

Open strategy and the multinational firm

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Christian Stadler
Warwick Business School, Coventry, UK, and

Julia Hautz and Thomas Ortner
*Department of Management and Marketing,
University of Innsbruck, Innsbruck, Austria*

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Abstract

Purpose – Distance has been a core concept and issue in international business and management research. While scholars argue that distance through internationalization is increasing costs, distance is also associated with positive implications such as the integration of more diverse knowledge. Still, many firms struggle to manage distance effectively and efficiently in their multinational contexts. The purpose of this study therefore is to propose Open Strategy – increasing transparency and inclusion in the strategy process – as an attractive concept for managing distance.

Design/methodology/approach – This is a conceptual paper where the authors introduce Open Strategy to the IB community.

Findings – The authors argue that opening the strategy of multinational enterprises, enables firms to leverage diversity by re-combining the firms diverse and distant knowledge. It also reduces distance by moving beyond formal mechanisms of control and coordination to improve joint understanding, cooperative commitment and strategy implementation. The framework shows how firms can move beyond established dogmas in international business research by rendering their strategy processes more open.

Originality/value – Leveraging the Open Strategy literature, the authors are able to find a way to respond to the challenge of increasing distance, in fact even arguing that distance can be beneficial if framed as diversity.

Keywords International management, Open strategy, Distance, Diversity

Paper type Conceptual paper

Introduction

A fundamental question that drives international business (IB) research is how to manage “distance” (Kumar *et al.*, 2023; Lumineau *et al.*, 2021; Verbeke *et al.*, 2018). Zaheer *et al.* (2012, p. 9) articulate this by arguing that “international management is management of distance” *per se*. While the specific focus of scholars interested in distance has varied considerably, such as studying different types of distances, including cultural, psychic, geographical and institutional (Kumar *et al.*, 2023; Lumineau *et al.*, 2021), much of the

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research rests on two important assumptions. First, distance is primarily considered a liability associated with higher costs (Beugelsdijk *et al.*, 2018; Zaheer, 1995). Second, due to globalization, deregulation and global integration, distance is being reduced (Guillén, 2001), thereby making internationalization, e.g. in the form of global focusing, a more attractive growth option than, for example, product diversification (Meyer, 2006).

More recently, both assumptions have been questioned. Recent studies suggest that distance can be beneficial, looking at positive outcomes of particular types of distance (Stahl *et al.*, 2016, 2017). Lumineau *et al.* (2021) suggest that we reframe *distance* as *diversity*. The implication from creativity studies is that for firms this might impact innovation, idea generation and learning. The second assumption about ever-increasing globalization has been under scrutiny as international trade data no longer supports the inevitability of this trend. In a recent essay, Meyer (2017) argues that we are in an era of anti-globalization. Some aspects of globalization, such as transport and technology, are likely to advance, but the political pendulum has swung in a different direction. This is a trend that started with the financial crisis in 2008 (Witt, 2019), accelerated during the covid-pandemic (Meyer and Li, 2022), and continues as a consequence of a set of conflicts where the main protagonists are the USA and Western Europe on one side and China and Russia on the other. The turnaround in political direction may, hence, result in new political regulations and tariffs based on nationally favored protectionist agendas, e.g. the Trump administration in the US or Erdogan's administration in Turkey (Meyer, 2017).

This new reality allows us to connect IB scholarship with the concept of Open Strategy, research initiated by scholars interested in open innovation practices and the strategy-as-practice community. Open Strategy refers to sharing strategic information with broader audiences in and outside organizations and to actively include knowledge, ideas and suggestions of those actors, that is, those not part of the management teams who traditionally developed firms' strategies (Hautz *et al.*, 2017). For example, Telefónica continuously shares strategy with its internationally dispersed workforce online and gathers ideas and knowledge to inform its strategy creation on digital forums (Stadler *et al.*, 2021a).

What turns Open Strategy into an attractive concept for IB is that, at its core, it addresses exactly those two recent recalibrations of core assumptions underpinning our interpretation of distance. Open Strategy research has developed insights on how to best leverage diversity by recombining diverse knowledge. It also provides a way to address isolating and de-integrating effects of the anti-globalization trend by favoring instead the integration of more local and subsidiary-based knowledge. A core interest of Open Strategy scholarship is how to better connect by possibly including those parts of the organization that are further removed from the decision-makers. The intention here is to move beyond formal mechanisms of control and coordination and to improve joint understanding, cooperative commitment and strategy implementation. Multinational enterprises (MNEs) can benefit from this as Open Strategy scholars have identified specific techniques that can be applied to avoid some of the negative consequences of distance.

In this paper, we suggest "openness" in international strategy processes as an approach for MNEs to respond not only to changes in the increasingly complex global environment but also to tackle some of the main challenges in International Management (IM). We ask *if* and *how* Open Strategy processes can critically help and support MNEs to move beyond established dogmas in IB.

