The role of headquarters in managing coopetition within MNCs: a tale of two paradoxes

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Abstract

Purpose – The purpose of this paper is to contribute to the discussion on how multinational company (MNC) headquarters (HQs) can manage the existing coopetition paradox to ensure innovation within the MNC. In contrast to the rather scarce previous research, the authors argue that HQ needs to solve the coopetition paradox under the sway of a parenting paradox. Hence, HQ faces a dual paradox.

Design/methodology/approach – Drawing on the literature on HQ's role during MNCs' innovation processes, this conceptual paper revisits the previously suggested HQ measures to enable coopetition among subsidiaries. By applying a sheer ignorance perspective, the authors contribute with a more nuanced understanding of the HQ's role in innovation activities.

Findings – The article identifies four challenges as the HQ faces a parenting paradox that hinders its ability to solve the coopetition paradox: context specificity of subsidiaries' innovation work, normative expectations of subsidiary managers, potential opportunistic behavior of HQ manager and HQ underestimation of needed resources. The article suggests that HQ needs to become more informed and preferably even embedded in the local innovation networks of its most important subsidiaries and that coopetition should not be managed solely on an HQ level.

Originality/value – Advocating a sheer ignorance perspective, the article pioneers in discussing the role that HQ plays in managing coopetition among subsidiaries in innovation activities.

Keywords Innovation, Subsidiary

Paper type Conceptual paper

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1. Introduction

Recent decades have seen an increasing research interest in coopetition – that is, simultaneous cooperation and competition between at least two actors (Bengtsson and Kock, 2000, 2014; Raza-Ullah *et al.*, 2014; Ritala and Hurmelinna-Laukkanen, 2009). Most of these studies have focused on coopetition between firms, while coopetition within firms has attained less attention (Hong and Snell, 2015; Luo, 2005; Tippmann *et al.*, 2018). In this paper, we add to the intrafirm studies by addressing coopetition within multinational companies (MNCs). Previous research on competition and cooperation within MNCs has mainly focused on why competition and cooperation exist in general (Luo, 2005, 2007; Luo *et al.*, 2006), while only a few studies have addressed the question of how these contradictory forces are managed (Lagerström *et al.*, 2021, 2023). We contribute by discussing the complexity related to how headquarters (HQs) manages the simultaneous quest for competitive and cooperative – that is, coopetition – activities across their geographically dispersed subsidiaries.

This complexity is of specific interest when it comes to innovation, a key activity for the competitive advantage of firms (Ciabuschi *et al.*, 2017). As innovation processes are largely context-specific (Andersson *et al.*, 2007; Asakawa, 2001) and increasingly emanate from subsidiaries (Phene and Almeida, 2008; Strutzenberger and Ambos, 2014), HQ is expected to manage a complex system of interdependent subsidiaries in a differentiated network (Ghoshal and Bartlett, 1990). In such a system, subsidiaries involved in their local networks must compete for HQs resources and attention while also cooperating to fulfil overall organizational goals.

By planning and coordinating this interdependent network, HQ sets a context that promotes or inhibits coopetition. Coopetition, which refers to both competition and cooperation between subsidiaries, is necessary to enhance innovation in MNCs (Cerrato, 2006; Gammelgaard, 2009; Luo *et al.*, 2006). However, the contradicting nature of the two mechanisms of competition and cooperation indicates substantial challenges with regard to governance (Lagerström *et al.*, 2023). Hence, managing coopetition means finding a solution to an inherent paradox (Bengtsson and Kock, 2014; Gnyawali and Park, 2011) – the coopetition paradox.

