



Strategy & Execution



A User's Guide to Open Strategy

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In 2014, topcoder.com, a platform for crowdsourcing digital talent on a project basis, asked for technical advice on how to glean useful data from bison photography. Participant were asked to develop an algorithm to use structured and unstructured data such as time stamp or GPS from photos posted online to develop procedures that helped to pin-point the migration patterns of bison herds.

Although this looked like a contest set up by conservationists, it was actually a ploy by the U.S. Intelligence Community (IC) to tap the wisdom of the crowd to help with a very different kind of problem: tracking Russian military personnel operating in the contested territory of Crimea, as well as the everyday movements of hostile military vehicles across borders.

If the IC had posed a challenge to coders directly, they would have attracted unwanted attention. Russian spies might have sabotaged the contest, for instance, by filing submission after submission with smart-looking but useless algorithms. Or they might have tried to file the winning algorithm, and then used their inside knowledge to adjust their movements on the ground to avoid being tracked. By framing their challenge as an exercise in nature conservation, the IC could get the knowledge it needed undetected.

The IC experience clearly demonstrates that organizations can use open methods to leverage diverse perspectives from a large number of participants from both inside and outside their organizations for very specific questions of strategic relevance, while retaining partial or even total secrecy. But open methods can also be applied at a more general and strategic level – and we have developed a framework for doing just that. By using the framework, strategy-makers can benefit from outside perspectives while maintaining appropriate levels of secrecy.

Identify where you are in your strategy-making

A simple insight sits at the heart of our framework: strategy is developed in three distinct phases, each of them requiring a different solution to get the balance between openness and secrecy right. Depending on whether a company wants to open up in order to determine the direction it wants to take (idea generation phase), work out the exact details of their strategy (formulation phase), or mobilize staff around its

strategy (execution phase), its strategy-making will involve different numbers and types of people, and requires different amounts and type of data.

Idea Generation

In general, companies benefit most from including a large crowd of very diverse external participants in the first stages of strategy-making. Partly because this offers new thinking but even more importantly as it legitimizes a new idea, thereby helping executives to unite around a particular direction. Happily, participants during idea generation don't need very much company-specific information to get the ideas flowing, making secrecy easiest to maintain during this phase.

The U.S. Navy for example set up a multiplayer online game to develop ideas for a new aviation strategy. Six hundred participants — including industry partners, academics, and others not part of the Navy — posted and voted on over 5,000 ideas.

The Navy relied on four crucial elements to exert considerable control. First, they previously experimented with openness in a limited, low-risk way, e.g., in a game asking how to respond to the Somali piracy issue. This helped them to understand how open strategy worked and to build a robust, leak-proof system. Second, they could rely on a culture of confidentiality — which every organization must build in the age of social media — to enforce secrecy. Third, they sought legal counsel to ensure that no issues will emerge on this front. And fourth, they were aware that in order to generate new ideas it was not necessary to share what they had already done and what they are planning to do in future.

After the exercise they distributed a report that identified 127 ideas. This satisfied the curiosity of participants without telling what the Navy would actually do next.

Formulation

During the second phase (strategy formulation), openness requires you to release a substantial amount of information to get meaningful and valuable outcomes. As a result, most companies will want to involve primarily their own staff or select a smaller group of people from outside the organization who sign non-disclosure agreements (NDAs). They are hand-picked. In our own experience it is most beneficial to match equal numbers of employees and outsiders.

The European axle systems and brake technologies company [BWP](#) illustrates how this can be done. The €1.5 billion business knew that digitalization presents a considerable challenge. Previous attempts to create digital businesses had produced subpar results. It was less of a technology issue than an inability to part with old mental models. When the company came up with a new technology that would enable lorry drivers to continuously monitor the forces on a freight-securing belt (a big market considering annual insurance claims of €1.2 billion for damaged freight in Germany), it opted for an open strategy approach.

As details of the technology needed to be shared, they used a workshop model that included a diverse but selected set of internal and external participants. Over the course of three days several competing business models were generated and refined across rounds of judging, ending with a final presentation for senior leaders. Initial customer responses to early trials of the new product — named i.Gurt — have been highly positive. Armed with a business model significantly different from the one driving BWP's core business, the company is expecting a return on its investments in fewer than three years.

Execution

During the third phase of strategy-making companies have to share company-specific knowledge in order to glean the main benefits, understanding of the strategy and buy-in from those who implement it.

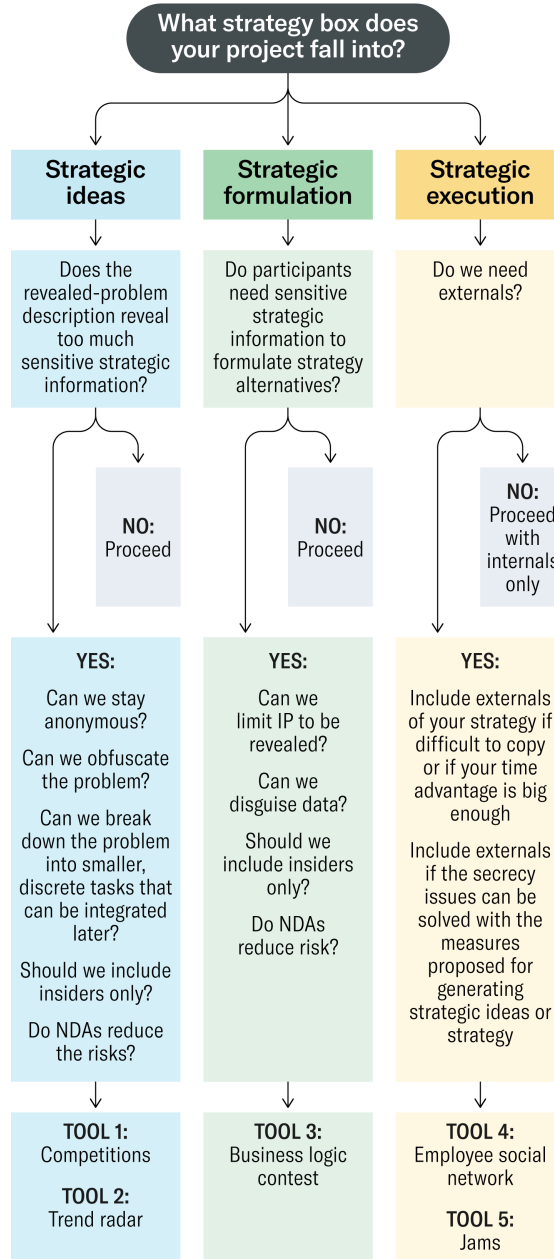
This sharing makes secrecy difficult. Fortunately, the benefits of openness here far outweigh the dangers. Although competitors might learn your plans, they are at this stage committed to their own. Secrecy is also less of an issue as the main participants here should be employees and business partners rather than outsiders.

