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Open Strategy

Mastering Disruption from Outside the C-Suite

Christian Stadler, Kurt Matzler, Stephan Friedrich von den Eichen,
Gary Hamel and Julia Hautz • MIT Press © 2021 • 296 pages

Management / Disruption
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Take-Aways

- “The wisdom of the crowds” matches or exceeds that of experts.
- Disruption, unprecedented competition and complexity render traditional strategic planning obsolete.
- Strategy involves asking, and answering, some key questions: “Where are you now? Where are you going? How will you get there?”
- Before embracing open strategy, assess your readiness.
- Prepare your organization for open strategy.
- Proactively engage in and encourage open strategy.
- Disrupt yourself before others disrupt you.

Recommendation

Professors Christian Stadler, Julia Hautz, Kurt Matzler and Stephan Friedrich von den Eichen describe the proven, centuries-old practice of open idea sourcing, involving diverse groups of insiders and outsiders. They fortify their fascinating examples and evidence with step-by-step frameworks and tools for crowdsourcing, strategy jams, contests and competitions – all designed to garner wide perspectives and diverse thought in service of innovation.

Summary

“The wisdom of the crowds” matches or exceeds that of experts.

Until the early 1700s, sailors had great difficulty calculating longitude. Resultant navigational errors led to the loss of many ships until the British government devised an open contest to solve the problem. Sir Isaac Newton joined those seeking a solution to determining latitude, but a clockmaker with no formal education won the prize.

“Open strategy is more vital than ever – but, thanks to executive hubris, still all too rare.”

Wise organizations and governments use similar crowdsourcing techniques today to generate ideas, solve problems and devise strategy.

Disruption, unprecedented competition and complexity render traditional strategic planning obsolete.

Attempts to develop, communicate and successfully execute a business strategy produced by a closeted team of senior executives often seem predestined to fail. Any small group seldom overcomes its biases and blind spots. The participants prove too similar in outlook and too accepting of each other's ideas to create novel ideas, solutions or strategies. And they may protect cash cows and pet projects at the expense of innovation.

“As a company grows and prospers, leaders shift from playing offense to defense. Billion-dollar R&D and marketing budgets start to substitute for creativity. Once novel strategies fossilize into unthinking habits, and the spirit of dissent withers.”

A small leadership team can't recognize all facets of a business, industry or rapidly changing landscape, nor ever-shifting customer preferences. Top-down strategy requires the conversion of big goals into smaller, specific, executable targets. Few executive-driven strategies provide a sufficient level of detail for that breakdown.

In its heyday, Nokia used an open approach to determine strategy. By turning to employees, Nokia unleashed the collective knowledge, insights and intelligence of thousands of minds. This approach uncovered details invisible to executives. It generated strategy, ready for execution, that had the enthusiastic support of the workforce who helped create it. Nokia's crowdsourced strategy vaulted it to the top of its industry. Then, leadership slid back to its old ways, and Apple and Google soon crushed Nokia.

Strategy involves asking, and answering, some key questions: “Where are you now? Where are you going? How will you get there?”

Generally, you arrive at the best answers by asking the greatest number of people. Executives must reject the notion that their eminence endows them with superhuman intelligence and foresight. They must accept that only with diverse perspectives from employees and outsiders can a modern firm see around corners, anticipate disruption, discover the broadest range of opportunities and vet strategy before committing to it.

Barclays Bank, for example, leverages the ideas and thoughts of its 30,000 employees through online “strategy jams” powered by a social networking and analytics platform. Barclays employees borrowed ideas from Domino’s Pizza – whose app informs you of each step in the process of making and delivering your pizza – to build something similar for mortgage applicants going through the approval process. More than nine million people have used the app. By discovering and embracing digital solutions, Barclays plays offense against digital disruption from fintech start-ups. It ensures that everyone in the firm knows the strategy, feels ownership and can implement it from day one.

Open strategy firms leverage employees, customers, experts and members of the public to contribute diverse thought and experience. Wise firms lean toward transparency, but in cases where confidentiality matters, NDAs – or restricting open strategy to groups of employees – alleviate privacy concerns.

When Canadian mining company Goldcorp ran into a brick wall in its prospecting, for example, leaders shared the company’s entire data set online with the general public. It offered a reward for anyone whose advice led to new gold finds. Fully 1,400 people participated, identifying 110 sites to drill, which generated eight million ounces of gold!

“Open up. It’s much easier to master disruptions to your business when you’re forging strategy in concert with others who view the world through a different lens than you do.”

Contrast Goldcorp’s approach with Jeff Immelt’s at GE. Immelt took a once-thriving, dominant firm, and, by restricting big strategic decisions to the C-suite, made an unbroken series of disastrous moves. As many as 90% of corporate strategies that executives craft fail. When executives discuss strategy behind closed doors, they invariably continue convention. Yet competitive advantage demands difference. By ignoring outside perspectives, leaders run right into their blind spots.

Many a business disaster has its roots in organizational divisions and internal competition. When your teams compete, they don’t share information. Open strategy mines ideas from the heart of the firm and brings your workforce together. By including employees, customers and outsiders, open strategy avoids the trap of benchmarking against the usual suspects, which contributes to stagnant thought.

Before embracing open strategy, assess your readiness.