Luo (2005) proposed a variety of measures HQ can take to manage coopetition, such as creating and coordinating a favorable organizational infrastructure and trusting a steering executive committee at the HQ level to foster knowledge sharing among subsidiaries. However, these measures build on the presumed existence of a parenting advantage, suggesting that HQ adds value when involving itself in subsidiary activities (Goold and Campbell, 2002; Poppo, 2003). HQ is also argued to be capable of monitoring the innovation process at the subsidiary level – albeit from a distance – and decisively shaping the innovation process through formal and informal control and coordination mechanisms (Ciabuschi *et al.*, 2012; Luo, 2005). However, Luo (2005) acknowledges that potential challenges exist in relation to managing coopetition among subsidiaries, as HQ might lack crucial knowledge of innovation processes at the local level and may therefore be limited in its ability to contribute to the processes (Ciabuschi *et al.*, 2012). A related aspect adding to the challenges is the lack of ability at HQ to recognize the value of the innovative knowledge for the MNC and then to assimilate and make use of it on a broader scale – that is, the lack of absorptive capacity (Adenfelt and Lagerström, 2006; Cohen and Levinthal, 1990; Schleimer and Pedersen, 2014). However, it has been argued that HQ can overcome these challenges through appropriate organizational forms (Luo, 2005; Goold *et al.*, 1994, 1998) and by drawing on the combinative capabilities at disposal: systems capabilities, coordination capabilities and socialization capabilities (Van den Bosch *et al.*, 1999; Grant, 1996; Kogut and Zander, 1992).

HQ's ability to manage subsidiaries has been further questioned by researchers highlighting that HQ suffers from "sheer ignorance" (Ciabuschi *et al.*, 2012; Ciabuschi *et al.*, 2015; Su *et al.*, 2021). Ciabuschi *et al.* (2012) explain that, within a sheer ignorance perspective, MNCs are understood as distributed knowledge systems where knowledge is context-specific. Cuervo-Cazurra and Narula (2015, p. 7) add that "firms and their managers are not fully rational, and they cannot possibly have full information of all the alternatives." Furthermore, while knowledge is mainly action-oriented, it is also collectively shared in a complicated system that no individual understands in its entirety (Tsoukas, 1996). Consequently, HQ not only has incomplete knowledge but also does not know what it needs to know (Tsoukas, 1996). As noted by Ciabuschi *et al.* (2012), a primary challenge for HQ is not only the lack of knowledge about subsidiaries' innovation processes but also the lack of awareness that it lacks such knowledge. Consequently, the view that HQ has a parenting advantage might need to be reconsidered, with attention given to the observation that HQ's direct involvement in innovation activities at the subsidiary level might even hamper the performance of these processes, resulting in a parenting paradox (Ciabuschi *et al.*, 2017).

In sum, HQ's ability to design an efficient coopetition system that controls and coordinates its subsidiaries to spur innovation within the MNC is rather limited (Barner-Rasmussen *et al.*, 2010; Ciabuschi *et al.*, 2011a, 2011b; Collis *et al.*, 2007; Denrell *et al.*, 2004; Forsgren and Holm, 2010; Goold and Campbell, 2002). Although HQ's involvement is intended to add value, its interventions might also have negative effects. Hence, we put forward that HQ needs to solve the coopetition paradox under the sway of a parenting paradox. Considering these paradoxes, the aim of this conceptual paper is to give a more nuanced view of how HQ can manage coopetition to ensure innovation within the MNC. Accordingly, drawing on the HQ's role during MNC innovation processes, we revisit the previously suggested HQ measures to enable coopetition among subsidiaries applying a sheer ignorance perspective.

We continue with a review of the research on coopetition within MNCs, with a particular focus on innovation activities. Thereafter, we address the prevailing view on how HQ can manage coopetition with the limitations portrayed in a sheer ignorance perspective and present a variety of challenges faced by HQ in the endeavor to drive innovation by designing and managing coopetition among subsidiaries. Finally, we offer suggestions for overcoming these challenges.

2. Coopetition within multinational companies: managing a paradox

The current international business literature puts an MNC's ability to innovate on par with its ability to manage the paradox of coopetition – namely, the simultaneous quest for competitive and cooperative activities across geographically dispersed subsidiaries (Hong and Snell, 2015; Luo, 2005; Tippmann *et al.*, 2018). Such a paradox exists as innovations within most contemporary MNCs originate not only from the parent organization but also, and increasingly, from innovation activities carried out at subsidiaries (Birkinshaw and Hood, 1998; Lagerström *et al.*, 2019; Phene and Almeida, 2008; Reilly *et al.*, 2023) as a result of their close relationships with local external actors – that is, their external embeddedness (Dellestrand, 2011; Ferraris, 2014; Nell and Ambos, 2013).

