

Open Strategy: The Inclusion of Crowds in Making Strategies

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More participation everywhere ✕ Technological innovations of the 21st century have enabled a major trend: participation. Social media and real-time communication technologies have created the basis for broad interaction of diverse people from all over the world. Consumers not only consume, but co-communicate, comment, and co-develop eagerly. Citizens no longer wait for governments to shape their environments but start their own petitions and initiatives. Organizations have begun to use this trend to advantage by harnessing the power of crowds. While innovation contests or joint brand communication have become popular, the inclusion of crowds in the strategy process is less common. Examples of Open Strategy show that companies have begun to apply a variety of practices to engage a broad spectrum of actors. Some recent implementations include blogging, wikis, jams, ideation contests, and community platforms or prediction markets. This multitude of practices reflects the range of potential methods of inclusion.

Why companies open their strategy-making to crowds ✕ Organizations have different objectives for including a wider range of participants in strategy development. According to our research, the most common goal is to generate novel and unconventional ideas for a company's strategic direction. In some cases, managers believe that people not connected to the company, with mindsets free from a dominant corporate culture can increase the likelihood of finding groundbreaking

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Inviting employees to participate on a larger scale can improve the implementation of a strategy. ←



technical or social solutions. Other companies want to pool knowledge and tap into the wisdom of crowds to improve decision-making within an existing strategy. They aim to gain access to collective intelligence because under certain conditions, large groups can be more effective at problem-solving than individual experts. An approach commonly used when improved implementation is the objective, is to increase internal participation by inviting a broader scope of employees to share in decision-making. Many strategic initiatives fail because implementors do not “own” the strategy. Improved

buy-in, shared understanding, stronger commitment, and a more effective implementation can be achieved when those who must implement a strategy are involved in the process of developing it. For these reasons, it has been found effective to include internal implementers in a crowd project. In other cases, organizations claim that including a broader set of stakeholders increases external acceptance because it makes the strategy formation process more transparent and comprehensible to the general public.