Executives who appreciate the improvisation of jazz will likely embrace the ambiguity of open strategy. Those who seek to implement a good idea – versus finding reasons why it might not work – may possess the necessary open-mindedness. Executives who encourage chance encounters that invite serendipity will,

likewise, appreciate open strategy. Leaders who seek partnerships, welcome disruption and believe people can learn and grow will thrive with open strategy.

“If you’re a Miles Davis–style experimenter with a growth mind-set who says ‘Yes, and,’ collaborates, welcomes diverse ideas, is open to serendipity, and encourages radical change, you’re primed to transform and mobilize your company with open strategy.”

Consider these questions: When you have a problem, do you immediately start trying to solve it, or do you think about the people with whom you should solve the issue? Do you jump straight to answers to hard questions, or do you wait for others to weigh in before drawing conclusions? Do you hoard or share information? Do you prefer to feel you’re in control of situations, or are you comfortable with uncertainty?

Affirmative answers to the second parts of these and similar questions suggest readiness. If you don’t feel ready, build openness by engaging with your employees; by reading more and discussing new ideas with diverse colleagues; by shuffling board members to gain greater diversity; and by encouraging collaboration throughout your firm.

Prepare your organization for open strategy.

Consider the current level of autonomy, collaboration, inclusiveness and psychological safety within your organization. Open your strategy discussions as widely as practical, without risking chaos. Let employees know that leadership will still meet to discuss strategy and retains the final say, but offer openness and involvement. Where possible, include outsiders. They will likely bring unexpected ideas or recognize threats you may not perceive.

For large groups, consider using platforms and social networks for invitations to facilitate broader, dynamic and simultaneous discussion, and to analyze the data. Most firms turn to open strategy to improve understanding, buy-in and execution of strategy; others want to generate more ideas or improve transparency. Calibrate your approach to your goals. The more people contributing – including outsiders – and the greater the diversity of input, the more and better ideas you can expect. The more employees you involve, the more they will understand the strategy, embrace it and contribute to its implementation.

“Any organization can use open methods to tap the wisdom of the crowd and at the same time retain partial or even total secrecy.”

If you must retain secrecy, adjust your approach. When the US Intelligence Community (IC) sought an algorithm to track Russian troop movements on the Ukrainian border, for example, it crowdsourced the problem using topcoder.com. The contest said nothing about the IC, and, instead, sought an algorithm to track bison movements in Yellowstone National Park. The IC got the algorithm it needed, retained secrecy and spent a lot less than it would via traditional contracting.

The US Navy uses crowdsourcing via its multilevel video game MMOWGLI, which attracts thousands of ideas and hundreds of initiatives addressing problems such as how to counter piracy off the coast of Somalia. The Navy specifies that ideas generated through the game belong to the US Navy exclusively; its lawyers remain involved from the start.

Relax your need for secrecy where possible. By the time you engage in open strategy, competitors will likely prove too far behind to threaten you. Most Silicon Valley firms tend to share more than perhaps any other collection of firms on the planet, yet innovate and succeed at the same time. Apple, conversely, guards its secrets while innovating and succeeding. There are many degrees of openness.

Proactively engage in and encourage open strategy.

Describe the problem you seek solutions for clearly and in detail. Don't leave your goals open to interpretation nor restrict participants. If you crowdsource externally, as does the US Navy, establish a reasonable reward, while leveraging people's desire to compete and collaborate for the challenge itself, and for the reputational or commercial benefits winning might bring. Use a strong vendor platform, or your own, and establish the rules, such as who can participate, how you'll determine the winner and how you'll distribute rewards.

"Foresight and creativity don't correlate with rank, and any organization that vests the power to create strategy in a small cadre of senior leaders will soon find itself on the back foot."

Whether tapping wide perspectives for strategy, ideas, business models or predictions, stoke ideas and discourse by staying involved in the discussion, by seeding conversations and through the visible, ongoing participation of your firms' leaders. Use open strategy to analyze trends by mapping future scenarios onto a target. The least likely fall into the outside rings of the target. Make the circles representing the scenarios or trends larger or smaller depending on their potential impact, and shade them lighter to darker depending on your firm's readiness to address them. Focus first on those closest to the center.

Alternatively, give participants fake cash, have them present ideas or predictions and let participants "invest" in those they believe in most strongly. Include rewards and recognition for your most active participants to ensure they research and think as they would if using their own money.

Disrupt yourself before others disrupt you.

Use the target scenario process in your yearly strategic planning, and as an early warning system. Combine it with a "Nightmare Competitor Challenge" in which you recruit internal and external participants to expose your vulnerabilities and attack your ideas and strategy. Use this war game approach to test trends and their potential effects. Have participants take on the role of a hostile competitor, determined to kill your company. This inspires leaders to act to avoid threats.

"When in doubt, disrupt yourself."

Take a few days to gather off-site, in person. Assemble executives, carefully chosen employees, relevant external experts, customers and possible disruptors. Articulate the trends you want to discuss and divide the group into small teams to generate ideas the whole group later assesses and ranks. Ask these teams to develop business models for the highest ranked ideas, then apply those when forming strategy.

Consider crowdsourcing the formation of business models through contests and gamification. Have others, in and outside the firm, debate your business model, generate ideas and make predictions to inform your strategy in ways you might not consider.

About the Authors

Professor **Christian Stadler** teaches strategic management at the University of Warwick Business School. Professors **Julia Hautz** and **Kurt Matzler** teach at Innsbruck University. Professor **Stephan Friedrich von den Eichen** teaches business model innovation at the University of Bremen and runs IMP Consulting in Europe.



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