An additional facet is that subsidiaries also compete with each other for limited resources, mandates and attention from the parent company (Becker-Ritterspach and Dörrenbächer, 2011; Birkinshaw and Morrison, 1995; O'Riordan *et al.*, 2023; Strutzenberger and Ambos, 2014), yet they also need to collaborate with each other to drive innovation and, as a result, achieve collective gains (Luo, 2005; Rabbiosi and Santangelo, 2013). In cases where a subsidiary, either on its own or in collaboration with other subsidiaries, develops new innovative knowledge, it still has to be recognized and acknowledged by HQ to gain favors from HQ such as more resources or extended mandates. This is not a guaranteed outcome, as HQ might decide in favor of another subsidiary (Dörrenbächer and Gammelgaard, 2006; Egelhoff, 2010) for what it perceives to be the overall good of the MNC (Goold *et al.*, 1998; Goold and Campbell, 2002). HQ and subsidiaries may have different views on their roles, importance and identities in the MNC, and thus, their motives and goals with engaging in innovative activities within the MNC might differ (Dörrenbächer and Gammelgaard, 2006). In line with the parenting argument, HQ is more likely to focus on creating common value for the MNC as a whole, whereas subsidiaries are more likely to focus on realizing greater value for themselves (Khanna *et al.*, 1998), even if they also contribute to the MNC and to other subsidiaries (Asmussen *et al.*, 2009; Reilly *et al.*, 2023). Consequently, knowledge creation takes place within both competitive and cooperative relationships (Gammelgaard, 2009; Luo *et al.*, 2006), and a paradox is thus likely to exist regarding not only how to govern innovation activities in MNCs but also how to use the innovation.

Based on the work of Gnyawali *et al.* (2016), three critical dualities exist that explain the difficulties experienced when trying to manage the coopetition paradox in relation to the governance of innovations. First, there may be competing priorities between HQ and subsidiaries on how to use an innovation developed within the MNC's innovation system, as subsidiaries may want to appropriate a greater share for their own self-interests (Lavie, 2007; Ritala and Hurmelinna-Lukkanen, 2009), which risks limiting joint innovation activities. Furthermore, various types of contradictions are likely to emerge when two partners that differ from each other (Gnyawali *et al.*, 2016) and have different motives interact. From an MNC perspective, subsidiaries might engage in innovation collaborations with other subsidiaries (Rabbiosi and Santangelo, 2013) and/or with HQ with the aim of introducing new products from a jointly developed technology, while other subsidiaries and/or HQ may be more interested in licensing the technology to external parties. Hence, differences can exist in their economic interests, underlying strategy and/or understanding of their role in innovation cooperation (Gnyawali and Park, 2011).

Second, subsidiaries might carefully define the depth and breadth of an innovation collaboration in an effort to work closely with HQ or other subsidiaries to create value, but not so closely as to become vulnerable (Ciabuschi *et al.*, 2015). Finding this balance is a delicate task that differs not only from subsidiary to subsidiary but also over time. Thus, it is not uncommon that subsidiaries' innovation ventures stretch the boundaries of their given mandates, and the extension of a subsidiary's role can be identified by the degree to which it cooperates and the degree to which it competes on specific mandates with other subsidiaries (Tippmann *et al.*, 2018), leading subsidiaries to question existing power positions and schemata within the MNC (Strutzenberger and Ambos, 2014). Hence, HQ and subsidiaries are cautious when entering any form of innovation collaboration as are also sister subsidiaries as they compete for resources and mandates (Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005; O'Riordan *et al.*, 2023).

Third, as competition and cooperation interactions are incompatible (Bengtsson and Kock, 2000), subsidiaries might temporally and/or spatially separate between cooperating and competing in innovations based on the outcome of such innovation work. Tippmann *et al.* (2018), for example, argue that subsidiaries apply a competitive frame when emphasizing a desire to gain or win superiority over other MNC units, whereas they apply a cooperative frame emphasizing joint work with other subsidiaries to reach common corporate-level goals or predetermined objectives set for them. Subsidiaries are able to move from one frame to another, although they pass an intermittent assessment of the appropriateness of their current frame, also known as a comparative pivot (Tippmann *et al.*, 2018). Thus, managing coopetition means that HQ needs to be able to manage these frames.

