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Making an Impression Through Openness: How Open Strategy-Making Practices Change in the Evolution of New Ventures

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While previous open strategy studies have acknowledged open strategy's function as an impression management instrument, their focus has mostly been on short episodes. The impression management literature, meanwhile, pays openness scant attention. By studying how new ventures engage in open strategy-making, we track how open strategy-making and respective impression management benefits evolve over time. Specifically, we draw on a comparative case study of two firms' blog communication on strategy-related issues and corresponding audience responses over a four-year period. We identify three distinct modes of how organizations engage in open strategy-making with external audiences and show how each mode is related to a specific set of impression management effects. Having established the impression management functions of these modes, we then demonstrate how open strategy-making contributes to new ventures' quests for legitimacy as they evolve. In the launch phase, dialoguing with blog audiences helps a venture attract endorsements for its organization and products. As the venture grows, concentrating on broadcasting relevant strategic information may attract media audiences' additional support for pursuing openness as a desirable organizational practice.

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Introduction

Open strategy-making challenges the traditional perspective on strategy-making as being pursued by an exclusive group in an organization's upper echelons, that often envelops strategic processes in a veil of secrecy (Chesbrough and Appleyard, 2007; Doz and Kosonen, 2008; Whittington et al., 2011). Essentially, openness in strategy-making implies increasing transparency and the scope of actors being involved at various stages of the strategy-making process (Whittington et al., 2011). Examples of open strategy include transparently communicating strategy through public presentations (Whittington and Yakis-Douglas, 2012; Whittington et al., 2016), voluntary merger and acquisitions announcements (Yakis-Douglas et al., 2016), utilizing social software (Cox et al., 2008; Haefliger et al., 2011; Whittington et al., 2011), as well as involving wider internal and external audiences into strategic decision-making (Aten and Thomas, 2016; Dobusch and Müller-Seitz, 2012; Haefliger et al., 2011; Luedicke et al., 2016; Matzler et al., 2014). Benefits attributed to open strategy-making include improved understanding of strategic decisions, increased commitment to those decisions, and access to more diverse sources of information, which can result in better overall decision quality (Lakhani et al., 2013; Matzler et al., 2014; Whittington et al., 2011).

Recent work, however, points to an additional function of open strategy-making as an impression management instrument seeking to manipulate the perceptions of external audiences. Drawing upon strategic disclosure literature, Whittington et al. (2016) show how new CEOs openly communicating strategic plans in strategy presentations positively influences shareholder perceptions, then in turn, stock market prices (for a similar approach, see Yakis-Douglas et al., 2016).

These studies convincingly establish the link between open strategy and impression management. However, these studies neither distinguish between separate modes of open strategy-making beyond increased transparency (e.g., including external audiences in decision-making) nor do they link those to various impression management strategies. The impression management literature paid similarly little attention to this issue, since exploiting openness to impress external audiences runs counter to impression management's traditional focus. Most impression management strategies create a favorable appearance at "front stage" while hiding or downplaying less favorable information (Ashforth and Gibbs, 1990; Elsbach, 2003; Überbacher, 2014; Zott and Huy, 2007).

Investigating specific impression management effects of various open strategy modes allows for a longitudinal assessment of open strategy as impression management; such a longitudinal perspective is missing in previous open strategy studies, which mostly look at singular episodes, temporary projects, or short time periods (Aten and Thomas, 2016; Dobusch and

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Müller-Seitz, 2012; Matzler et al., 2014; Stieger et al., 2012; Whittington et al., 2016; Yakis-Douglas et al., 2016). Similarly, in the rare cases where openness is discussed in the impression management literature, it is as a short-term strategy to cope with failure (Bolino et al., 2008; Elsbach, 2003; Marcus and Goodman, 1991). To fully understand and utilize potential impression management benefits of open strategy-making, we need to understand how open strategy-making plays out over time.

