, Covid-19 hindered us in executing in-person interviews with the informants, making it more difficult to establish trust and good dialogue. This may also mean that we have missed relevant observations that we would have seen in an in-person interview setting. Additionally, the interviews were conducted during fall 2020, while the project itself ended in December 2018, which may mean that the interviewees have altered their realities of what happened or how they felt and potentially also forgotten important details that could have had an impact on our research.

As for future research, there remains much to be done in the field of organizational paradoxes as well as in cooperation research. One field that we particularly would like to see development within is cooperation research concerning the management, acceptance and rationalization of emotional ambivalence and paradoxical tensions in practice. Raza-Ullah (2020) is one of few researchers who have provided initial valuable insights to this cooperation research field. However, findings on managing emotional ambivalence and paradoxical tensions are currently only available on an overarching and theoretical level, which may seem too general to be directly applicable for leaders who want to learn how to manage paradoxical tensions and emotional ambivalence in practice. For the future, we also hope to see more research on how leaders can perform functional leadership actions in order to sustain a cooperative relationship, possibly from a more longitudinal or experimental design to cross-validate and confirm the suggested causal relationships in this study.

6 Conclusion

Overall, this research has used a particularly relevant case study to examine the leadership role in managing paradoxical tensions, emotional ambivalence and innovation potential in a cooperative innovation strategy. The financial industry is increasingly influenced by more detailed and complex regulations focused on protecting individual consumers, such as the PSD2-regulation. Fintech and banking are facing rapid and disruptive technological development and emerging new threats from international giants like Facebook and Google. This makes standing together and collaborating to achieve innovation to fight off these actors an important strategy for the Norwegian financial industry. Cooperation is a common strategy for innovation (Gnyawali & Park, 2011) and a powerful tool for firms to survive and thrive. However, cooperation is not an easy strategy to manage, as the simultaneous pursuit of cooperation and competition between firms creates a paradox in the relationship, which in turn has the potential to be a source of paradoxical tensions and ambivalent emotions (Raza-Ullah, 2020). This makes the leadership role more important than ever before, which underlines the importance of developing leaders that understand how to manage tensions and emotional ambivalence.

In accordance with our research aim, we have gained a deeper understanding of the management of paradoxical tensions in cooperation by examining *how leaders manage paradoxical tensions in the different phases of a cooperative project*, and we have made an empirical contribution with several theoretical and practical implications to this field of research. We have sought to answer our research question by reviewing the literature on leadership, cooperation, innovation, organizational paradoxes, paradoxical tensions and emotional ambivalence. We have carried out the qualitative research by conducting in-depth interviews with project leaders in the cooperative PSD2-project, a fintech-project facilitated by NCE Finance Innovation, and analyzed the data inductively.

Our findings suggest that leaders and their distinct leadership behavior are crucial for sustaining a constructive and successful cooperative relationship. The leader's individual behavior and ambitions are not only important to the dynamics between the different parties, and when navigating between the different project phases, it is also important for reaching the projects innovation potential. We further see indications from our data that suggests that how the leader

deal with emotional ambivalence and paradoxical tensions ultimately affects the leadership behavior, and whether it is functional or not, which should be noted. Thus, we conclude that leaders are indeed central to achieving a coepetitive interfirm strategy to ensure the survival of the participating firms.

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8 Appendix

8.1 Interview guide (in Norwegian)

Bakgrunn

- Fortell litt om deg selv og din bakgrunn.
- Har du tidligere erfaring fra samkonkurranse-prosjekter, utenom PSD2-prosjektet?
- Hva var din rolle i PSD2-prosjektet?

PSD2-prosjektet

Generelt / Innovasjon: (formål, tid, deltakelse, innovasjonsgrad)

- **Hva var målet deres (selskapet) med å delta i prosjektet?** Hva håpte dere å få ut av det?
- Hva var målet med dette prosjektet, når det gjelder innovasjon? Førte samarbeidet til innovasjon? Hvordan vil du beskrive resultatet av dette prosjektet når det gjelder innovasjon?
- Oppnådde du (ditt firma) det du ønsket deg fra prosjektet?
- **Kan du forklare tidslinjen til prosjektet fra de første diskusjonene til det ferdige produktet?** Om du skal dele denne inn i faser, hvordan ville disse fasene sett ut?

Samarbeid innenfor prosjektet: (samarbeid og kommunikasjon)

- Hvordan kommuniserte dere i prosjektet? (møte / skype, når, hvor ofte?) Vi vet at NCE tilrettela for kommunikasjon gjennom prosjektet, men kommuniserte dere som deltok i prosjektet også på egenhånd? Var det noen dere kommuniserte mer/bedre med enn andre? Hvorfor?
- **Opplevde du at de forskjellige partene var like involvert i samarbeidet?** Hvordan vil du kategorisere hvor involvert du/dere var i prosjektet? Hvorfor tror du det var slik?
- Hvordan opplevde du prosessen med å samarbeide over tid? **Hvorfor tror du at noen parter valgte å forlate prosjektet mens andre ble værende?** Hvorfor valgte dere å forlate samarbeidet?