Gnyawali *et al.* (2016) suggest that coopetition is managed more effectively if firms have adequate analytical and executional (i.e. managerial) capabilities. Relating to HQ's ambition to manage coopetition, analytical capabilities refer to its ability to understand how the above-discussed contradictions and dualities impact its relationship with its subsidiaries as well as the relationships among the subsidiaries in the MNC. In other words, HQ's capability to realize that both cooperation and competition are beneficial facilitates the acceptance of dualities (Oliver, 2004).

Moreover, the management of coopetition is complex and tests both HQ's and subsidiaries' capabilities to process information and anticipate future scenarios, as it is associated with strategic novelty and innovativeness (Gnyawali *et al.*, 2016). Previous experience of coopetition has thus been shown to result in abilities to better comprehend the complex interplay between competition and cooperation (Gnyawali *et al.*, 2016), consequently making it easier to manage. In other words, previous experience of coopetition has a positive impact on HQ's ability to productively manage the tension in a coopetition relationship in the MNC, as such experience is instrumental in developing and leveraging appropriate structures and routines to govern these relationships (Lagerström *et al.*, 2021; Gnyawali *et al.*, 2016).

The management of coopetition relationships is also crucial for innovation activities because of the relational resources and advantages that stem from such relationships (Dyer and Singh, 1998). In the MNC literature, a distinction is made between two forms of innovation activities (Luo, 2005). The first is arranged and monitored by HQ and often takes the form of centrally coordinated R&D consortia, technology exchange, equipment relocation, resource redeployment and rotation of engineers. The second consists of innovation activities that are not planned and organized by HQ but, rather, that occur on a voluntary basis between subsidiaries through, for example, resource deployment and technology and knowledge exchange. These collaborative innovation activities take place even though the subsidiaries compete with each other for scarce resources and status (Cerrato, 2006; Hamel, 1991; Raza-Ullah *et al.*, 2014). The resources they compete for range from technology, equipment and key talents to capital, supplies and know-how (Luo, 2005). A subsidiary's ability to attract resources for innovation is both the result of and dependent on its strategic position within the MNC's innovation system (Becker-Ritterspach and Dörrenbächer, 2011), implying that coopetition can be built among geographically dispersed knowledgeable subsidiaries (Luo, 2005; Tsai, 2002), among which the degree of coopetition (i.e. high/low competition and high/low cooperation) is determined by the degree of commonalities among the innovation activities.

HQ can take a variety of measures to enable and encourage coopetition within MNCs as a means to encourage innovation among subsidiaries (Lagerström *et al.*, 2023; Luo, 2005; Tippmann *et al.*, 2018; Tsai, 2002). First, HQ needs to create and effectively coordinate a favorable organizational infrastructure, including information sharing and reward systems, as well as routines for encoding, storing and converting knowledge into a retrievable and sharable form (Grant, 1996; Kogut and Zander, 1996; Madhok, 1996; Tsai, 2002). Van den Bosch *et al.* (1999), for example, demonstrate not only the importance of the organization form for developing knowledge and making it usable by others but also the crucial roles the three types of combinative capabilities play in making it to happen (Kogut and Zander, 1992). The systems capabilities in terms of direction, policies and procedures are likely more important for explicit knowledge, while coordination and socialization capabilities arguably are more important for the innovative knowledge. However, Kogut and Zander (1992, p. 391) point out that "new learning, such as innovations, are products of a firm's combinative capabilities to generate new applications from existing knowledge."

