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Opening Up: How Centralization Affects Participation and Inclusion in Strategy Making

Daniel Z. Mack, Gabriel Szulanski

Despite the benefits of opening the strategy process, greater inclusiveness and transparency stand in sharp contrast to the conventional emphasis on elitism and opacity in strategy making, especially in centralized organizations where decision making is driven by top management. We suggest that centralized organizations can manage this tension by combining participatory and inclusive practices. Whereas participation is about increasing stakeholders' input for decisions, inclusion is about creating and sustaining a community of interacting stakeholders engaged in an ongoing stream of issues in the strategy process. We show that the distinction between participatory and inclusive practices helps to explain why and how centralized and decentralized organizations engage with stakeholders differently over the two phases of alternatives generation and idea selection in the strategy process. We illustrate our arguments using vignettes of the strategizing process at two public companies.

Introduction

Management scholars have noted that the strategy process is one of the key organizational features that is becoming more open to broader audiences over time (Whittington et al., 2011). Indeed, organizations are increasingly shifting away from a formal top-down process of strategy planning that is centralized around the CEO and the top management team (Andrews, 1971) to a more open form of strategizing that involves the engagement of middle managers and the broader community within the organization (Chesbrough and Appleyard, 2007; Whittington et al., 2011). Open forms of strategy making are noted not only for their better idea generation via the pooling of participants' knowledge (Whittington et al., 2011), but also for their benefit of enhanced implementation due to the increased commitment of the participants in the formulation process (Doz and Kosonen, 2008; Ketokivi and Castañer, 2004; Kim and Mauborgne, 1998).

Despite the benefits of opening the strategy process, the fundamental nature of greater inclusiveness and transparency "stand in sharp contrast to strategy's conventional elitism and opacity" (Whittington et al., 2011, p. 536), and thus the external pressures from changing trends to open up the strategy process to other stakeholders may not be compatible with organizations with centralized decision-making. Centralization refers to the extent to which the locus of decision-making authority is concentrated at the topmost level of the organization's hierarchy; in less centralized (decentralized) organizations, the authority of decision-making is delegated to the middle management or frontline employees (Ghoshal and Nohria, 1989; Huber et al., 1990; Pugh et al., 1968, 1969). In centralized organizations, top managers have traditionally played an influential role in directing the strategy of the organization (Andrews, 1971), and increasing inclusiveness and transparency may lead to situations where the authority of senior management is challenged or undermined by subordinates (Kahn and Kram, 1994). Managers located lower in the hierarchy of such centralized organizations may also be somewhat skeptical of any opening of the strategy process, and their perception of it as symbolic rather than substantive could undermine the efficacy of the process, even if the top management has the best intentions in mind (Andersen, 2004; Wooldridge and Floyd, 1990). The general trend toward greater openness in strategizing thus creates a tension for organizations that rely on more conventional and centralized forms of decision-making.¹

¹ This does not imply that open strategizing does not pose an issue for decentralized organizations. In most decentralized firms (e.g., multi-divisional firms), the delegated authority is likely to be that relating to business unit strategy decisions, whereas decisions regarding the organization-wide corporate strategy remain under the jurisdiction of the top managers at headquarters (Chandler, 1962; Porter, 1987; Williamson, 1970). Hence, to the extent that the corporate strategy has implications for all stakeholders, the tension of open strategizing is also relevant to less centralized organizations during corporate strategy making, but perhaps to a lesser degree.

To the extent that the principles of opening the strategy process create challenges for organizations with centralized decision-making, how do such organizations negotiate this opening of the process? In this theoretical paper, we propose that organizations can manage this tension by differentiating between participatory and inclusive practices and engaging in them to varying extents when involving stakeholders in strategy making. Drawing on the communities of practice literature, we argue that whereas participation is about increasing stakeholders' input for decisions, inclusion is about creating and sustaining a community of interacting stakeholders engaged in an ongoing stream of issues in the strategy process (Quick and Feldman, 2011). Hence, organizations engage in participation when they involve stakeholders in information-gathering activities such as surveys and interviews, but engage in inclusion when they involve stakeholders in work groups or task forces in which there are information sharing, interactions and joint decision-making among members.

We show how the distinction between participation and inclusion helps to elucidate the differences between centralized and decentralized organizations as they engage with stakeholders in the two phases, alternatives generation and idea selection, of the open strategizing process. In particular, we argue that centralized organizations might tend to favor a greater mix of participatory and inclusive practices, whereas less centralized organizations might favor higher inclusion. Moreover, the transfer of information between the phases are more likely to be characterized by the filtering of ideas and handover from a set of participants to another in centralized organizations, whereas the transfer of information is more likely to be characterized by the championing of ideas and the carryover by participants in decentralized organizations. As a result, process observability is likely to be higher in less centralized than in more centralized organizations. Finally, we provide some illustrative evidence for our model using vignettes of the strategy making processes at two organizations. Table 1 presents a summary of our propositions.