Samkonkurranse innenfor prosjektet: (Kartlegge samkonkurransen)

Med tanke på samkonkurransen, der dere samarbeider med en konkurrent om å skape en ny løsning...

- **Basert på din erfaring, hva er det som fremmer og hemmer samarbeid i slike prosjekter?**
- Hvordan opplevde du det var å samarbeide med konkurrentene? Hvordan samarbeidet du i prosjektet? **Var det noe spesielt du gjorde for å fremme samarbeid og informasjonsdeling? Hva gjorde du?**
- Hvordan vil du definere suksess innen samkonkurranse? Hvordan vil du definere det motsatte? **Hvilke spesifikke forhold tror du fører til suksess i samkonkurranse-samarbeid?** Hvilke tror du fører til det motsatte? Hva gjør du for å fremme suksess i samkonkurranse-prosjekter?

- Anser du PSD2-prosjektet som et suksessfullt samkonkurranse-prosjekt? Hvorfor/hvorfor ikke?

Ledelse og personlige evner: (Kartlegge ledelse og spenning)

- **Ser du paradokset med å samarbeide med en konkurrent (forklare dersom ikke)? Hvordan taklet du dette?** Hvilke spesifikke ting gjorde du for å takle det?
- Hva er, etter din mening, viktige personlige egenskaper hos en leder, dersom man skal lykkes med et samkonkurranse-prosjekt?
- **Følte du noen paradoksale spenninger i dette samarbeidet?** Hvordan følte du dette? **Hvordan håndterte du spenningene?** Hvilke spesifikke ting gjorde du eller gjorde du ikke på bakgrunn av spenningene? Hvordan opplevde du at de andre selskapene håndterte disse spenningene?
- **Hva er, etter din mening, viktige personlige egenskaper hos en leder for å overkomme og å mestre samarbeid med slike spenninger tilstede?** Hvilke spesifikke ting er viktige å huske på som leder, dersom man vil mestre et slikt samarbeid?
- Har du noen konkrete situasjoner fra PSD2-prosjektet, der du eller andre utviste klokheter for å håndtere spenningene - eller eventuelt gjorde det motsatte?
- **Når du ser på de forskjellige fasene som du beskrev i prosjektet, hvordan følte du de paradoksale spenningene i de forskjellige fasene?** I hvilken fase var spenningene mest til stede? Gjorde du noe spesifikt for å håndtere spenninger i denne fasen i forhold til hva du gjorde i de andre fasene?
- Om du ser på fasen der selskaper begynte å forlate prosjektet, hvordan vil du beskrive nivået av spenninger her? Var det noen forskjeller i hvordan selskapene som fortsatte prosjektet og de som forlot prosjektet håndterte disse spenningene?
- **Hvordan vil du beskrive de ulike rollene i prosjektet?** Opplevde du at noen selskaper tok "ledelsen" mens andre tok en mindre aktiv profil? Hvordan opplevde du dette? Hvordan påvirket dette prosjektet?
- **Hvilken rolle tok du selv i prosjektet? Hvorfor tok du denne rollen?** Hvilke spesifikke ting gjorde du som fører til at du selv opplever at du tok denne rollen?
- I etterkant av prosjektet, er det noe du føler du burde gjort annerledes med tanke på samarbeidet og det å håndtere spenningene?

8.2 RaCE consent form

Samtykkeerklæring – deltakelse i forskningsprosjekt

Bakgrunn og formål

Denne forskningen er en del av RaCE programmet på SNF og NHH. Formålet er å undersøke hvordan norskbaserte virksomheter responderer på radikale teknologidrevne endringer. Vi henvender oss til personer med sentral informasjon om organisatoriske endringer.

Hva innebærer deltakelse i studien?

Intervjuet vil ta maks 1 time. Dersom du godkjenner det vil vi tar opp intervjuet på lydfil og transkribere det i etterkant. Lydfilen slettes etter transkribering, og den transkriberte versjonen av intervjuet vil anonymiseres.

Hva skjer med informasjonen om deg?

Alle personopplysninger vil bli behandlet konfidensielt, og informasjonen som lagres sammen med den transkriberte versjonen av intervjuet vil ikke inneholde navn – men en tilegnet kode. Navn og eventuelle kontaktopplysninger, samt dette skjemaet, vil oppbevares adskilt fra intervjudata. Det er kun prosjektgruppen på NHH/SNF som vil kunne få tilgang til de anonymiserte intervjuene.