Consequences of increasing distance

In a recent bibliometric study of 25 years of IM scholarship Kumar *et al.* (2023) identified the major themes explored in this body of literature. According to their analysis, the most prominently researched topics and questions in IM cover the role of distance – cultural,

psychic, geographical or institutional – and its implications, mainly in the liability of foreignness. In addition, another central theme is innovation and knowledge management in MNEs, which is closely related to the relationship between headquarters (HQ) and subsidiaries, mechanisms of control and coordination and the knowledge flow and transfer between them.

Currently, de- and anti-globalization can be observed, e.g. Western firms leaving Russia because of its war with the Ukraine or firms exiting the UK after Brexit to circumvent new trade barriers with the EU. In both cases, the cause is political change. Meyer (2017) discusses how anti-globalization is fueled by concerns that, e.g. supranational institutions unhinge national sovereignty as their international operations may create imbalances between the required international trade agreements and national policies that are preferred by citizens. In addition, while globalization might be beneficial on average, the gains are not distributed evenly. Those holding capital in developed economies tend to capture value from lower production costs linked to global supply chains but workers are at higher risk of losing their jobs. Consequently, politicians started to champion economic nationalism. This is also paired with the growing rift between Russia and China with the West.

These trends make global integration more complex and therefore increase coordination costs. At the same time, they increase diversity. Like the concept of distance, diversity is concerned with understanding differences across entities and their implications for various outcomes (Lumineau *et al.*, 2021). But in contrast to the traditional interpretation of distance, diversity has been more focused on potentially beneficial consequences, especially related to the interaction and collaboration of more or less “distant” actors (Corsaro *et al.*, 2012; Hagedoorn, 2002). In an IB context, however, cultural diversity is argued to increase a firm’s environmental and internal governance complexity (Hutzschenreuter *et al.*, 2011) and to even stimulate foreign exits to reduce diversity (Hendriks *et al.*, 2024).

However, leveraging the potential of distance by more purposefully acknowledging diversity in the context of MNEs and how to actively manage this diversity offers a new research agenda. Interactions and exchanges between actors who are “distant” on any kind of dimension – e.g. cultural, geographical, emotional – are very likely to increase the flow of information between different sources of knowledge. Especially when being challenged with the need to identify new market opportunities and new trends – e.g. new potential foreign markets, new business models, a new global value chain configuration or the generation of new strategic directions for MNEs – diversity of views and knowledge has been identified to be essential (Lunnan *et al.*, 2023; Mudambi and Swift, 2011). Research has highlighted that small teams with similar backgrounds and homogeneous experience, such as top management teams (TMTs) in global HQs, might suffer from dominant logics and similar cognitive models, which result in biases and limited understanding of foreign markets. This, in turn, influences foreign market selection and entry, as well as post-entry integration (Guercini and Milanesi, 2020). In line with these limitations, Kumar *et al.* (2023) have identified the need to investigate the effect of potential cognitive biases of managers on strategy across cultural contexts as one of the fundamental potential future questions in IM research. Actively leveraging diversity through openness allows combining and recombining knowledge necessary for more successful innovation.

The success of international strategies further depends on their successful implementation and the joint global commitment to a particular strategy. Subsidiaries play a crucial role here (Meyer *et al.*, 2020). Not surprisingly, much research attention within the IM domain has been directed toward the relationship between HQs and subsidiaries and associated strategic concepts, such as the balance between global integration versus localization (Kumar *et al.*, 2023). Managing subsidiaries not only presents major managerial challenges

but also brings to the fore the questions of HQs' role in terms of coordination and control (Meyer *et al.*, 2020) and dissemination of information and knowledge between subsidiaries and HQs (Kumar *et al.*, 2023). Limited knowledge flow and misunderstanding between an HQ and its subsidiaries can lead to a lack of commitment, resistance and integration (Michailova *et al.*, 2016; Michailova and Mustaffa, 2012).

Open Strategy research can offer a new lens to understand how MNEs can overcome these fundamental challenges.