Table 1
Summary of propositions

	Decentralized organization	Centralized organization
Use of participatory/inclusive practices (P1) Information transfer (P2 and P3)	<ul style="list-style-type: none"> • Mainly inclusive practices • Championing of ideas • Carryover by participants 	<ul style="list-style-type: none"> • Mix of both participatory and inclusive practices • Filtering of ideas • Handover from a set of participants to another
Process transparency (P4)	<ul style="list-style-type: none"> • Higher transparency 	<ul style="list-style-type: none"> • Lower transparency

Theoretical background

Our focus in this paper is on the type of practices and activities that are used by organizations to resolve the inherent tension in open strategizing. To clarify the nature of stakeholder involvement in open strategizing, it is pertinent to clarify what we mean by practices and activities. The extant literature within the field of strategy-as-practice has examined the practices and activities in which participants engage in strategizing (Balogun and Johnson, 2004; Jarzabkowski, 2008; Jarzabkowski and Balogun, 2009; Mantere and Vaara, 2008; Paroutis and Pettigrew, 2007; Vaara and Whittington, 2012). Following prior literature, we define a practice as “forms of activities” that are undertaken by firms (Jarzabkowski et al., 2007), and activities as “the day to day stuff of management” and “what managers do and what they manage” (Johnson et al., 2003, p. 15). A practice thus consists of a set of coherent activities that reflect certain shared routines of behavior (Paroutis and Pettigrew, 2007; Whittington, 2006).

Distinguishing between participation and inclusion in open strategizing

Because the focus of our paper is to examine how organizations manage the open strategy process with different stakeholder-engagement practices, it is useful to start with a theoretical taxonomy of such practices. However, the extant literature examining such open strategizing within organizations has often described employees' involvement as their “participation” or “inclusion” in the company decision-making process, tending to use the two terms rather interchangeably (e.g. Hodgkinson et al., 2006; Mantere and Vaara, 2008; Westley, 1990; Whittington et al., 2011; Wooldridge and Floyd, 1990). For example, Whittington et al. (2011) described inclusion as the “participation in an organization's ‘strategic conversation’, the exchanges of information, views and proposals intended to shape the continued evolution of an organization's strategy” (p. 536). Part of the reason for the confusion may be due to the various approaches that scholars adopt when studying participation in strategy work (Laine and Vaara, 2015). We argue that mixing the use of these two terms conflates two seemingly similar practices that have different emphases on the content and the process aspects of strategy formulation.

Drawing from the community of practice perspective, Quick and Feldman (2011) argued that inclusion and participation are two different dimensions of engagement and organizing that enhance the quality of decisions made in the long run. They described participation as the practice oriented toward “increasing input for decisions,” and “for organizing highly participatory processes encompass inviting many people to participate, making the process broadly accessible to and representative of the public at large, and collecting community input and using it to influence policy decisions” (Quick and Feldman, 2011, p. 274). On the other hand, inclusion is the practice “oriented to making connections among people, across issues, and over time “and” it is an expansive and ongoing framework for interaction that uses the opportunities to take action on specific items in

the public domain as a means of intentionally creating a community engaged in an ongoing stream of issues” (Quick and Feldman, 2011, p. 274).

Specifically, Quick and Feldman (2011) suggest three key features of inclusive practices that are lacking in participatory ones: First, inclusive practices *engage in multiple ways of knowing*. Participants are encouraged to exchange ideas, appreciate each other’s perspectives, and bring diverse ideas and generate new understandings during the discussion. Second, participants in inclusive practices *coproduce the process and content for decision-making*. There is less emphasis on reproducing the power of particular stakeholders to control the process of engagement; rather, participants jointly deliberate and decide on issues to affect decision outcomes. Third, *sustaining temporal openness* is an important aspect of inclusion. Inclusive processes are temporally linked to incorporate prior and emerging issues and participants, and thus there is a continuous renewal of associations and interactions among different participants and perspectives (Feldman et al., 2006). Hence, as opposed to participation, the aim of inclusion is to create a community among different stakeholders who “move forward using their differences, in a productive rather than in a fractious way” (Quick and Feldman, 2011, p. 283).

In this paper we adopt the distinction made by Quick and Feldman (2011) to further our understanding of the decision-making process in the open strategizing context. We take the view that the practice of inclusion is composed of general activities that (i) encourage participants to engage in multiple ways of knowing through learning and sharing of diverse perspectives, (ii) allow participants to coproduce the content and process of open strategy, and (iii) encourage participants to sustain their involvement in subsequent strategizing activities. In contrast, participation may to some extent accommodate organization members for idiosyncratic viewpoints and information, but may perhaps not be as effective as inclusion in building organizational members’ commitment to the strategy process. This view suggests that inclusion not only stretches beyond the concept of participation as a practice for gathering participants’ content input for a particular strategy but also describes the greater connection among participants at a higher level of involvement in the process of strategy formulation and implementation. The focus on both the process and content of employees’ involvement in the strategy process helps differentiates inclusion from participation. This participation/inclusion framework is consistent with and complements existing strategy-as-practice studies that examine how strategic agency can be enabled or inhibited at different levels of the organization and across different stakeholders (e.g. Mantere, 2005, 2008; Mantere and Vaara, 2008).

Distinguishing between participatory and inclusive strategizing practices is also theoretically useful in that the definitions of participation and inclusion discern the mechanisms that lead to the outcomes of informational and motivational benefits posited in the stakeholder involvement literature (Ketokivi and Castañer, 2004; Kim and Mauborgne, 1998). Whereas the practice of participation focuses on gathering the inputs of participating stakeholders and thus its benefits are predominantly informational, the practice of inclusion also fosters participants’ commitment to the organization’s strategies and goals and thus its beneficial outcomes are both informational and motivational.

Centralization and the use of participation/inclusion in the strategy process

To elaborate on how organizations manage open strategizing using participatory or inclusive practices, we make the assumption that the strategy process occurs in two sequential stages: the alternatives generation phase and the idea selection phase. This two-stage model is consistent with the prior strategy process literature (e.g. Burgelman, 1991; Szulanski et al., 2004) and a useful categorization of the types of activities that occur in the strategy process over time. Alternatives generation refers to the search for and development and analysis of different possible and plausible courses of action, and idea selection refers to the choosing of a course of action from the available set of alternatives (Cyert and March, 1963; Mintzberg et al., 1976).