Din bedrift vil bli anonymisert.

Prosjektet skal etter planen avsluttes juni 2023.

Frivillig deltakelse

Det er frivillig å delta i forskningsprosjektet, og du kan når som helst trekke ditt samtykke uten å oppgi noen grunn. Dersom du trekker deg, vil alle opplysninger om deg, og ditt intervju, bli slettet.

Dersom du har spørsmål til forskningsprosjektet, kan du kontakte Synnøve Nesse (Synnove.Nesse@snf.no). Om du har flere spørsmål kan du også kontakte vårt personvernombud på personvernombud@nhh.no.

På oppdrag fra SFN/NHH har NSD – Norsk senter for forskningsdata AS vurdert at behandlingen av personopplysninger i dette prosjektet er i samsvar med personvernregelverket.

Dine rettigheter

Så lenge du kan identifiseres i datamaterialet, har du rett til:

- innsyn i hvilke personopplysninger som er registrert om deg,
- å få rettet personopplysninger om deg,
- få slettet personopplysninger om deg,
- få utlevert en kopi av dine personopplysninger (dataportabilitet), og
- å sende klage til personvernombudet eller Datatilsynet om behandlingen av dine personopplysninger.

Hva gir oss rett til å behandle personopplysninger om deg?

Vi behandler opplysninger om deg basert på ditt samtykke.

Samtykke til deltakelse i studien

Jeg har mottatt informasjon om studien, og er villig til å delta i intervju

(Signert av informant, dato)

8.3 Additional example quotes (Interview data)

| Overarching category | Second order coding | First order coding | Interview data |
|--------------------------------|---------------------|----------------------------------|--|
| Critical point of impact: CPOI | Phases | Formation | <p>“So, I think that what led us three to end up together was that we had a capacity and had a need ... so we both could have solved it ourselves and we wanted to solve it ourselves”</p> <p>“I think it was an advantage that they left the project, as we became a smaller group. Also, I believe that we who stayed in the project was a more similar group”</p> |
| | | Midpoint | <p>“... then the agreement was in place and the juridical was in place, and we had daily – or weekly – meetings, and the three of us worked very closely together, we talked outside the meetings as well, and greeted each other, and ... so then we actually had great trust in-between ourselves”</p> <p>“... and then the project leader who participated from bank C got exchanged with a new, more business-oriented person ... and we could feel that you cannot have the same trust in that this new person actually understands what was talked about or wanted the same as you, and then it [the level of trust] decreased a bit, but yeah ...</p> |
| | | Endpoint | <p>“[the first phase] And then the last phase, where the project is actually being shaped and delivered. That is the two phases with most discussions”</p> <p>“...the dialogue got so tense after this [after revealing a secret project with another competitor] that nobody believed we would be able to complete a successful project”</p> |
| Paradox | Tensions | Emotional ambivalence | <p>“Yeah, well, we were very curious about how it would work with Bank C all the way”</p> <p>“...they were also thinking ‘oh, are you that type as well’ – meaning, are you also going to stab us in the back ... and it is, it is obvious that everyone was walking around and feeling a bit of ‘we actually want to take some customers from each other’ for a period in the end there ... and that is, and never was, the intention of the project”</p> |
| | | Paradoxical tensions (cognitive) | <p>“Bank A is a very big player in the industry, so they may have felt that their barrier to cooperate with competitors was higher – they have more to lose by cooperating than we have”</p> <p>“... but yeah, I may have felt that they had more to gain from it than we had ... but do not think that was an important cause [for our exit]”</p> |
| | | Negative emotions (fear) | <p>“Then we started to understand that ‘ok, but it has something to do with a third party – someone who is not a bank’, which to them [the banks] is very, very scary ... that non-banks now will be able to show account information”</p> |