FIGURE 1 > Why companies open their strategy-making

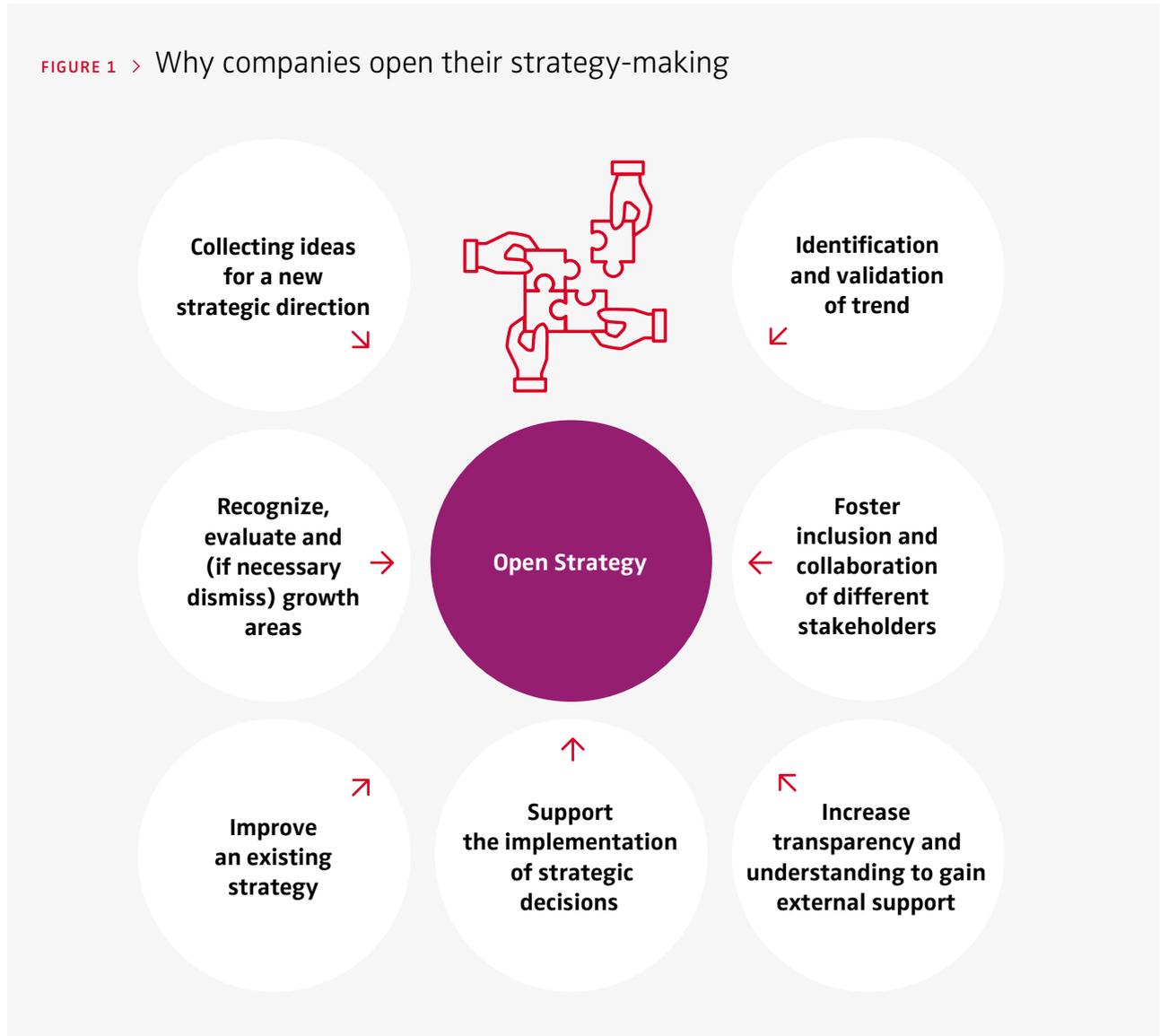
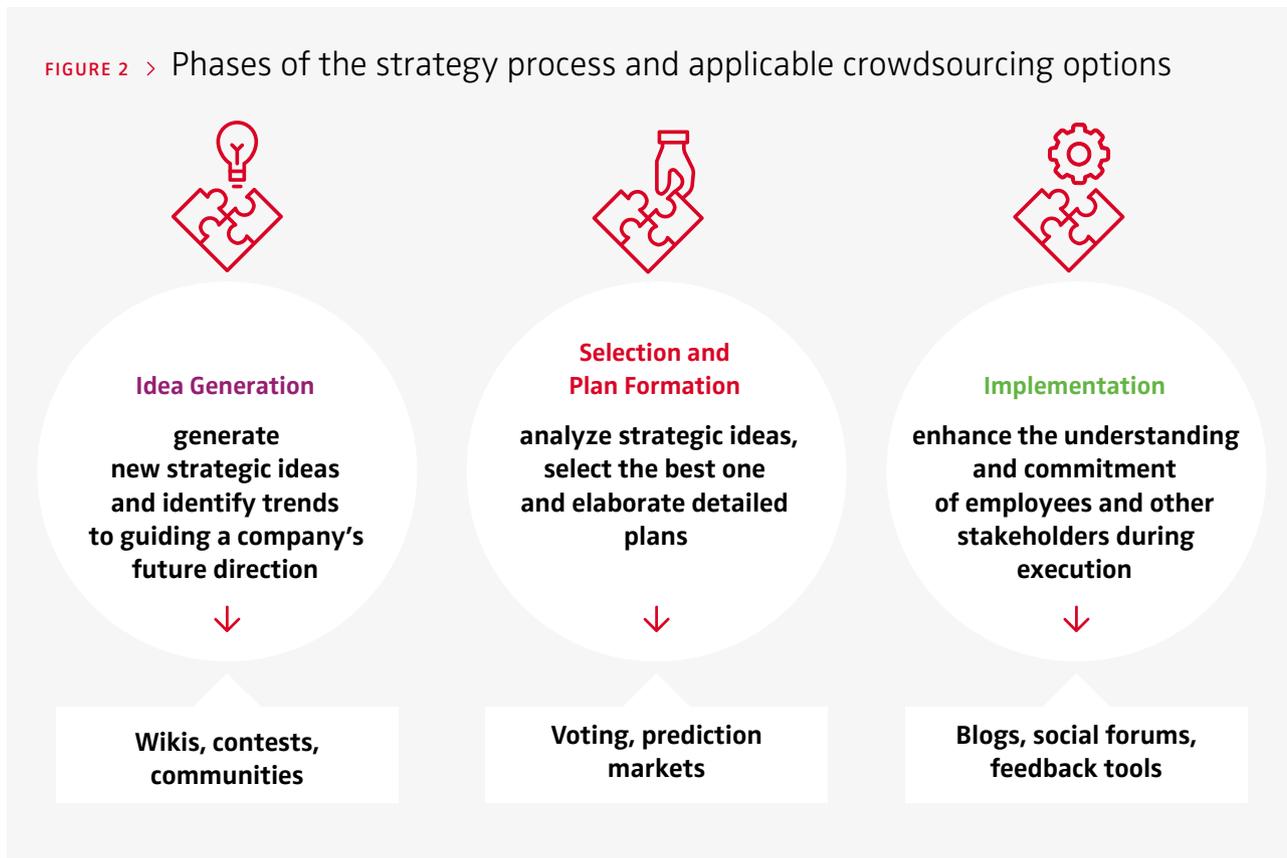


FIGURE 2 > Phases of the strategy process and applicable crowdsourcing options



Different forms of inclusion ✕ The choice of inclusion practices applied depends not only on the objectives and on the phases of the strategy process to be opened, but also on who will be involved. Figure 2 shows the different phases of the strategy process, and which crowdsourcing tools could be useful. Based on their decisions about phases and options, companies can select the stakeholders to involve and how broad the base of participants should be. They must decide whether to keep crowdsourcing within corporate boundaries using employees only or seek external talent and skills. For open strategy work, internal audiences are more relevant than for other crowd applications, since outsiders may have little insight into strategy, whereas employees have a vested interest.