Second, coordination can be managed by an executive committee at the HQ level that meets periodically to plan, coordinate, monitor and appraise both cooperation and competition between subsidiaries (Luo, 2005). The task of such a committee is to create and maintain a climate to foster knowledge sharing, as well as to avoid duplication of innovation activities (Luo, 2005). The HQ committee can use formal mechanisms of coordination (e.g. centralization, formalization and/or specialization) but also – and perhaps preferably, given the complexity of governing innovation activities – more voluntary and personal informal mechanisms, such as interpersonal relations between subsidiary managers (Martinez and Jarillo, 1989; Tsai, 2002). Fostering social interactions across subsidiaries stimulates the formation of common interests and supports the building of new cooperative exchange relationships; thus, it is important for HQ to encourage such relationships, even if they also occur naturally across subsidiaries (Luo, 2005; Tsai and Ghoshal, 1998).

The above-described activities originate from a perspective on the MNC wherein HQ plays a vital role in building and managing a coopetitive innovation system built on the integration of various parts of the MNC. HQ is assumed to have an accurate understanding of the resources and knowledge on which the subsidiaries should compete to innovate and on which they should cooperate (Luo, 2005). Building on Ciabuschi *et al.*'s (2012) discussion of the involvement of HQ in subsidiaries' innovation activities, it can be argued that HQ's management of coopetition enhances legitimacy and provides structure and guidance for subsidiaries' innovation activities, thereby also enhancing the subsidiaries' performance (Poppo, 2003). Numerous researchers acknowledge that HQ creates value and thus has what is termed a parenting advantage (Egelhoff, 2010; Nell and Ambos, 2013), which in turn suggests that HQ can evaluate which subsidiary innovation processes to support (Egelhoff, 2010; Foss, 1997; Luo, 2005) as well as which outcomes of innovation activities to share throughout the MNC (Ciabuschi *et al.*, 2017; Goold *et al.*, 1998) and/or to exploit in a few selected locations (Ambos and Mahnke, 2010; Bouquet *et al.*, 2009). However, this perspective on the role of HQ is not without criticism. There is considerable research advocating a sheer ignorance perspective questioning HQ's ability to create and manage an efficient coopetition system that controls and coordinates its subsidiaries to spur innovation within the MNC (Barner-Rasmussen *et al.*, 2010; Ciabuschi *et al.*, 2011a; Collis *et al.*, 2007; Denrell *et al.*, 2004; Goold and Campbell, 2002). In other words, when managing the coopetition paradox, HQ must do so under the sway of a parenting paradox. Next, we discuss how the parenting paradox – that is, an understanding of HQ's role in the contemporary MNC based on the premise that HQ faces the liabilities of outsidership (Vahlne *et al.*, 2012) and sheer ignorance (Ciabuschi *et al.*, 2012) – influences and hinders HQ's ability to manage coopetition in the MNC to foster innovation at subsidiaries. We highlight various challenges and hinderances but also offer some potential solutions.

3. Managing the coopetition paradox under the sway of the parenting paradox

A first challenge HQ faces when seeking to solve the coopetition paradox lies in the fact that subsidiaries' innovation work is often context-specific due to the subsidiaries' embeddedness in their local networks (Birkinshaw, 1997; Cantwell and Mudambi, 2005 Ciabuschi *et al.*,2014, 2017; Ferraris, 2014). Hence, the very reason coopetition in innovation activities needs to have a well-functioning innovation climate, processes and structures is also the main hinderance experienced by HQ when attempting to organize and manage innovation through coopetition. HQ's lack of knowledge of the subsidiary situation and network (i.e. sheer ignorance) result in a lack of understanding of the appropriate role to play in the innovation activities (Ciabuschi *et al.*, 2012), as well as difficulty ascertaining in which activities subsidiaries should cooperate and over which resources they should compete (Lagerström *et al.*, 2021). In a similar vein, Vahlne *et al.* (2012) highlight that HQ often faces a liability of outsidership in relation to subsidiaries' local networks and, therefore, lacks adequate legitimacy. As a result, it is likely that HQ's attempts to organize and manage coopetitive innovation activities might actually hamper a subsidiary's innovation performance. In other words, HQ's endeavor to influence subsidiaries toward competitive or cooperative behavior runs the risk of becoming dysfunctional and, thus, more likely to destroy than to create value (Barner-Rasmussen *et al.*, 2010; Goold and Campbell, 2002). According to the work of Gnyawali *et al.* (2016), HQ lacks adequate analytical capabilities. More specifically, when HQ lacks knowledge about the innovation activities taking place at subsidiaries in its local networks, it is not capable of understanding the contradictions and dualities that hamper the existence of a coopetitive context.