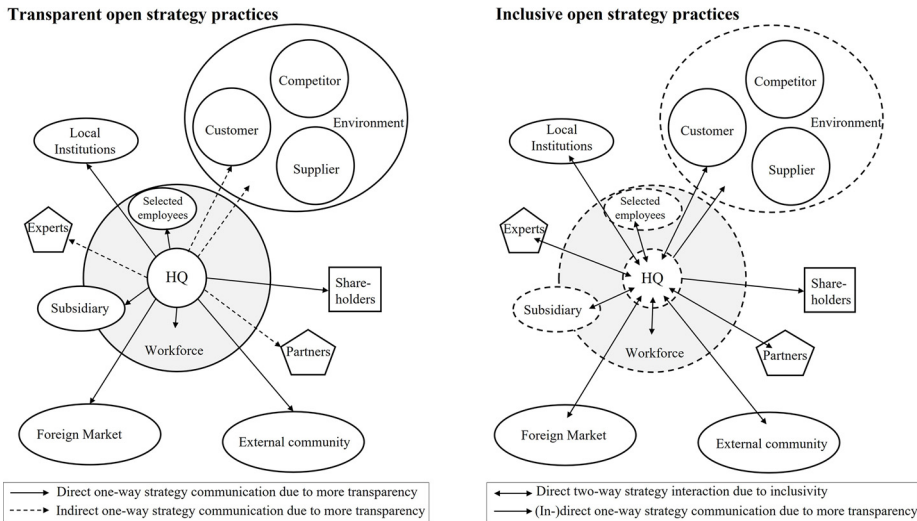
Open strategy as a new lens to interpret distance

Open Strategy has been defined as a “dynamic bundle of practices that affords internal and external actors greater strategic transparency and/or inclusion, the balance and extent of which respond to evolving contingencies derived from both within and without organizational boundaries.” (Hautz *et al.*, 2017, p. 300). Hence, it has been conceptualized based on two main dimensions: transparency and inclusion (Hautz *et al.*, 2017; Whittington *et al.*, 2011). Transparency thereby describes the distribution of strategic information, while inclusion concerns the exchange of “information, views and proposals[,] intended to shape the continued evolution of an organization’s strategy” (Hautz *et al.*, 2017; Whittington *et al.*, 2011, p. 536). Both dimensions may target internal and/or external actors. Conceptual work has further suggested that transparency and inclusion should be considered on several subdimensions, such as inclusion scope/scope of audiences, the depth of involvement, the distribution of decision rights and procedural openness (Hautz *et al.*, 2019; Seidl *et al.*, 2019). Beyond the transparency and inclusion dimensions suggested by Hautz *et al.* (2017), Splitter *et al.* (2023) suggest an even broader understanding of openness, adding the transfer of decision rights as a third dimension. It has been suggested that the dimensions of Open Strategy are “neither dichotomous nor fixed” (Hautz *et al.*, 2017, p. 303) but rather represent a continuum with potentially different degrees of openness. Organizations can dynamically adjust and move between varying levels of openness on both dimensions (Hautz *et al.*, 2017).

To understand *how* MNEs can benefit from openness in an era of increasing distance, the most promising route is a closer examination of specific “open” practices. Research on Open Strategy shows that organizations apply various practices to open up their strategy process. These different practices might allow MNEs to either leverage the potential of diversity inherent in their global organizations or to reduce distance between globally dispersed parts of their organizations.

Organizations engage in *transparent* and/or *inclusive* practices of Open Strategy (Hautz *et al.*, 2019). While transparent forms of openness are simply a one-way communication of strategic information from TMTs and executives to a selected audience within or outside the organizations (Whittington *et al.*, 2016; Yakis-Douglas *et al.*, 2017), inclusive forms are mostly two-way in that they allow various actors to contribute through suggestions and ideas to strategy discussions as well (e.g. Seidl and Werle, 2018; Stieger *et al.*, 2012). How strategic information is diffused across organizational internal and external boundaries is illustrated in Figure 1.

Organizations that apply transparent practices typically increase their strategic transparency to internal and/or external audiences. They do so by sharing strategic information internally, for example, by strategy blogging of CEOs (Whittington *et al.*, 2011), by broadcasting strategic information to external actors and audiences (Gegenhuber and Dobusch, 2017), by live streaming strategy summits (Stadler *et al.*, 2021a) or by targeting specific groups of actors, such as shareholders, with detailed strategy presentations (Whittington *et al.*, 2016; Yakis-Douglas *et al.*, 2017). These forms of transparent communication are often applied via digital technologies to reach a broad audience (e.g.



Source: Figure by author

Figure 1. Visualization of interaction streams and boundary permeability during transparent and inclusive open strategizing

Gegenhuber and Dobusch, 2017). In transparent forms of open strategizing, strategic communication has been reported so far to be directly targeted to specific groups such as employees and shareholders, whereas other actors may only be consulted in inclusive strategy processes (e.g. experts, external communities) and benefit from strategic information diffusion indirectly.

Inclusive Open Strategy practices are inherently more complex as they allow for the active contribution of participants. Figure 1 shows the two-way communication streams across organizational boundaries for inclusive Open Strategy practices and how organizational boundaries get more porous and permeable through the interaction between TMTs and strategists with newly involved participants such as employees from various hierarchical levels, functions or locations, independent of age, tenure or experience. Research has reported so far that beyond employees, external actors, such as suppliers, network partners, universities, startups, customers/users or local institutions, can also be involved. Inclusive practices are either *digital* (e.g. Matzler et al., 2016; Stieger et al., 2012) or *analogue* (e.g. Mack and Szulanski, 2017; Seidl and Werle, 2018). While some actor groups (e.g. suppliers, customers, etc.) may be relevant for inclusion, others (e.g. shareholders) may be kept silent and are just informed about ongoing initiatives.