A promising setting for studying open strategy-making's evolution and respective impression management effects over time is that of new ventures. New ventures suffer from "liability of newness," a venture's lack of legitimacy, or social acceptance in the marketplace (Aldrich and Fiol, 1994; Stinchcombe, 1965; Zimmerman and Zeitz, 2002). Research shows that new ventures manipulating their audiences' perceptions substantially aids in overcoming the liability of newness (Fischer and Reuber, 2014; Fisher et al., 2016; Lounsbury and Glynn, 2001; Parhankangas and Ehrlich, 2014; Überbacher, 2014; van Werven et al., 2015; Zott and Huy, 2007). Presumably, these manipulation strategies change as a new venture evolves (Fisher et al., 2016), but corresponding empirical evidence is scarce. Hence the calls in the literature for a better understanding of temporal dynamics of new ventures' efforts to shape audiences perceptions to gain acceptance in the marketplace (Fischer and Reuber, 2014; Fisher et al., 2016; van Werven et al., 2015). We therefore ask the following research question: How do new ventures use open strategy-making as impression management over time?

Our investigation's empirical context is a comparative case study of two tech start-ups' blogs. The main data source for analyzing open strategy-making practices is 702 blog posts and corresponding users' comments on our two cases' blogs over a four-year period. Blogs are an increasingly common instrument for organizations to communicate and interact with external audiences (Cox et al., 2008; Haefliger et al., 2011). The chronologically-sorted blog posts allow us to track organizational communication practices associated with open strategy-making over time and analyze the corresponding blog audience responses as well as relevant business press coverage.

Based on our empirical study, we take our understanding of open strategy-making as impression management two steps farther. First, we find that new ventures use three open strategy modes in their interactions with external audiences: broadcasting (transparently communicating relevant information), dialoguing (asking users for opinions and engaging in conversation), and including (involving external audiences in decision-making). Our data shows that each mode enables organizations to tap into a specific set of impression management effects. For instance, dialoguing with users and soliciting their opinions can be leveraged as flattery (ingratiation) and organizational self-promotion (projecting an image of competence). We thereby also contribute to the impression management literature by providing an understanding how openness enriches the organizational repertoire of proactive impression management strategies.

Second, we show that, over time, both ventures place different emphases on various open strategy modes and associated impression management effects. Our longitudinal data analysis reveals that as new ventures evolve, open strategy-making as an impression management instrument contributes to overcoming liability of newness. An emphasis on dialoguing with users in the launch stage leads to blog audience endorsement for a new venture and its products. As the organization matures, broadcasting strategically-relevant information may yield additional support from media audiences for pursuing openness as a socially-desirable organizational practice.

Open strategy-making as impression management

Chesbrough and Appleyard (2007, 58) develop 'open strategy' as balancing "the tenets of traditional business strategy with the promise of open innovation." Further conceptualizing what lies behind the 'open' in 'open strategy,' Whittington et al. (2011, 531) distinguish between "more transparency inside and outside organizations and more inclusion of different actors internally and externally." Chesbrough and Appleyard (2007) and Whittington et al. (2011) demarcate open strategy as distinct from 'traditional' or 'closed' approaches to strategy-making, which they consider exclusive and opaque.

The underlying premise of open strategy-making is that the benefits of implementing strategic decisions increase when more actors are involved in implementing or otherwise affecting the strategic outcome. For example, a CEO or top management team's strategic plan is toothless without employees understanding and committing to it (Matzler et al., 2014; Mintzberg et al., 1998; Whittington et al., 2011). In general, previous literature on open strategy has highlighted that greater openness in strategy-making increases internal and external audiences' understanding of and commitment to an organization's strategy. Additionally, including more actors in strategic decision-making allows organizations to tap into actors' distributed knowledge and locate useful input (Aten and Thomas, 2016; Dobusch and Müller-Seitz, 2012; Lakhani et al., 2013; Matzler et al., 2014; Stieger et al., 2012; Whittington et al., 2011).

While acknowledging openness' potentially substantial contributions to organizational strategy-making, we instead want to focus on another potential benefit of openness in strategy-making. The strategic disclosure literature already points to an additional open strategy function, namely, revealing strategic information as an instrument for self-enhancement and shaping corporate reputation (Martens et al., 2007; Whittington and Yakis-Douglas, 2012). As Whittington and Yakis-Douglas (2012, 404) state, strategy communication is a reputation management instrument emphasizing "deliberate and discretionary use of communications to construct corporate reputations." More recently, Whittington et al. (2016) are the first to have conceptualized strategy presentations within an open strategy framework as an impression management instrument. In a similar vein, Yakis-Douglas et al. (2016) explore how openness in merger and acquisitions announcements can be used to impress investors and analysts.

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