A potential solution to this problem is for HQ to become embedded in the subsidiaries' network to become more involved in subsidiary matters (Nell and Ambos, 2013). When HQ becomes embedded, or at least selectively locally embedded (Yamin and Forsgren, 2006), by developing its own knowledge through gathering and processing information about important local actors in the subsidiary network, HQ then has the opportunity to add value to subsidiaries' activities (Goold *et al.*, 1994; Nell and Ambos, 2013). Vahlne *et al.* (2012) advocate similar actions to overcome the liability of outsidership. To become embedded in the subsidiaries' local networks, HQ needs to possess managerial capabilities (Gnyawali *et al.*, 2016) and domain expertise (Nell and Ambos, 2013). As an additional – and likely insurmountable – challenge, HQ needs to reach local embeddedness in the networks of all subsidiaries that are part of the innovation activities (Birkinshaw *et al.*, 2001; Goold *et al.*, 1998). Research has thus indicated that such knowledge "is elusive and might be gained only through costly mechanisms," and that "headquarters appear to experience substantial problems when attempting to add value to embedded subsidiaries" (Nell and Ambos, 2013, p. 1099). Furthermore, HQ and subsidiaries might even build overlapping relationships with the same local partners (Nell *et al.*, 2011). Based on these hinderances, it seems naïve to assume that HQ indeed can be capable of building and managing an efficient innovation system based on coopetition without possessing and perhaps even being embedded in the subsidiaries' local networks and thereby overcoming its lack of knowledge, sheer ignorance and liability of outsidership (Vahlne *et al.*, 2012). However, such embeddedness can be assumed to come at a great cost for HQ.

A second challenge HQ faces when trying to organize and manage coopetition is that of subsidiaries' strong normative expectations. As mentioned by Tsoukas (1996), understanding the MNC as a distributed knowledge system implies that subsidiaries have normative expectations associated with the role HQ is expected to play. These expectations thus constitute a demand for HQ to exercise some form of authority, coupled with socialization into the role, which in turn results in subsidiaries expecting HQ to build and manage a coopetitive innovation system. Given the existing hierarchy in the MNC, HQ might perceive strong normative expectations of subsidiaries to act despite its experienced ignorance in the form of a lack of knowledge (Ciabuschi *et al.*, 2011b). These normative expectations might in turn lead to HQ building and managing a coopetitive innovation system despite its lack of relevant knowledge (Ciabuschi *et al.*, 2017). In fact, HQ's attempt to manage coopetition might even be counterproductive if it is based on such false premises in terms of the expertise HQ can contribute to the innovation activities (Ciabuschi *et al.*, 2011a). Gnyawali *et al.* (2016) note that the negative consequences originating from normative expectations from subsidiaries are linked to HQ's lack of ability to comprehend the complex interplay between competition and cooperation. Gnyawali *et al.* (2016) reason that a possible solution to minimize the negative impact of normative expectations is, ironically, to introduce coopetitive behavior to gain the experience needed to develop analytical and managerial capabilities at the HQ and subsidiary level.