Analogue forms of Open Strategy comprise inter-organizational workshops (Gattringer et al., 2021; Pittz and Adler, 2016; Seidl and Werle, 2018), partnership collaborations (Pittz et al., 2019), strategy workshops that include external stakeholders (Schmitt, 2010), internal strategy workshops with employees (Mack and Szulanski, 2017; Pregmark and Berggren, 2021; Splitter et al., 2021) and strategy discussions with wider participation (Cai and Canales, 2021). Here, a smaller group of internal and/or external participants are typically carefully selected and actively invited into the strategy initiatives. For example, Splitter et al. (2021) describe how a large multinational financial service provider opened their strategy workshops

and discussions to 40 specifically selected, lower-level employees, as according to the CEO, this allowed him to leverage internal knowledge and integrate business knowledge that otherwise would remain in the dark.

While small analogue workshops typically include selected external actors (e.g. [Gattringer et al., 2021](#); [Seidl and Werle, 2018](#)), increases in workshop size induce shifts to more internal actors (e.g. [Mack and Szulanski, 2017](#); [Splitter et al., 2021](#)). Such small-scale Open Strategy initiatives (e.g. workshops, discussions) typically involve a specific set of actors (e.g. invited experts, selected employees) who are mostly oriented toward specific issues associated with the complexity of business environments (e.g. [Gattringer et al., 2021](#); [Seidl and Werle, 2018](#)). In [Figure 2](#), we summarize different Open Strategy practices according to size and scope.

An example of such a workshop is an exercise conducted by Voestalpine, a European steel producer and global leader in the manufacturing, processing and development of sophisticated steel products with operations in more than 50 countries ([Stadler et al., 2021b, 2021a](#)). In 2016 the company faced an array of challenges putting severe pressure on margins: slowdown of global steel demand, material substitution of steel, overcapacity, competition from China, a downward value-capture spiral, the rise of digital platforms as a channel for trade, a disruption in scale economies, growing sustainability concerns and the circular economy. In addition, regulatory pressures increased to meet the European Union’s 2030 climate and energy goals. Seeking new strategies to enable its continued resilience in this shifting environment, the organization selected a diverse mix of external participants – technology experts, start-ups, scientists, suppliers – and employees from different functions and levels to engage in a series of workshops to identify disruptive trends and to rethink its business models. Based on the knowledge shared, discussed and recombined in these

Scope	external	e.g.: - Intra-organizational workshops - Partnership collaborations - Strategy workshops with experts/externals - Strategy summits	e.g.: - Strategy blogging & presentations - Strategy broadcasting - Crowdsourcing platforms and online contests - Online strategy communities - Mailing lists
	internal	e.g.: - Strategy workshops with selected employees	e.g.: - Organization-wide crowdsourcing initiatives - Employee social networks - Online idea platforms - Strategy Jams - Townhalls
		Smaller groups (mostly analog)	Larger groups (mostly digital)
Size			

Source: Figure by author

Figure 2. Summary of open strategy practices

workshops, Voestalpine decided to start Europe's largest pilot plant for CO₂-free steel production systems using hydrogen electrolysis technology (Stadler *et al.*, 2021b, 2021a).

When the number of included actors in strategy deliberations is increased, organizations typically tend to shift toward digital technologies. To efficiently include larger groups of actors, organizations rely on crowdsourcing technologies (Amrollahi and Rowlands, 2017; Einola *et al.*, 2019; Stieger *et al.*, 2012) and online ideation platforms (Amrollahi and Rowlands, 2018, 2019). These digital technologies facilitate consultation and idea collection (Einola *et al.*, 2019) and allow participants to evaluate them (Hutter *et al.*, 2017). Tools used for this purpose include mailing lists (Heracleous *et al.*, 2017; Luedicke *et al.*, 2017), online strategy communities (Plotnikova *et al.*, 2021), social media technology, blogs (Morton *et al.*, 2020) and dashboards (Doeleman *et al.*, 2021).

The advantage of digital tools is their ability to involve large groups of participants who typically self-select. Diversity in these practices is not achieved through careful selection but is a consequence of the sheer size of the crowd. Digital technologies allow for a substantial reduction of the effort and cost of involving a large number of actors across time zones and geographical boundaries, in some cases involving the entire workforce (e.g. Stieger *et al.*, 2012). In addition, organizations can easily include external participants with digital tools, for example, through external crowdsourcing, contests and platforms (e.g. Aten and Thomas, 2016; Einola *et al.*, 2019).