Strategy making in centralized organizations

In centralized organizations, strategic planning is likely to be confined to the work of upper management, but the strategy is implemented by middle and lower management. Hence, in the alternatives generation phase, we contend that the degree of centralization is likely to affect the organization’s choice of participatory or inclusive activities. Bounded rationality suggests that top managers have limited attention and may not have access to the full spectrum of information for decision-making; while top managers may be aware of who the important stakeholders are, they are unlikely to be fully knowledgeable about what the stakeholders know (Cyert and March, 1963). Considering that the premise of generating multiple alternatives is to ensure that the final strategy choice is well thought out and robust to possible contingencies, it makes sense for the organization to collect as much information as possible during alternatives generation. Hence, open strategizing via participatory activities is useful since it allows a centralized organization to collect more information about its environment through the engagement with its stakeholders. Yet, because organization control and decision rights are centralized to members within the corporate elite, allowing peripheral participants to shape the conversation of the alternatives generation process via inclusion may undermine the strategic planning efforts of top managers (Andersen, 2004). Moreover, as broader stakeholders do not have the decision rights in a centralized organization, allowing these participants to engage in deeper and prolonged conversations may be inefficient and perhaps even counterproductive since inclusion could burden them with peripheral responsibilities that could become unnecessary distractions to their scope of duties (Andersen, 2004; Westley, 1990; Wooldridge and Floyd, 1990).

While centralized organizations may prefer the use of participatory practices during the alternatives generation phase, we contend that the use of inclusive practices is instead more likely to be dominant during the subsequent idea selection phase. Decisions are likely to be made by the top executives who decide which of the generated ideas the organization should select from and implement moving forward. Because these decisions have strategic implications for all units of an organization, top managers in centralized organizations are likely to spend time sharing information and exchanging views and perspectives. The existence of interdependencies between different units of the centralized organization implies that top managers are likely to engage in joint decision-making and shape the agenda to ensure that each unit's concerns are taken into account during idea selection. Finally, as top managers deliberate on their choices during selection, they are likely to rely on their past actions and plans as benchmarks or reference points (Cyert and March, 1963). Past strategic conversations are likely to be referred to, and managers rely on each other's prior planning experiences and/or lessons to guide their subsequent choice of strategy during idea selection (Quick and Feldman, 2011). Hence in centralized organizations the idea selection phase, as opposed to the alternatives generation phase, is likely to be dominated by inclusive practices rather than participatory practices.

Strategy making in decentralized organizations

Although participatory practices encourage participants to share and contribute perspectives, we argue that less centralized organizations are more likely to benefit from the use of inclusive practices during the alternatives generation phase. In less centralized organizations, decision rights are more dispersed to the broader stakeholders rather than concentrated at the corporate level. The responsibilities and ownership of strategic decisions rest more among the different stakeholders, and they are more likely to prioritize attention to their own issues and concerns while minimizing attention to others (Williamson, 1970). The lack of an emphasis on a centralized authority over all decisions also suggests that coordination among stakeholders is less formalized and more implicit. As a result, strategic alternatives derived from participatory activities are less likely to be acted upon and gain little traction. Conversely, the practice of inclusion not only allows decentralized participants to be connected to a community to engage in more meaningful and open strategic conversations, but also facilitates the coordination of actions among the participants (Andersen, 2004; Dickson, 1981). The coproduction of content and process strengthens links between stakeholders, which in turn is more likely to create a stronger sense of identification and purpose in engaging each other. The alternatives generated will thus be more meaningful and relevant for the entire organization.

We posit that, similar to centralized organizations, less centralized organizations are also likely to engage in inclusive practices during the idea selection phase. As participants have different preferences, the reconciliation of the diversity of preferences may be difficult, if not impossible. Inclusion allows decentralized participants to bring their own perspective to the table and shape the process in which the final idea selection is chosen. Because practices of inclusion facilitate and sustain temporal openness, inclusive practices create opportunities for decentralized participants to subsequently (re)engage with other stakeholders. Hence, inclusion not only enhances post-planning implementation of the chosen strategy in a decentralized organization, but also improves the coordination among stakeholders via the community that was formed during the open strategy process (Andersen, 2004; Dickson, 1981).

Overall, our arguments suggest that while less centralized organizations may prefer engaging in inclusive practices during both phases of alternatives generation and idea selection, centralized organizations may prefer a mix of both participatory and inclusive practices, with the use of participatory practices in the initial alternatives generation phase.

Proposition 1. *During open strategizing, more centralized organizations favor the practice of participation in the alternatives generation phase and the practice of inclusion in the idea selection phase, whereas less centralized organizations favor the practice of inclusion in both alternatives generation and idea selection phases.*

Centralization and information flow in the open strategizing process

The organizational preference for inclusion or a blend of inclusion and participation during open strategizing has implications for how information, stakeholders and activities are organized in the process. As previously argued, less centralized organizations are more likely to prefer the use of inclusive practices and activities to engage stakeholders during alternatives generation and idea selection. Because inclusion emphasizes the sustenance and temporal continuity of a community engaged in mutual sharing and learning (Quick and Feldman, 2011), participants in inclusive practices enacted in the alternatives generation phase are likely to be the same as those in the idea selection phase. Stakeholders who contributed ideas in the open strategizing process are also more likely to be the ones committed to the ideas (Dutton et al., 2001). Many potentially good ideas may have been suggested during alternatives generation, but the strong coupling between individuals and issues during inclusive practices suggests that ideas that persist long enough to make it to the selection stage are likely those also championed by their contributors for final selection (Floyd and Wooldridge, 1992). Hence, in less centralized organizations, we can expect to observe stakeholders as carriers and supporters of ideas as the organization moves from alternatives generation to idea selection:

Proposition 2. *Information transfer between the phases of alternatives generation and idea selection in less centralized organizations is characterized mainly by (i) the championing of ideas and (ii) the carryover by participants.*

In more centralized organizations, engaging participants in the alternatives generation phase via participatory practices implies that participants merely serve to provide input on particular policies that top managers are interested in getting feedback on, and there is very little deliberation and engaging of the participants in the strategic conversation. As such, participants who provide the input in the alternatives generation phase are unlikely to also be the ones involved in the idea selection phase (Mantere, 2008). As compared to less centralized organizations, where the alternatives are carried and championed by participants, the alternatives generated in more centralized organizations are more likely to be aggregated mechanically and “synthesized” for evaluation in the second phase (Dutton and Jackson, 1987; Floyd and Wooldridge, 1992). The top management then holds the responsibility of filtering weaker or less relevant ideas and selecting the best for subsequent implementation (Burgelman, 1991). These two mechanisms of idea filtering and idea handover from one set of participants to another are consistent with Chandler’s (1962, p. 99) documentation of how reports proposing drastic reorganization generated by junior executives were altered by unsupportive senior executives before handing them over to the higher executive committee of the then highly centralized du Pont company: “Because of these [subcommittee senior member opposing] views, the subcommittee’s senior members deleted all of the sub-subcommittee’s analyses and recommendations on organization when it forwarded the report to the Executive Committee” (p. 99). Hence, we posit that:

Proposition 3. *Information transfer between the strategizing phases of alternatives generation and idea selection in more centralized organizations is characterized mainly by (i) the filtering of ideas and (ii) the handover from a set of participants to another.*

Centralization and process transparency

Our discussion on how centralized or less centralized organizations engage stakeholders differently via participation and/or inclusion suggests that transparency of the open strategy process is also likely to differ. Transparency refers to “the visibility of information about an organization’s strategy, potentially during the formulation process but particularly with regard to the strategy finally produced” (Whittington et al., 2011, p. 536). In decentralized organizations where inclusive practices dominate, participants not only freely share their views and perspectives, but also are highly involved in shaping both process and content. Moreover, under inclusive engagement, stakeholder interactions are more likely to be sustained over time and even persist after the strategy is finally produced (Quick and Feldman, 2011). As such, the sustained temporal communications and deliberations among stakeholders are likely to ensure the transparency of the strategy making process.

The transparency of open strategizing in centralized organizations is arguably lower, however. First, the use of participatory practices during alternatives generation emphasizes the collection of input from participants on certain policy decisions dictated by the top management, but this does not guarantee that the contributing participants are fully aware of other participants’ input or the top management’s rationale for these policies (Mantere and Vaara, 2008). Second, because the idea selection is made by an exclusive top management group rather than through an inclusive joint process among the contributors, the process through which the strategy is finally ratified is not entirely transparent as the top management could choose to be nonresponsive (Mantere, 2008). Even if managers communicate the reasoning behind their final choice to stakeholders, they may not necessarily make known to stakeholders why and how other alternatives were eliminated from the decision process. The deliberate lack of transparency may be “mystifying” attempts by top managers to strengthen their power positions, especially in more centralized organizations (Mantere and Vaara, 2008, p. 348). Thus, we posit:

Proposition 4. *Transparency during open strategizing is higher in organizations that are less centralized, and is lower in organizations that are more centralized.*

Case illustrations

To illustrate the concepts of participation and inclusion and how they are enacted as practices in the open strategizing process, we briefly present two vignettes of strategizing initiatives that took place in two large public business organizations with different levels of centralization. HealthCo is a large medical equipment and pharmaceutical company with a decentralized corporate structure, whereas FoodCo is a famous food manufacturing company with a centralized structure. The vignettes describe processes that took place at a time when developing an Internet strategy became an increasingly pressing concern for most large established firms (Dutta and Srivastava, 2001; Sawhney and Zabin, 2001), and describe the strategic activities that HealthCo and FoodCo employed in response to the discontinuity brought about by the e-commerce revolution in the mid-1990s. Both companies realized the rising importance of the Internet and needed new strategies to deal with the transition.

Data collection and analysis

The vignettes were constructed based on triangulated notes from multiple interviews (face-to-face and telephone) with executives involved in the strategy making processes at the two companies. Because we are interested in examining the types of practices and activities that organizations use in open strategizing, we coded activities as participatory if they

involved actions relating to the collection of input useful for strategy making (e.g., surveying vendors and suppliers, observing customer behavior, etc.), and coded activities as inclusive if they involve making connections among people and issues over time (e.g., brainstorming sessions among participants, championing of ideas, etc.) (c.f. [Quick and Feldman, 2011](#)). We also identified the key actors engaging in these activities, as well as whether these activities took place during the alternatives generation or idea selection phase of open strategizing. To form qualitative judgments about the relative prominence of each type of practice in the strategy process, we compared the number of coded instances of participatory activities to that of inclusive activities in each strategizing phase. [Figure 1](#) summarizes the key strategizing activities at HealthCo and FoodCo.

We present the vignettes of each company in the following section.

