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Reflections on open strategy

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As the process of strategy-making in companies becomes more inclusive and transparent, new theoretical perspectives are needed to make sense of these changes. In this short paper, I put forward a simple framework covering four aspects of the Open Strategy phenomenon – commons-based production, crowd-based inputs to decision making, collective buy-in and action, and collective sense-making in the capital markets. I describe each of these in turn, using examples from the papers in this special issue of LRP.

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Introduction

Research on the process of strategy-making has often acknowledged the role of multiple actors at different levels in the firm, and the value of sharing information widely as a means of gaining buy-in and alignment (Bower, 1970; Burgelman, 1983; Hodgkinson et al., 2006; Kellermanns et al., 2005; Pettigrew, 1992; Wooldridge and Floyd, 1990). However, as this special issue of LRP shows, the level of openness in strategy-making has increased markedly in recent years. Two important dimensions of openness, as Whittington et al. (2011) observed, are the level of inclusiveness (who is involved) and the transparency of the process (how much information is shared). But there are also questions about how much openness extends beyond the traditional boundaries of the firm; the extent to which openness enables value creation *and* value capture; and how sustainable Open Strategy programs are over time.

In short, these emerging changes in practice cause us to revisit a number of the basic themes that strategy researchers have studied for a long time. In this short paper, I offer some reflections on this exciting new area for research, building on insights gained from my own research and consulting work, as well as my reading of the eight papers in this volume.

Framework – aspects of openness

The easiest way to define Open Strategy is in terms of what it is not. The traditional model of strategy-making was elitist and secretive: a small number of executives at the top of the firm (plus their advisors) were involved in the formulation process, and information about key decisions was shared on a need-to-know basis. In truth, this traditional model is a caricature that few firms entirely lived up to, but it provides a useful anchor to our understanding of the ways in which strategy-making is changing, namely towards giving employees and outsiders more involvement in the process and more information about what is decided.

The framework (Figure 1) suggests four aspects of the Open Strategy phenomenon. The first is what Benkler and Nissenbaum (2006) call *commons-based peer production*, where people come together voluntarily to create “information, knowledge or cultural goods.” The most well-known examples are Wikipedia and open-source software products such as Linux, Firefox and Apache, created by large numbers of independent individuals working together “without relying on either market pricing or managerial hierarchies to coordinate their common enterprise” (2006: 394).

The idea that people in a social community might work together to create something of value has been around forever, but the Internet makes such collaboration vastly more efficient. A large body of research has now emerged examining the effectiveness of the products created in this way, the mechanisms used to enable collaboration, and the motivations of individual contributors (e.g. Dahlander and Gann, 2010; Hippel and Krogh, 2003; Shah, 2006).

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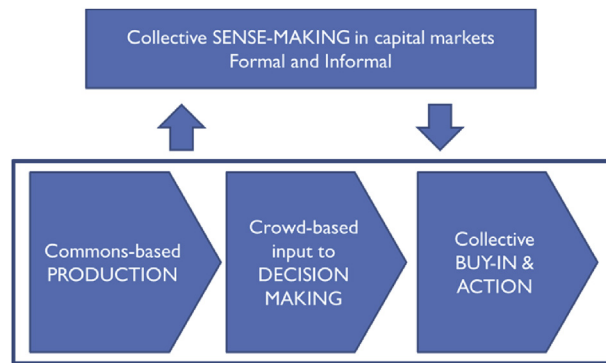


Figure 1. Open strategy framework.

Of the papers in this special issue, only Appleyard and Chesbrough (2017) examine commons-based peer production directly – they refer to it as the “content” branch of Open Strategy, as distinct from the “process” branch that I discuss below as crowd-based decision making and collective buy-in and action. Appleyard and Chesbrough (2017) shed light on the dynamics of commons-based production over time, noting that some open platforms (e.g. Google’s Android operating system) become more closed, while other platforms evolve in the other direction from closed to open (e.g. Sun’s Java community). They show how these shifts are driven by a mix of internal factors (i.e. whether the firm has the necessary capabilities in-house) and external factors (i.e. the competitive threats and opportunities in the marketplace).

The second aspect of Open Strategy-making is what I call *crowd-based input to decision making*. Here, the ‘crowd’ is a large number of individuals (employees of the focal firm and/or a community of external stakeholders) who provide their insights and views to a process that is controlled by the firm. Sometimes this process is about generating new ideas, sometimes it is about building on or evaluating existing ideas and options. In comparison to commons-based production, the level of input and commitment from individuals is significantly lower.¹ There are many examples of such schemes in the popular business press (e.g. Howe, 2008; Surowiecki, 2005) and there is now a sizable academic literature in this area as well (e.g. Boudreau et al., 2011; Enkel et al., 2009; King and Lakhani, 2013; Reitzig and Sorenson, 2013).

Most of the papers in this special issue are concerned with aspects of crowd-based inputs to decision making. Luedicke et al., 2017 describe the fascinating case of the German Premium Cola collective, which encourages its large community of stakeholders to get involved in shaping the strategy and decision-making process that is run by its central organiser ‘Ulrich’ and a small core team. Malhotra, Majchrzak and Niemiec (2017) document an Open Strategy formulation process put in place by New Zealand’s Land Care Research, to get public input into pest control and eradication. Hutter, Nketia and Füller (2017) describe an internal process in Siemens for creating and validating new sustainable business opportunities. Baptista, Wilson, Galliers and Bynghall (2017) examine a variety of companies, including Virgin, HSBC and Philips, that use social media to get external input into their strategic activities.

These papers highlight some of the important challenges in managing crowd-based input to decision-making. Firms need to give careful thought to how the process is structured to avoid endless wrangling and self-promoting behaviour (Malhotra et al., 2017), and it is important to encourage people to contribute in multiple ways, not just by offering a few ideas, if the scheme is to create a ‘sense of community’ (Hutter et al., 2017). And for such schemes to have a lasting impact, those at the centre have to develop new capabilities – they have to become adept at incorporating inputs from the ‘crowd’ into their decision making while still maintaining some level of coherence and decisiveness (Baptista et al., 2017; Luedicke et al., 2017).

The third aspect of Open Strategy is generating *collective buy-in and action* in line with a chosen course of action. In other words, rather than asking people to contribute their time, ideas or judgement in *formulating* strategy, this is about getting them to shift their attitudes and/or behaviour to *implement* a chosen way forward. Of course, effective strategy implementation has always been about getting large numbers of people to understand and buy into a course of action (Kellermanns et al., 2005). One thing that has changed, perhaps, is the notion that getting people more involved earlier on in the process will increase the overall level of buy-in and commitment. For example, the software company Red Hat has become well-known for opening up its strategy process to large numbers of employees (and external stakeholders), and the CEO, Jim Whitehurst has noted that the process is slower but leads to “better decisions, better engagement and better execution” (Whitehurst, 2015). A second important feature of collective buy-in and action is the role of technology, and social media in particular, in changing behaviour. In a very different context, the mass demonstrations during the Arab Spring were orchestrated in part through Twitter and Facebook. Tools such as Slack and Yammer are increasingly used by firms to improve buy-in and alignment among employees.

¹ There are of course some activities that straddle the boundary between commons-based production and crowd-based input. For example, in some idea tournaments or ‘jams’ people are asked to come up with ideas and then, if successful, they are invited to develop them further with colleagues to create a product or service. Such cases would therefore transition from ‘input’ to ‘production’ in Figure 1.

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