The example of Voestalpine showed how MNEs can use Open Strategy to potentially reduce knowledge gaps in contexts of uncertainty by enabling both organizational actors and external stakeholders to better integrate new knowledge (see Gattringer *et al.*, 2021). Digital technologies are potentially even more effective in this as they overcome geographic distance easily, thereby allowing organizations to leverage increased diversity.

The second benefit of Open Strategy is reducing the cost of distance. The literature has highlighted that distance often leads to less integration, less communication and exchange and lower levels of engagement and understanding. Hence, IM scholars have focused on the use and effectiveness of various forms of control and coordination by HQs (Ambos and Mahnke, 2010) to overcome some of these limitations. Providing an informal coordination mechanism based on socialization, Open Strategy tools facilitate understanding and increase commitment, making implementation easier. People involved in strategy-making are more likely to develop psychological ownership for the proposed initiatives, which, in the long term, can reduce coordination costs by reducing employee resistance. This primarily gears toward digital practices as these benefits depend on large involvement across multiple types of internal and geographic boundaries. An example is a two-month online crowdsourcing contest Siemens organized to develop new ideas for sustainable business approaches (Hutter *et al.*, 2017). Siemens realized that a global collective approach to idea generation is required to generate novel ideas and buy-in simultaneously. Employees from 44 different countries submitted 850 ideas. International and geographically distanced employees interacted, commented and voted on these ideas, which generated feelings of virtual belongingness and consequentially increased the sense of community (Hutter *et al.*, 2017). Hence, in MNEs, the involvement of staff in debates concerning global initiatives can reduce some of the friction and coordination costs caused by distance.

Implications of openness in international businesses

For many decades, IB scholars have viewed distance primarily as a liability and sought ways to overcome this liability. Increasing globalization reduced distance, and economics provided evidence that, on average, this reduction of distance was desirable. Growing opposition to globalization has forced scholars to consider how organizations can best

manage this new reality. Open Strategy offers a way to complement existing research that looks at improving coordination mechanisms and minimizing the cost of distance, offering, on the one hand, approaches that make distance beneficial and, on the other hand, offering approaches that reduce the disadvantages associated with distance (see [Table 1](#)). In the following section, we combine insights from research on Open Strategy with the major themes and challenges in IM identified above.

Benefitting from distance in multinational enterprises – diversity through openness practices

As most recently highlighted by [Shams et al. \(2021, p. 2\)](#), MNEs, “are [typically] very big organizations with operations in different countries and are at greater risk than smaller firms to fall into a ‘rigidity trap’ due to institutional and organizational inertia related to multiple embeddedness ([Ferraris, 2014](#); [Meyer et al., 2011](#))”. To tackle these challenges in an increasingly complex and volatile global environment for MNEs, it is even more important to develop capabilities to proactively, quickly and flexibly respond to unexpected external changes in international contexts ([Shams et al., 2021](#)). To adapt to changing conditions and benefit from opportunities in new markets, MNEs must adapt and renew their strategies through substantial innovation.

[Hautz \(2017, p. 1962\)](#) argues that such adaptation requires “the systematic combination and recombination of diverse, nonredundant perspectives, knowledge, information, and skills for the creation of new, radical, and ‘good’ ideas ([Burt, 1992, 2004](#); [Woodman et al., 1993](#))”. For MNEs, it is essential to create and build such required dynamic combinatorial capabilities ([Anand et al., 2021](#)). IB scholars interested in innovation have also been long concerned with the question of how a firm’s own geographically distributed knowledge and skills and also those of other actors without firm affiliation and that are located in proximity to them can contribute ([Anand et al., 2021](#); [Iammarino and McCann, 2013](#)). Some of these scholars (e.g. [Giuliani et al., 2005](#); [Kogut and Zander, 2003](#)) pointed at the importance of

Table 1. Implications of openness for international businesses

Leveraging diversity through distance	Reducing distance through openness as social coordination mechanism
<ul style="list-style-type: none"> • Reducing cognitive biases of HQ-centred strategies • Integration of specific local subsidiary expertise • Integration of external, diverse knowledge from local suppliers, institutions, stakeholders • Systematic recombination of different perspectives, knowledge and skills • Leveraging firm- and industry-distant knowledge • Leveraging knowledge heterogeneity through geographical dispersion • Engaging in new practices to Pool and exploit knowledge and resources 	<ul style="list-style-type: none"> • Openness as focus on joint interactions and exchange • Aligning and pursuing collective organizational goals, resources and activities • Building trust and shared understanding and aligning collective behavior • Reducing cognitive and emotional distance within MNEs • Increasing organizational commitment • Joint sensemaking in large, globally dispersed organizations

Source: Table by author

breadth and highlighted the importance of organizational skills that enable knowledge recombination at different levels. The literature has found that a widespread problem within MNEs are tensions that arise between capabilities and knowledge that the company develops in different subsidiaries, associated with different strategic logics and strategic objectives (Bresciani and Ferraris, 2016; Chebbi *et al.*, 2015). Hence, tensions can arise in the related dissemination of knowledge where subsidiary managers of MNEs aim to capture value at their location and meet set goals, while managers of the corporation stimulate reverse knowledge transfer from local subsidiaries to their HQ, to avoid the emergence of islands of expertise (Ferraris *et al.*, 2017; Fourné *et al.*, 2014).