A third challenge impeding the development and management of functioning coopetitive innovation activities within an MNC lies in the fact that HQ has its own interests and consequently acts opportunistically (Ciabuschi *et al.*, 2017; Verbeke and Greidanus, 2012). That is, HQ makes decisions that – either consciously or as a result of ignorance – serve its own agenda rather than the greater good of the MNC as a whole (Kostova *et al.*, 2018). Some such decisions might even have a negative impact on the subsidiaries (Hoenen and Kostova, 2015). The existence of opportunistic behavior can obviously obstruct HQ from finding a balance between ensuring competition among subsidiaries and creating a climate for cooperation. Hence, Luo's (2005) suggestion that coordination should be managed by an executive committee at the HQ level might be problematic. Moreover, there is a constant ambivalence and balance present in MNCs related to subsidiary autonomy and HQ control (Andersson *et al.*, 2005; Birkinshaw, 2000; McDonald *et al.*, 2008). Indeed, innovation at subsidiaries, such as the development of new technologies, is often the result of the subsidiary taking initiative (Ambos and Schlegelmilch, 2007; Birkinshaw, 1997). Subsidiary initiatives are thus often important not only for the subsidiary but also for innovation activities in the MNC as a whole (Birkinshaw and Hood, 1998; Cantwell and Mudambi, 2005; Paterson and Brock, 2002). This also means that the subsidiaries stretch their boundaries and mandates and start questioning existing power positions and schemata within the MNC (Strutzenberger and Ambos, 2014). Therefore, HQ experiences ambivalence and challenges when trying to balance its need for control with its efforts to encourage subsidiaries to take initiative as a means to improve the MNC's innovation performance (Ambos and Mahnke, 2010; Andersson *et al.*, 2005; Becker-Ritterspach and Dörrenbächer, 2011). One response from HQ is to become more locally involved and thereby regain impact and control, but that might come at the expense of increased reporting and coordination (Birkinshaw *et al.*, 2007; Ciabuschi *et al.*, 2011a), which in turn might compromise the crucial subsidiary innovativeness in the MNC. Tippmann *et al.* (2018) offers a possible solution for these negative impacts, arguing that subsidiaries might apply different competitive or cooperative frames; for HQ, this means that it must first understand when the various subsidiaries employ a given frame or when they change from one frame to the other, creating a comparative pivot. Hence, HQ needs to possess both analytical capabilities and managerial capabilities to handle the subsidiaries' frames (Gnyawali *et al.*, 2016).

Fourth, due to experienced sheer ignorance, HQ underestimates the resources and time required for innovation activities as well as the risks involved in implementing local innovations and/or overestimating the potential benefits derived from HQ's intervention (Ciabuschi *et al.*, 2017). Again, these risks are likely to make the creation and management of coopetitive innovation activities within the MNC difficult, if not impossible. Vahlne *et al.* (2012) discuss how HQ can overcome the experienced liability of outsidership toward its subsidiaries' local networks, offering potential solutions to avoid false estimations from HQ. For example, for HQ to learn about subsidiaries' activities and local networks, it must interact with key subsidiary actors (Andersson *et al.*, 2002; Mudambi and Navarra, 2004); thus, HQ needs to build a commitment to the subsidiaries. Such commitment building can take the form of HQ investing in subsidiaries' innovation activities and subsidiaries engaging in knowledge transfer or implementing the overall corporate strategy (Boscari *et al.*, 2016; Vahlne *et al.*, 2012). Moreover, HQ functions could be further distributed to the subsidiaries, such as units with special roles for coordination efforts. A deepened engagement and development of closer relationships with a few selected subsidiaries that are particularly engaged in innovative activities might reduce HQ's ignorance toward these subsidiaries, but it still remains in relation to other subsidiaries and their possible use of the innovation (Birkinshaw *et al.*, 2000; Ciabuschi *et al.*, 2017; Dörrenbächer and Gammelgaard, 2006).

4. Conclusion

This conceptual paper aims to contribute to the discussion on how HQ can manage the existing coopetition paradox to ensure innovation within MNCs. Although many innovation activities are planned and monitored by HQ, other innovation activities occur on a more voluntary basis between the subsidiaries and are often the result of interactions in their networks. Knowledge about these activities and networks is vital; however, as highlighted in the paper, HQ suffers from sheer ignorance, which increases the complexity involved in managing the innovation process of coopetition. Hence, the paper has argued that HQ needs to solve the coopetition paradox under the sway of a parenting paradox. Drawing on the literature on MNCs' innovation processes, we revisited the previously suggested measures for HQ to manage coopetition among its subsidiaries with a more nuanced understanding of the role of HQ in innovation activities.

We identified four challenges as HQ faces a parenting paradox that hinders it from solving the coopetition paradox:

(1) context specificity of subsidiaries' innovation work;

(2) normative expectations of subsidiary managers;

(3) potential opportunistic behavior of HQ; and

(4) HQ underestimation of needed resources.