Centralization and the preference for participation and/or inclusion

HealthCo

At HealthCo, where decision-making was largely decentralized (low centralization), the practice of inclusion dominated the strategy process in both the alternative generation phase and the idea selection phase. Most prominently, the practice of inclusion took the form of two large-scale workshops — the Accelerated Solutions Environment (ASE) and Project Peacock — over the two phases of open strategizing. The initial ASE involved a widely represented group of 80 employees and other stakeholders who came together to contribute and deliberate ideas for the formulation of their Internet strategy. This diverse group of participants included senior managers, regional presidents and HealthCo's chairman, and they examined case studies and brainstormed for ideas on what the organization's Internet business should look like. Subsequently, the scale of inclusion decreased as the ASE project team transitioned to the smaller Project Peacock team, with 15 full-time members, including two vice presidents, directors and managers, as well as many other part-time participants to facilitate the deliberation and selection of the best strategy.

Although the practice of inclusion was prominent, HealthCo was not completely devoid of participatory activities. HealthCo also complemented their inclusive workshop activities with participatory activities that involved engaging with different stakeholders for information. The Project Peacock team had to investigate how the e-commerce phenomenon affected competitors, customers and potential partnerships. First, the team organized focus groups with both customers and end users to better understand the desires of each of these important groups. Second, the team identified and contacted a number of potential strategic partners who served to provide complementary services and fill holes in technology capabilities. A better understanding of the different stakeholders' preferences through such participatory activities gave HealthCo better input to formulate and optimize their strategic response. Nevertheless, the observation that inclusive activities dominated the strategy process at the largely decentralized HealthCo is consistent with Proposition 1.

FoodCo

At FoodCo, where decision-making was more centralized, there was a more balanced mix of both participation and inclusion practices in the strategy process. In the alternatives generation phase the practice of inclusion occurred through the creation of a small e-commerce division (ECD) team of 20 employees that was formally sanctioned by senior managers to deliberate on their e-commerce strategy. FoodCo also created category business teams (CBTs), which were essentially collaborative teams with representatives from each of FoodCo's functional divisions. While the ECD and CBT teams worked together to brainstorm ideas for an appropriate strategy, their membership was small in comparison to the entire organization. They relied heavily on an additional range of participatory activities to gather information on consumer preferences and supplier insights. Participatory activities like "ideation sessions" and "anticipating the consumer" surveys allowed FoodCo to gather input and ideas from internal employees and external consumers/customers. FoodCo also organized a monthly consensus forecast for different areas such as finance and operations to gauge the resource demands from each department. Unlike HealthCo's transient participatory activities, which were specifically implemented to aid brainstorming during the ASE workshop, FoodCo's participatory activities were more institutionalized to regularly pool inputs from different stakeholders. However, the practice of inclusion became more prominent during the idea selection phase, as only the ECD and the operating committee were involved in the deliberation of the final choice of strategy. Ideas that emerged were cultivated into final strategy through private and exclusive discussions among the ECD leadership team and FoodCo senior executives.

Perhaps the mix of participation and inclusion in FoodCo was a way to manage the tension between the centralized organization's need for exclusivity and the need for knowledge gathering and pooling. Because participation involves activities that require just the acquisition of issue-relevant information from participants (as compared to inclusion, which requires participants' active contribution and deliberation of the content in the process) ([Quick and Feldman, 2011](#)), participants are less likely to feel encumbered with the responsibilities associated with devising the strategy, for which they do not own the decision rights ([Westley, 1990](#); [Whittington et al., 2011](#)). Moreover, participatory activities may also reduce the likelihood that senior managers face unnecessary authority-undermining opportunities from subordinates ([Kahn and Kram, 1994](#)). Hence, the observation of a mix of participatory and inclusive activities in the strategizing processes at the centralized FoodCo is also consistent with Proposition 1.