| | | | |
|------------|--------------------------------------|---|---|
| | | | <p>“... they have had monopoly on this, so they of course get very afraid that they now will become a hard drive for money – a place where the account balance is saved, but you never go in to look at it”</p> |
| Leadership | Performance (organizational / task) | Functional leadership actions | <p>“...if you share something first, it is easier getting something back”</p> <p>“... [You need to] be precise as to what you want and have the ability to listen and adapt your own opinions based on what the other party wants and to work towards the common goal, and maybe be willing to say ‘ok, it is fine that it will not be exactly how we wanted it’ and agree to do it that way”</p> |
| | | Non-functional leadership actions | <p>“... the participants in the project that didn’t have decision-making authority, had to always go back to their product owners, department managers and development responsible before they could answer us [and make a decision]”</p> <p>“I guess we somewhat overran the others in the beginning. From our perspective we were a bit pushy based on what we wanted from it [the project] and issued an ultimatum to make things happen”</p> |
| | Relational (personal / emotional) | Functional emotional leadership: <i>Building trust</i> | <p>“... and there [at that point] we were really good because we had some in-person contact and some social gatherings on the side, so that we got to know each other as persons as well – which made it a bit easier to just call and not only talk about business [...] so it actually formed a network within the group”</p> <p>“We use very much time in the beginning of our projects to establish the trust and the climate that allows us to discuss what we really should discuss; it is as simple as that”</p> |
| | | Functional emotional leadership: <i>Awareness of paradoxical tensions</i> | <p>“[I] had no strategic relationship to what to say or not – as I said, there were things I did not mention, but that was basically just how it became”</p> <p>“We need an agreement of collaboration as a foundation, that says something about that the parties in the project needs to have something to give – and the information they give, for example account information, that they also can expect to get account information back from the other parties”</p> |
| | | Non-functional emotional leadership | <p>“It was not illegal what we did, but we probably should have played with more open cards”</p> <p>“[...] it was very obvious that they actually had kept things [the competing project] secret for a bit too long”</p> |
| Outcomes | Sustaining cooperative relationships | Sustaining trust | <p>“[...] having that top management commitment made them check in at us more often. They said “hey how are you with this” in our meetings, and it suddenly made it to the weekly agenda. It just made it clear that this is something that the bank really wanted to do internally...”</p> <p>“I think it is crucial that it was not ... the project leader could not have been one of the banks [...] I believe having a neutral third-party as facilitator is crucial, but not that it has to be NCE Finance Innovation”</p> |

| | | | |
|--|------------|--|---|
| | | Non-sustaining cooperative relationships | <p>“We did multiple projects at the same time ... so we did this project with bank D and bank E, and then on the side we had a secret project with [another competing bank]. Or, I don’t know if I should call it secret, but we did not drop the news until a couple of weeks before launch of the project, so you can imagine that there was some mixed response”</p> <p>“The situation [revealing the secret competing project] with the other [non-participating] bank was a bit unpleasant, and we probably could have handled it a bit differently ... maybe flagged it a bit earlier, as it came a bit late and close to launch”</p> |
| | Innovation | Sustaining innovation | <p>“I talked quite a bit with bank D about some challenges we faced during this project ... and it might not be innovation, but we discovered some challenges that we didn’t think about earlier – that basically improved our whole solution and that probably has helped us with other things and creating other solutions”</p> <p>“When that [project] is in place ... that is perhaps the first step, but there are later phases in this project where you can look at other things [such as innovation]”</p> |
| | | Capturing value | <p>“So, that was basically the perspective we had – we had everything to win on going for this opportunity [...] so it was very important for us to be proactive and really go all-in”</p> <p>“It went from being a threat to becoming ‘we at least need to fulfill the requirements’, to becoming ‘we see some opportunities’ [...] meaning, we do see opportunities to create new customer experiences and make better solutions for our customers”</p> |

The term *coopetition* describes a situation where companies cooperate and compete with one another at the same time, typically to achieve innovation. However, the simultaneous pursuit of cooperation and competition between firms create a paradox in the relationship, which in turn has the potential to cause tensions. The field of research about different aspects of coopetition and the paradoxical tensions that could arise is nascent, and particularly the research on how the individual leader can manage these tensions is limited. In particular, this study looks further into the emotional ambivalence leaders may experience when exposed to paradoxical tensions while participating in coopetitive relationships. We seek to explore the research question: *How do leaders manage paradoxical tensions in the different phases of a coopetitive project?*

Our study is a qualitative case study of a coopetition project initiated by the NCE Finance Innovation Cluster in response to the PSD2-regulations imposed by the EU. Drawing upon seven semi-structured interviews, the data analysis reveals leadership behaviors critical for sustaining a coopetitive relationship, particularly in high-tension phases. We first identify three critical tension points and then key emotional-relational and task-performance leadership behaviors that leaders engage in to manage the emotional ambiguity that arises from the paradoxical tensions. Lastly, we examine a possible relationship between leadership and the exploitation of a project's innovation potential.

Even though the Covid-19 pandemic made it impossible to conduct in-person interviews, and the project was ended two years before we collected the data, we were able to establish trusting contacts with informants to gather rich data.

Trough our research we contribute with new insights to how functional leadership can sustain a coopetitive relationship by managing paradoxical tensions in different phases of the project when engaging in a coopetitive interfirm innovation strategy. A practical implication is the importance of leadership in sustaining a coopetitive relationship, not only to foster coopetition success but also for achieving the project's innovation potential.

Keywords: Coopetition; innovation; leadership; interpersonal tensions; paradox

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