> **Wikis, contests and communities** ✕ Many companies open the idea generation phase of the strategy process to both external and internal inclusion. The New Zealand organization responsible for sustainable land use in the country, Land Care Research, collected ideas via a crowd-

sourcing initiative integrated into an online contest platform. Wikimedia, the non-profit umbrella organization behind Wikipedia, launched a special wiki dedicated to the organization's future strategy and invited everybody interested to contribute. Over 1,000 individuals made nearly 900 proposals for the company's future direction, then categorized, rationalized, and elaborated on them. This open" strategy process resulted in a coherent strategic plan detailing a set of beliefs and priorities. The industrial manufacturer Siemens also enabled its employees to participate in strategy formation and idea generation by providing ideas and suggestions in an online crowdsourcing initiative via a community platform. Internal community platforms not only allow a large number of individuals to submit ideas, but their additional community functionality also enables participants to discuss and comment on them. They are tools to provide insights, to communicate, interact, and build social relationships, fostering a shared sense of community and increased collective commitment to support implementation.



- > **Voting, evaluation mechanisms and prediction markets** ✕ Organizations may embed voting and evaluation mechanisms into their idea crowdsourcing platforms to facilitate the evaluation and selection of strategic ideas. Other companies establish prediction markets, which typically foster the inclusion of internal actors only. As an example, the software developer Rite-Solutions launched a tool for decision support that allowed employees to invest in a virtual idea market. Ideas with a given level of support are selected for implementation. Prediction platforms allow organizations to use market mechanisms to efficiently aggregate their employees' individual predictions and forecasts. They can be used for decisions on strategic moves, pricing, competitors, sales markets, and new product introductions. Compared to traditional methods like surveys, these prediction markets can provide greater accuracy in less time with a lower number of required participants. In addition to traditional prediction markets, social technology-based prediction platforms also enable gathering qualitative comments from participants, who can explain and share additional insights on their decisions.

- > **Blogs, social forums and feedback tools** ✕ In order to make the strategy process more transparent and to increase understanding and commitment, many organizations use a corporate blog or an open social forum, where employees can discuss specific topics or comment on ideas or projects. Buffer, a social media management software company lives up to its value of "default to transparency" through a transparency dashboard. Additionally, management discusses strategic moves on corporate blogs and allows their external community to submit comments and

suggestions. Other online feedback tools collect feedback on the organization's strategic direction from internal volunteers. Unilever, for instance, set up and integrated a social collaboration tool to livestream and digitally open the company's two-day Change Leader Conference, where 400 senior managers met face-to-face to share and discuss strategy. The project required heavy resource investment to create and curate content during the event, but it made a positive impression of openness and transparency, helping employees feel involved. It was well received, and employees felt that the technology provided real time information and considered it a major step in democratizing the company. In terms of external inclusion, GitLab, an open source software initiative, relies on a Google Doc entailing a draft strategic plan, which allows participants to constantly review strategic ideas.

Opening up strategy work: No gains without risk ✕ Openness of strategy developments has benefits, but increased inclusiveness can also incur additional costs or inefficiencies.

- > **Beware of unintended consequences** ✕ The crowd involved may come up with controversial ideas or solutions, leading to unpredictable issues; employees might take sides in debates and identify with those controversial issues. A badly managed project can cause disputes that persist over time or lead to polarized, incompatible groups. Processes and sentiments must be monitored constantly to take timely action when members become alienated rather than join in creating shared understanding, buy-in, and improved implementation.



Contributions should not disappear into a black hole or have restricted visibility. Any contribution needs to be recognized and rewarded.



> **Acknowledge value contributions** ✕ The success of a crowdsourcing strategy depends upon the willingness of individuals to share and contribute knowledge. To make an open strategy a success, companies must regard engagement with contributors as a long-term reciprocal relationship and ensure that expectations are met. Open, transparent and proactive communication, clearly stated objectives, as well as terms and conditions of the initiative are essential to avoid frustration and disappointment. Participants should be informed of the status and value of their contributions at every stage of the process. Contributions should not disappear into a black hole or have restricted visibility. Any contribution needs to be recognized and rewarded, e.g. through praising contributors in company-wide communication channels, meetings with top management, repeat assignments to projects, career advancements, or future joint projects with external participants.

> **Make sure that targeted crowds have the required skills and time for participation** ✕ A reliance on social technologies for inclusive practices also requires that individuals involved have the skills necessary to participate. Users might be more familiar with crowdsourcing platforms from their private lives than with the use of specialized voting systems or prediction markets. The use of well-known technologies might therefore decrease the risks of implementing complex tools or the additional costs of participant training. However, for selection and evaluation processes, and especially for prediction markets, organizations will need to rely on specialized technologies. Further, just providing technology won't be enough. Managers must create a suitable process to encourage and guide employees in their participation.

The potential gains from crowdsourcing strategy can be significant, but benefits are accompanied by risks. The inclusion of larger audiences increases complexity, and involving employees makes it more difficult for managers to maintain control. Projects must be well-conceived, well-planned and well-funded. Nevertheless, organizations need to remain flexible, learn from experience and be ready to adjust tools and activities when necessary. ✕



FURTHER READING

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