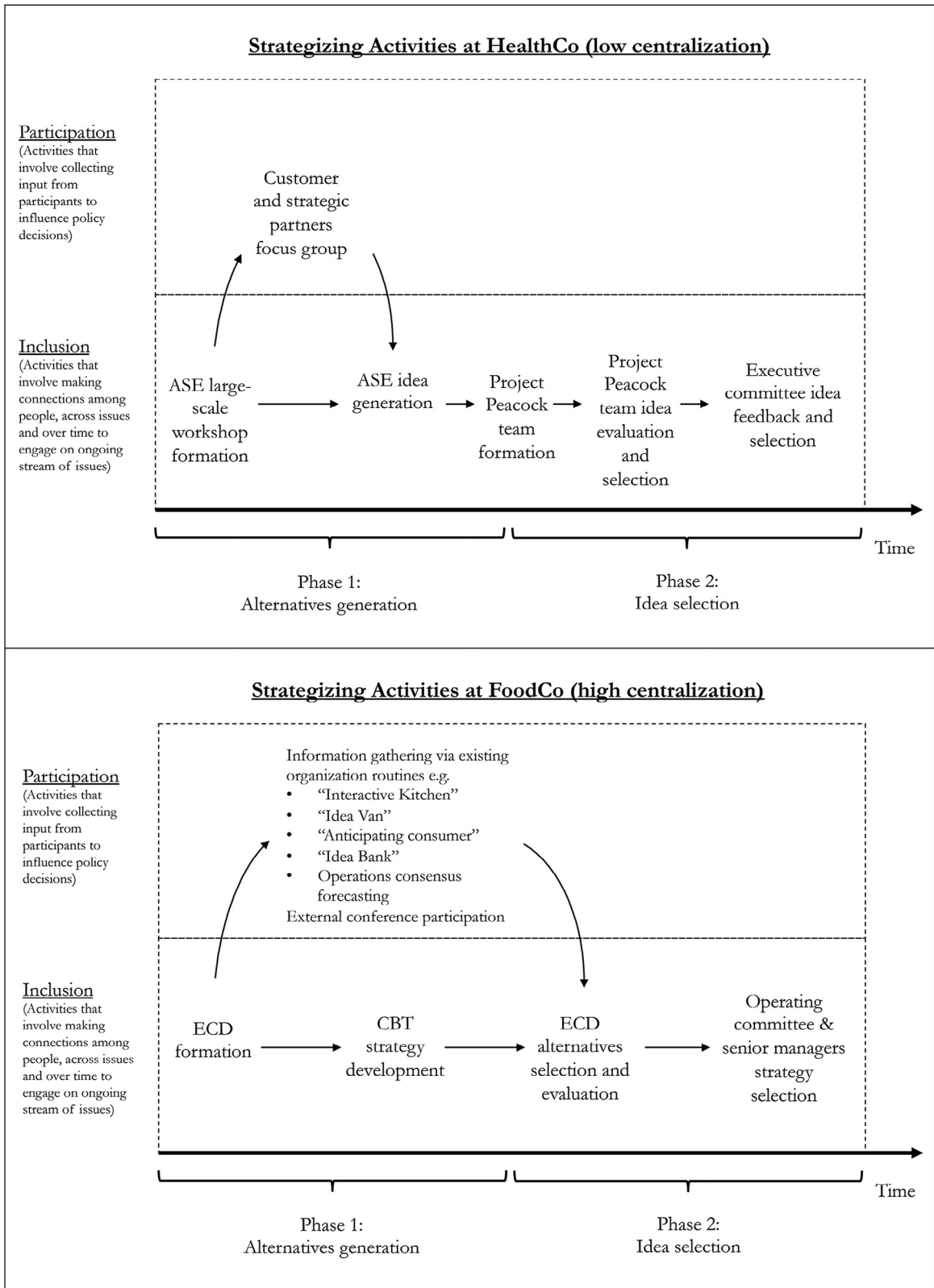


Figure 1. Summary timelines of key strategizing activities at HealthCo and FoodCo

Information transfer between open strategizing phases

HealthCo

In the strategy process phase following the alternatives generation phase, the alternatives have to be compiled for subsequent selection. At HealthCo, the members of the smaller Project Peacock team, which was organized to facilitate idea selection, was a subset of the ASE team. As a result, contributors of ideas in the earlier alternatives generation phase were also part of the team engaged in the process of idea selection. The structure of discussion workshops also provided a forum where team members could voice their ideas and thoughts for the group to consider. The brainstorming sessions allowed members to suggest ideas and debate the merits of each suggestion. Because individuals felt a strong attachment to the ideas that they had contributed, participants perceived the process as “repetitive” as they often discussed and championed certain issues throughout.

As the Director of New Business Development recalled, “Titles were worthless, [and] everyone rolled up their sleeves and worked hard” to put their best idea forward to develop new concepts and strategy during the alternatives generation phase. Even as the first phase ended, and despite his commitment to his ongoing job, the same director deliberately requested to be put “full-time” on the Project Peacock team during the idea selection phase to continue pushing for his idea. Many other participants followed suit, also championing and “throwing out their thoughts,” leading to a “process that was very disorganized.” Nevertheless, through sharing their ideas, participants were able to “build off the ideas of others,” which led to a consensus of what the ideal business model should be. Indeed, in this decentralized organization, the observed mechanisms of idea championing and carryover by participants during the transfer of information between strategizing phases correspond closely to [Quick and Feldman's \(2011, p. 273\)](#) emphasis on the role of inclusive activities in “building connections among issues, among actors, and across problem-solving efforts” (p. 273), and is consistent with the prediction in Proposition 2.

FoodCo

At FoodCo there was minimal overlap between the group of participants contributing ideas in the alternatives generation phase and the group of participants subsequently evaluating ideas for selection. Unlike the process at HealthCo, the ECD did not hold formal brainstorming sessions to discuss and select new initiatives. Rather, the role of participants in the initial phase was simply to present their contributions with regard to the issue at stake, whereas the role of a different set of participants in the selection phase was to deliberate and choose the best strategy from the pool of knowledge gathered earlier. For instance, although the ECD discovered a suitable acquisition target that could boost FoodCo's takeout and delivery capabilities, the ECD could not act on the opportunity directly but had to present the investment idea to the higher-up operating committee, who had to decide whether the acquisition was a worthwhile pursuit. Only when the operating committee felt that the acquisition made strategic sense and was consistent with the organization's overall direction was the investment approved. Hence, there was a decoupling of ideas from participants as information flowed from the alternatives generation to the idea selection phase, and subsequently the ideas were filtered by a different group of participants during the idea selection phase.

We also observed the mechanisms of idea filtering and handing over by participants at various levels of the hierarchy at FoodCo. Because the participants in the idea selection phase (ECD team members) were also concerned with the imperatives set by senior management and the operating committee, they did not deliberate on all inputs but chose to focus only on those that the ECD team felt were worthy and relevant to fulfillment of the larger organizational goals. Except in the situation where the ECD relied on CBT team members to develop potential ideas for the ECD division,² there was little stakeholder championing of specific ideas or issues — the ECD team and the operating committee were free to focus on whatever strategic ideas they felt were pertinent. Overall, we find that the process of information flow at FoodCo is consistent with Proposition 3.