Telefónica has used an internal social network tool to mobilize its workforce around strategic initiatives for several years. Scaling the use of this tool gradually, allowed them to find an appropriate way to share the right amount of information. Secrecy has actually never been too much of a concern, as the main goal has always been to make strategy actionable.

The top management team first used social media to discuss strategy with 1,300 senior leaders prior to the bi-annual strategy days in 2013. This helped to de-mystify the event and give a larger group a voice. A couple of years later all 125,000 employees were invited to join and today strategy discussions are ongoing with on average 42,000 interactions every day. Mobilization and the ability to fine-tune has become part of the company's fabric. The real competitive advantage stems not from a few highly guarded ideas but the permanent calibration in the operational front-line.

The Open Strategy Decision Tree

This decision tree helps you identify whether and how best to open up your company's strategy-making process to outside participants.



Choose the right tools for engaging with outside participants

As shown in “The Open Strategy Decision Tree” graphic above, we’ve developed a framework to help managers determine for each of the three phases of strategy (1) whether participants should come exclusively from inside the company or should also include externals and (2) whether they should recruit large groups of randomly selected or self-selecting people or target small numbers of hand-picked individuals. In each case, we identify the appropriate open strategy mechanisms for engaging with external participants, which include:

Competitions

Online contests typically prove most productive for companies when the strategic challenges are complex or novel, when established best-practice approaches don’t exist, and when companies don’t know which precise combinations of skills or areas of expertise are required to succeed. As the amount of information you have to divulge in the ideation phase is limited, it is best to opt for a large crowd. This increases the chances of spotting anomalies and lends legitimacy to new ideas, facilitating collective decision making. To keep up engagement it makes sense to gamify the contest as the Navy did when participants received votes and comments as a form of micro-incentives. The analytical capabilities of many of these platforms will help you to identify trends as well as anomalies.

Trend radar

Drawing on the wisdom of the crowd, the Trend Radar process allows you to derive a shared understanding of emerging developments. It’s particularly useful if you are looking for new ideas which require you to share some sensitive insider-knowledge, as the tool has been designed with the intention to achieve maximum diversity with relatively low numbers of selected participants. For example, we worked with a large industrial company, who brought together 94 of its employees with 95

participants from 12 organizations. They developed 159 hypotheses about the future, asking a larger crowd to vote on them before grouping them into larger trends. These were not necessarily new, but as a senior executive explained, that was never the goal anyway. The real value was to create a shared understanding of the challenges these trends pose, and agreement on what to do next.

Business Logic Contest

When making strategic decisions, leaders typically focus on where to compete (which industries and markets), pushing off consideration of competences, resources, and value chains they'll need to the implementation phase. The Business Logic Contest helps leaders to think about the “what” and “how” of strategy together — to explicitly integrate the customer interface related to value creation with value capture and its associated process. This ensures that a company collectively engages in developing a unique proposition that works coherently for them. As described in the BPW example above, a workshop type model brings together a relatively small but diverse set of people preventing leakage of proprietary information.

Employee Social Network

To mobilize the workforce, large crowds need to be involved. Internal social networks can be used effectively here as the Telefónica example demonstrated. A number of simple actions help to create momentum: Emphasize the social element, establish clear rules to reduce inappropriate behavior, communicate what exactly will happen with contributions, and most importantly, have strong moderators. Leaders also have to take a personal interest. When they reference comments, employee participation, acceptance and satisfaction rise substantially.

Jams

Remember that famous Peter Drucker slogan, “Culture eats strategy for breakfast”? Strategy only has a chance, Drucker pointedly suggests, if

people actively buy-in and champion it. An online event called a strategy jam helps ensure that they do, providing an opportunity for large groups of people to engage in moderated strategy discussions. Barclays' UK retail arm, for example used the approach in 2012, knowing that banking would become more digital. Involving the unit's 30,000 employees in a jam meant that they could all understand what the shift could mean for them. But even though jams are primarily used to mobilize, it can have effects on the detailed direction: shortly after the jam, Barclays launched its first mobile app which today is one of the UK's most successful fintech products.

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When confronted with the risks of open strategy it is easy for executives to hold back. As the wisdom of the crowd changes engagement with customers, innovation, and many other corporate domains, it's becoming clear how much companies can gain. With the process we've outlined, executives no longer have to be afraid to open up the C-suite.

Editor's note: The headline of this piece was updated to better reflect its subject matter.



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