The global reach of MNEs offers the “opportunity to understand alternative paths of innovation and the interaction of knowledge resources inside and outside the firm” (Anand *et al.*, 2021, p. 548). Thereby, MNEs have the potential to overcome not only geographic boundaries but also industry or hierarchical boundaries within organizations. This suggests the potential of openness. However, in their need to access new knowledge, the concept of distance has long been associated with foreignness and equated with challenges and difficulties for MNEs related to this foreignness. This makes it more difficult to recognize that distance can bring powerful advantages when interpreted as diversity. Research has shown that especially actors who are “distant” from a firm or industry are not biased by prior assumptions and beliefs and can, hence, substantially contribute (Jeppesen and Lakhani, 2010). In fact, valuable ideas are more likely to come from individuals with expertise in fields that are further from the focal problem than from individuals whose expertise aligns more closely with it (Jeppesen and Lakhani, 2010). Their “marginality” provides access to more distant and alternative knowledge as well as approaches that may result in new and more effective solutions and opportunities (Hautz, 2017). MNEs with subsidiaries and operations in multiple countries and regions are likely to engage with multiple stakeholders – employees across regions and global suppliers, customers and local institutions – who offer diversity across different dimensions. By opening up strategy processes and actively involving those stakeholders, MNEs can systematically leverage these actors’ “distance”, thereby enabling the appreciation of different viewpoints and the recombination and expertise from different fields.

The IB literature has already acknowledged that distance can generate positive effects by increasing diversity (Lu *et al.*, 2022). IB scholars have researched diversity in terms of heterogeneity and how it affects MNE’s performance across different levels (Fitzsimmons *et al.*, 2023; Ponomareva *et al.*, 2022). In this context, IB “research [relies] on information, knowledge, network or other resource-based rationales to explain performance benefits of diversity” (Fitzsimmons *et al.*, 2023, p. 1411). These benefits include the effect of cultural heterogeneity on team performance (Elron, 1997), national diversity in subsidiary TMTs on subsidiary performance and MNE cultural diversity on the relationship between internationalization and MNE performance (Gong, 2006). Un (2016) finds that subsidiaries of a foreign MNE have a competitive advantage over domestic firms due to their innovation capabilities. She argues that employees of local firms are more monocultural than the diverse workforce in a subsidiary, which limits the local firm’s ability to identify, transfer and integrate the diverse body of knowledge necessary for innovation (Un, 2016). This finding suggests that distance may be a potential asset for innovation, strategic agility and learning. Recently, the argumentation that diversity is a strategic resource (Breuillot, 2021) has been enriched by the recognition that its value also depends on how well it is managed (Fitzsimmons *et al.*, 2023).

Less is known about how to proactively integrate and build on the diverse perspectives of a large number of actors within and outside MNEs from different organizational settings in

local and international markets (Shams *et al.*, 2021). Hence, while there is already the awareness that diversity and heterogeneity can result in benefits at multiple levels, Open Strategy and open practices introduce new approaches to actively and effectively manage this diversity as a strategic resource.

An example of how such an approach could work is provided by the Swedish multinational telecommunications company Ericsson, which uses an online community called Strategy Perspectives that is open to all employees regardless of rank (Stadler *et al.*, 2021a). Like most industries, Ericsson has experienced tremendous challenges and disruption in their global market following the widespread adoption of software-driven and cloud-based delivery infrastructures. By 2018, the Strategy Perspectives community counted more than two thousand registered employees from all over the world with a variety of skills and experiences representing a vast variety of functions, tenures, backgrounds and geographies. This yielded a rich, high-quality discourse that touched not only on Ericsson's formal strategy but also on technology-related trends, culture and management practices. Based on insights discussed in the community, Ericsson engaged in major strategic shifts and restructuring to capitalize on digital market opportunities and, in 2020, pioneered an automated network infrastructure built around an array of experimental machine learning and predictive intelligence algorithms (Stadler *et al.*, 2021a).