Transparency in the open strategy process

HealthCo

Unsurprisingly, the transparency of information and the decision-making process was higher at HealthCo than at FoodCo. First, the decentralized structure at HealthCo ensured that decision rights and strategic information were more dispersed throughout the organization and less concentrated at the top of the hierarchy. Second, the use of inclusion via the workshops allowed employees and stakeholders to be connected and engaged via a mutual learning and sharing experience. Third, the group boundaries of the ASE and Peacock team were rather fluid: participants were mobile and free to participate without much constraint. Members participating in the workshops were reported to have, at times, joined and left the team within a week, some within a day. Even employees who were not part of the workshops were aware of the workshop activities and the ongoing discussions.

² Although the ECD relied on CBTs for idea development, only ideas that were perceived to be consistent with the ECD goals were well received by the ECD leadership team; ideas that did not fit well with the ECD required heavy championing efforts by CBT members. This was amplified by the fact that there was a lack of formal involvement by the ECD personnel in CBTs, which limited the reception of CBTs' proposals by the ECD.

FoodCo

At FoodCo, the creation of the ECD and CBT entities, as opposed to a large-scale workshop, dictated that the formal responsibility of strategizing lay with those who held formal positions within the ECD or CBTs. The level of transparency at FoodCo was lower to the extent that the critical information available for strategizing was more localized within the ECD than across a broad group of stakeholders (as in the case of HealthCo). Moreover, employees and stakeholders involved in participatory activities provided a variety of inputs for the organization, but there was little indication of whether the participants knew when, how, or why the organization was going to make use of knowledge from the peripheral participants. Nevertheless within FoodCo, transparency of information was relatively higher in the alternative generation phase than in the selection phase because of the ECD team's access to various sources of participatory activities. The level of transparency fell when the strategy process proceeded to the selection phase. This was the result of confining the deliberation of alternatives to the higher-level ECD and operating committee, both of which were officially tasked to formulate an appropriate strategic response. Unlike at HealthCo, the ECD of FoodCo did not organize further brainstorming sessions to discuss new initiatives. Rather, the process was quite informal. As ideas emerged from the ECD Leadership Team, they were quickly directed to the senior managers of FoodCo for review. Hence, ideas emerged and were cultivated into final strategy through private and exclusive discussions among the ECD Leadership Team and FoodCo senior executives.

Consistent with Proposition 4, these vignettes suggest that process transparency was higher at the decentralized HealthCo than at the more centralized FoodCo. Overall, [Figure 2](#) describes the nature of the open strategizing process at the two organizations, and compares how the types of practices (dominantly participatory or inclusive) and transparency levels differed across the two types of organization (high or low centralization) at different phases of the strategy process.

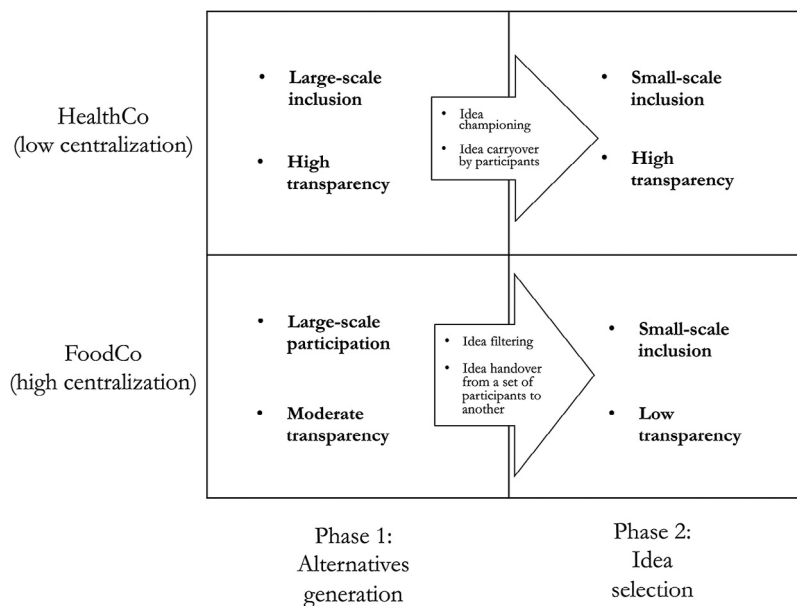


Figure 2. The process of open strategizing at HealthCo and FoodCo

Discussion and conclusion

In this paper, we examine how practices and activities in the open strategizing process vary with centralization. In centralized organizations where the strategy-making activity is traditionally exclusive, opening the strategy process might conflict with existing organizational norms and routines ([Andersen, 2004](#)).

While prior studies often use the two terms 'participation' and 'inclusion' interchangeably, we propose making a distinction between the two. Such distinction suggests a simple analytical framework to further our understanding of the nature of open strategizing within organizations. Our analysis suggests that centralized organizations are more likely to engage in a mixture of both participatory and inclusive activities in different phases of the strategy process in order to accommodate incompatibilities between structure and practice.

We illustrate the concepts of participation and inclusion by presenting two vignettes of the strategy process at two large organizations with different levels of centralization. Consistent with the view of [Whittington et al. \(2011\)](#), the vignettes suggest that the participatory and inclusive forms of open strategizing can assume different forms and vary across different corporate contexts: in organizations that are highly centralized, engaging in open forms of strategizing with stakeholders more broadly is possible by relying on both inclusive and participatory practices in the strategy process, although the level of

transparency of the process is not as high as in a decentralized organization. The transfer of ideas between phases of the strategy process also differs to the extent that there were more connections among individuals and ideas over time in the decentralized organization, whereas there was greater decoupling between individuals and ideas in the case of the centralized organization. The vignettes highlight how participatory activities were not only useful to aggregate employees' inputs and preferences on certain choice of policies or strategy, but they were also important activities for organizations to remain updated about changes in their environment. Inclusive activities go beyond the objective of enhancing the input for corporate policy making or for the development of new ideas. An important outcome of inclusion is the alignment of preferences among members of the organization to achieve commitment and consensus to the strategy (Doz and Kosonen, 2008). Inclusion is a community-based approach that facilitates commitment by connecting issues to individuals (Feldman and Khademian, 2007; Quick and Feldman, 2011) and conflict resolution through an iterative process of communication and negotiation (Spee and Jarzabkowski, 2011).