We also discussed potential solutions offered in the previous literature to minimize the effect of the parenting paradox and thus enable HQ to use various measures to develop and manage a coopetitive environment within the MNC (Luo, 2005; Tippmann *et al.*, 2018). Most of these solutions advocate that HQ needs to become more embedded in its subsidiaries' local networks, thereby overcoming the liability of outsidership (Vahlne *et al.*, 2012) and reducing the negative effects of strong normative expectations (Ciabuschi *et al.*, 2017). However, as being involved in various subsidiary networks is extremely costly, HQ needs to be selective in deciding in which innovation activities to participate. To reduce the negative impact on innovation of HQ managers' self-interests, we also suggest that coopetition should not be managed solely at the HQ level. Rather, in line with Tippmann *et al.* (2018), we argue that HQ should facilitate a context conducive to enabling coopetition among its subsidiaries, which can be done through a new configuration of subsidiary roles and potentially a more optimal design of MNC activities.

It is also important for HQ to recognize the implications of subsidiary coopetition for the wider organization (Tippmann *et al.*, 2018). Although HQ largely sets the agenda for competitive and collaborative relationships within the MNC, subsidiaries have their own agendas as well. Hence, given the identified difficulties HQ faces in designing an adequate structure and processes for managing coopetition, there is a risk that those subsidiaries with a coopetition competence will act opportunistically (Tippmann *et al.*, 2018), thereby also increasing the impact of the parenting paradox (Ciabuschi *et al.*, 2017). A vicious cycle might result, which may explain why we have so little empirical evidence of well-functioning coopetition setups in MNC research, even though designing such a solution theoretically should offer a competitive advantage and seems achievable.

To be able to break this vicious cycle, Gnyawali *et al.* (2016) argue that HQ needs to build adequate analytical and managerial capabilities. In other words, HQ needs to understand and even embrace the fact that subsidiaries have different objectives for their involvement in innovation collaboration activities. To acquire necessary knowledge – and also better understand where knowledge is lacking – HQ needs to be an insider in the subsidiaries' local networks. However, to be involved in a large number of networks comes with high costs; thus, we argue that HQ needs to prioritize and focus on those subsidiaries of high importance for innovation while also carefully ascertaining which innovation activities are of importance for more than one or a few subsidiaries. Finally, HQ efforts to lower the negative impact of the parental paradox must constitute a continuous and never-ending process, as only such ongoing experience can give HQ the ability to comprehend the complex interplay between competition and cooperation.

5. Managerial implications and future research

In this conceptual paper, we have contributed to the literature on coopetition management in MNCs by not only highlighting the role of HQ but also applying a sheer ignorance perspective, which we believe is a more realistic view on what can and cannot be managed by HQ in striving to create a coopetitive climate among subsidiaries. Our discussion can help managers better understand the complexities related to the management of coopetition in MNCs, particularly the importance and challenges of being involved in subsidiary networks. However, even though there are large costs associated with being embedded in subsidiary networks, and the results are not always immediately evident from an HQ or a subsidiary perspective, we still recommend that HQ should choose to engage in some collaborations at selected subsidiaries performing innovation activities that are likely to be of value to the MNC as a whole. HQ's involvement in those networks can reduce the problem of sheer ignorance, enable HQ to make more informed decisions and increase the opportunities to manage innovation processes effectively. We believe that HQ managers have much to learn from re-thinking and re-evaluating their role in relation to the design and management of coopetition for innovation activities in MNCs.

As our arguments are purely conceptual due to the lack of available empirical data, we urge future researchers to add rich empirical cases and evidence from a variety of MNCs that aim to use the benefits of coopetition among their subsidiaries to foster innovation. Such evidence should preferably come from MNCs with differing organizational design solutions and in different international settings. It is also important to capture both HQ and subsidiary perspectives; hence, we recommend that, in addition to interviews with HQ, subsidiaries of high importance for innovation activities in the MNC should be interviewed. It will be of particular interest to identify how these innovation processes develop and to what extent they are influenced by HQ, other subsidiaries and relationships in the subsidiary's local network.

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