However, openness might not only be beneficial to increasing the diversity of knowledge and perspectives but also to the increase of innovation and the identification of new market opportunities. In addition, it might also support entry-mode decisions, a core aspect of internationalization strategies. A recent review has highlighted that changes and trends are currently shifting the attention of MNEs and IB scholars toward "nontraditional entry modes" into international markets (Brouthers *et al.*, 2022). Due to the increasing importance of digital technologies and high levels of integration in international markets and institutional frameworks, the scale and scope of modern firms become a question of involvement and not only of investments (Brouthers *et al.*, 2022; Liesch *et al.*, 2012). These include foreign entry modes such as digital platform ecosystems, virtual presence and innovation outposts through networks which specifically create new opportunities and channels for firms to enter international markets (Chen *et al.*, 2022; Deng *et al.*, 2021; Jean *et al.*, 2021). These nontraditional entry modes significantly shift the attention of MNEs from minimizing transaction costs through foreign operations toward the successful exploitation and exploration of specific resources, mainly knowledge and information (Brouthers *et al.*, 2022). Further, in these nontraditional forms of entering, formal contracts play a less important role than they did traditionally. Hence, there is a need to engage in new practices and channels, which firms can apply to explore and exploit knowledge and resources held by a range of actors, such as investors, network partners, complementors and customers/users (Brouthers *et al.*, 2022). Again, openness and especially open practices of inclusion, provide the potential to explore and exploit knowledge and information from those various actors in new ways.

Reducing distance in multinational enterprises – understanding and commitment through openness

Specifically, knowledge flows and dissemination of information and knowledge between subsidiaries and HQs have been at the center of attention (Kumar *et al.*, 2023). If subsidiaries are seen as organizational entities within the broader structure of MNEs and are formally in subordinate positions to HQs (Meyer *et al.*, 2020), HQs would make the main strategic decisions for the subsidiary. While this agency–principal perspective can be challenged, the need to effectively and efficiently control and coordinate resources and activities across

geographical and organizational boundaries is critical to the success of MNEs (Zeng *et al.*, 2023). Control refers to the efforts to ensure that organizational units strive to pursue organizational goals, while coordination focuses on the efforts to align goals, resources and activities across interdependent organizational units (Zeng *et al.*, 2023). Hence, IM scholars have focused on the use and effectiveness of various forms of control and coordination by HQs (Ambos and Mahnke, 2010), including centralization, standardization, output-oriented mechanisms and socialization (Zeng *et al.*, 2023). In this context, many studies find formal, centralized and standardized control mechanisms to be insufficient and suggest instead a combination of formal and social controls based on interactions between actors from different parts of the organization (Brenner and Ambos, 2013; O'Donnell, 2000), or even more subsidiary autonomy (Beugelsdijk and Jindra, 2018; Wang *et al.*, 2014). Most recently, it has further been suggested that environmental dynamics, rapidly advancing digital technologies and backlashes against globalization, nationalism and the pandemic have changed MNEs' strategies and structures, also changing organizational mechanisms that MNEs can and should rely on for coordination and control (Zeng *et al.*, 2023).

Socialization efforts, which are relational in nature (Verbeke and Fariborzi, 2019), emphasize efforts to connect people and resources that enable frequent communication and informal interaction (Zeng *et al.*, 2023), such as via social media (Fraccastoro *et al.*, 2021). The IB literature has most recently identified the importance of such socialization mechanisms for inter-MNE relationships to create knowledge transfer, the building of trust, as well as shared understanding and alignment of relevant goals and behavior (Fraccastoro *et al.*, 2021; Kano and Verbeke, 2018; Lunnan and McGaughey, 2019; Zeng *et al.*, 2023).

These considerations point to the potential of increased openness in strategy through transparency and involvement to address control–coordination challenges in the HQ–subsidiary relationship. Openness through broadly disseminating strategic information but, even more importantly, engaging multiple actors from subsidiaries in the strategy process can help overcome geographic, perceived cognitive and emotional distance between HQ and subsidiaries. Strategy research has shown that top-down strategizing typically results in high failure rates of strategic initiatives due to implementation problems related to a lack of understanding and commitment among organizational actors (Cândido and Santos, 2015). Before these actors can commit to an organization's strategic direction, they need to know and understand it (Tarakci *et al.*, 2014), requiring strategic consensus, “the shared understanding of the organization's strategy” (Ateş *et al.*, 2020, p. 641; Kellermanns *et al.*, 2011). In addition, commitment, defined as “the shared voluntary effort, cooperation and support for the strategy” (Ateş *et al.*, 2020, p. 641) from organizational actors throughout the organization is needed, which goes beyond demonstrating a positive attitude toward the strategy. It reflects actors' identification with and dedication to a strategy (Wooldridge and Floyd, 1999), as well as their willingness to exert effort by engaging in extra-role behavior and working cooperatively with others (Ateş *et al.*, 2020; Korsgaard *et al.*, 1995).