The vignettes serve as useful and concrete illustrations of participatory and inclusive practices in the open strategizing process and suggest potentially relevant aspects of participation and inclusion to strategy making and provoke considerations for future research. First, the success of the practice of inclusion for open strategizing must depend on who is included. Hence the outcome of such practice must partially depend on the diversity of those who are included in the process. A diverse group is more likely to be representative of the range of preferences that the formalized strategy will apply to. Accordingly, the lack of diversity during the making of a strategy might limit the degree of acceptance of the emerged strategy during the implementation phase. Second, while the vignettes and our analysis describe a single iteration of strategy making it is quite possible that an added benefit of inclusive activities is that decision-making could be faster in subsequent iterations because of the communication and coordination links that have been already established among participants during the initial iteration. Inclusive activities could thus be one way in which actors learn to coordinate (Jarzabkowski et al., 2012). Finally, despite the benefits from inclusion, both the vignettes and our analysis possibly underestimate the fact that inclusive practices could be rather costly when compared to participatory ones. Scaling up inclusion can also be costly as the difficulty of coordination outweighs its benefits. The greater inclusion of individuals may somewhat limit the efficiency of idea generation and increase the difficulty of reaching agreements among members of the community. Such costs may inhibit inclusion in centralized organizations.

Differentiating between participatory and inclusive practices in open strategizing has both theoretical and practical implications. The literature suggests that open strategizing is not an all or nothing matter but rather it is a matter of degree (Almirall and Casadesus-Masanell, 2010; Whittington et al., 2011). The distinction between inclusion and participation helps us to better characterize the continuum that exists between a fully open and a fully closed strategy making process. The distinction here thus proposes that the degree of openness in strategy could be thought of as the level of stakeholder engagement in the process underlying the formulation of strategy, above and beyond their engagement in providing input for decision-making. In other words, this distinction clarifies the roles of stakeholders in the strategy process (Mantere, 2008), and the degree of openness in strategy thus captures the extent to which the broader group of employees is also jointly in control of the decision process and accountable for the emerged strategy, rather than simply a supplier of potential answers to a predefined issue (Mantere, 2005). Moreover, by distinguishing between inclusive and participatory practices, we can potentially identify the nature of practices used in open strategy and make better inferences about their interdependencies and their impact on certain outcomes (Jarzabkowski et al., 2016). For instance, in Quick and Feldman's (2011) study, the authors found that by examining whether certain practices were inclusive or participatory, they were able to better explain why certain public engagement practices led to more satisfactory outcomes than others. Using this participation and inclusion distinction as a lens could also potentially explain cases in which a greater degree of employee involvement might lead to more or less desirable outcomes (Andersen, 2004; Westley, 1990; Wooldridge and Floyd, 1990). Finally, the distinction between participation and inclusion is not only useful for managers in helping them to understand the nature of the open strategy process practiced by their organization, but also helpful in managing employees' expectations with regard to their involvement in the strategy process (Mantere, 2008). We postulate that if managers are better able to articulate to employees and other actors the nature of their roles and the expected level of contribution and involvement in the strategy planning process, organizations are more likely to avoid situations where employees misperceive managerial intentions (Westley, 1990).

Generalizing from our conclusions should be done with caution. First, although we use two cases to illustrate the analytical distinction between participation and inclusion, the documentation of the various participatory and inclusive activities in this paper is not exhaustive. Just as organizations differ across and within industries, we expect that participatory and inclusive activities can manifest themselves in different and possibly more complex forms and sequences. Future studies should examine the variation of such practices in greater detail under different contexts, as well as the conditions that could facilitate or impede the use of such practices (Mantere and Vaara, 2008; Westley, 1990). Second, because our primary objective in this paper is to examine how open strategizing practices differ under different levels of centralization, we chose to make a distinction between participation and inclusion, and as a first approximation, we have attempted to isolate specific instances of inclusion and participation where the phenomena of interest is observable. Our vignettes however contain examples of both occurring simultaneously thus suggesting that rather than isolated either/or situations, participatory and inclusive practices are more likely to occur sequentially and influence one another (Quick and Feldman, 2011). Future research may wish to pay attention to the dynamics of participation and inclusion, as well as how these interact with other organizational

processes (Feldman and Pentland, 2003). Finally, while we have documented some of the observed consequences of participatory and inclusive practices in our two organizations, our intimations of causality are merely suggestive.

While our findings pertain to how organizations engage in open forms of strategizing, our study also contribute to the strategy-as-practice literature by suggesting how certain activities are more participatory in nature while others are more inclusive. We also show that participatory or inclusive activities may be embedded in existing organizational routines or processes (such as regular customer focus groups to learn about new trends, etc.) that link praxis and practices to practitioners (Jarzabkowski et al., 2007; Vaara and Whittington, 2012). Finally, we hope that the identification of participatory and inclusive practices in this study may provide a small step forward to understand how these two kinds of practices interact with one another (Jarzabkowski et al., 2016), and how they enable or limit the roles of participants in the open strategy process (Mantere, 2005). We hope that our exploration of participatory and inclusive practices with the aid of two illustrative vignettes would be seen as a useful step to further our understanding of the nature and consequences of open strategizing in organizations.

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