Based on conceptual work and qualitative evidence (Hautz, 2017, 2019; Hautz *et al.*, 2019; Stadler *et al.*, 2021a), we suggest that openness in the form of increased inclusion can potentially improve these aspects. Inclusion in Open Strategy processes is argued to create an increased consensus and a better understanding on the part of the involved actors (Azad and Zabli, 2021; Matzler *et al.*, 2016), a sense of ownership (Amrollahi and Rowlands, 2018; Doeleman *et al.*, 2021) and ultimately increased commitment (Dobusch *et al.*, 2017; Doeleman *et al.*, 2021), allowing actors to better align their own individual goals with the goals of the organization (Mack and Szulanski, 2017).

Large organizations, such as Telefónica, the Spanish telecommunications giant or Steelcase, the US company that specializes in office furniture, involve their global workforce

across regions and geographical borders through social networks and online strategy jams (Stadler *et al.*, 2021a). This broad involvement has not only resulted in increased commitment but has also supported fast implementation and an increased sense of belongingness to the organization (Stadler *et al.*, 2021c). Relying on digital tools, such as employee social networks or internal online communities, allows for strategic directions and ideas to be widely disseminated, understood and accepted throughout MNEs and across subsidiaries. In addition to the widespread transfer and dissemination of intricate, tacit strategic knowledge, coordinated and collective efforts can be generated to integrate and enact this knowledge effectively (Hautz, 2017). Engaging a large group of organizational actors through Open Strategy practices allows shared beliefs and mutual ability to understand decisions and directions taken which are necessary to get broad acceptance and buy-in of a large group of diverse actors as present in MNEs. In addition, a sense of ownership can be created throughout the MNE, whereas organizational actors relate to or feel psychologically “attached” to their organization’s strategy or a specific strategic initiative (Dawkins *et al.*, 2017; Pierce *et al.*, 2001). Therefore, generating trust, cooperation norms and building reputation are crucial for establishing coordinated action, commitment and support among stakeholders, facilitating the successful realization and implementation of strategic initiatives (Hautz, 2017).

Discussion and conclusion

To cope with ongoing changes in IB environments, MNEs can react by opening up their strategy process to external and internal actors (Gattringer *et al.*, 2021; Whittington *et al.*, 2011). This openness allows organizations to (1) make better sense of the complexities of their business environments, as these often pose a threat to their core business and are argued to potentially disrupt their products, services or business models, and to (2) handle the increasing pressures on traditional mechanisms of control and coordination and instead create joint understanding and commitment toward implementation. Opening the strategy process thereby allows MNEs to gain informational, social, and processual benefits that ultimately lead to increased organizational performance. Figure 3 shows how openness extends and goes beyond established approaches of MNEs to increase inclusion and transparency. We argue that, on the one hand, increasing strategic transparency allows MNEs to benefit from improved coordination by reducing distance. Increasing inclusion in strategizing, on the other hand, allows MNEs to benefit from distance by leveraging diversity. By increasing both dimensions and relying on an Open Strategy, MNEs can benefit from both, reducing distance through coordination and leveraging diversity through distance.

Our consideration implies that MNEs must restructure their existing practices to access and disseminate knowledge across multiple types of boundaries within and outside their organizations. Digital technologies play an especially vital role in this regard, providing the means to significantly reduce the cost of interpersonal exchanges across geographic regions and time zones, with lateral collaboration and lateral knowledge development being supported and enabled (Stendahl *et al.*, 2022). However, despite the vital importance of these technologies, IB literature has given limited attention to them and to social media as important tools for socialization mechanisms (Srikanth and Puranam, 2014; Zeng *et al.*, 2023). Hence, future IB research could focus on the role of digital technologies in supporting and enabling these processes in the context of openness.

The limited attention to digital technologies as socialization mechanisms (Srikanth and Puranam, 2014; Zeng *et al.*, 2023) also indicates the need for IB scholars to increasingly focus their examinations on individuals, their actions and their interactions. While Open Strategy has been studied from multiple theoretical perspectives so far, the majority of these

ongoing strategizing communities (see [Dobusch and Kapeller, 2018](#); [Hutter et al., 2017](#); [Plotnikova et al., 2021](#)). We have limited knowledge about the balance between openness and closure over time, the balance between openness and closure over life-cycle phases of organizations, and the balance between openness and closure across different phases of the strategy process itself. Future studies could explore this impact of time in an international context among MNEs, for instance, in different phases in their internationalization process or across years. In addition, future research attempts could focus on the capabilities of MNEs to become more open in their strategy process and the role of organization learning and reflexivity ([Baptista et al., 2017](#)) in this process. Finally, future studies could engage in comparative case studies to investigate the openness of strategy processes across different types of MNEs and across industries, cultures and geographic regions. Such questions are still to be investigated, and the IB context could be a promising research context to contribute to Open Strategy research.

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Corresponding author

Julia Hautz can be contacted at: Julia.Hautz@uibk.ac.at