Overcoming cultural resistance to open source innovation

John Winsor, Jin Paik, Mike Tushman and Karim Lakhani

John Winsor, the founder and CEO of Open Assembly (john@open-assembly.com), is an Executive in Residence at the Laboratory for Innovation Science at Harvard (LISH). Jin H. Paik is the Program Director and Senior Researcher at LISH (jpaik@hbs.edu).
Mike Tushman is a Professor of Business Administration at Harvard Business School and Director of Change Logic (mtushman@hbs.edu).
Karim R. Lakhani is a Professor of Business Administration at Harvard Business School and the founder and Co-Director of LISH (klakhani@hbs.edu).
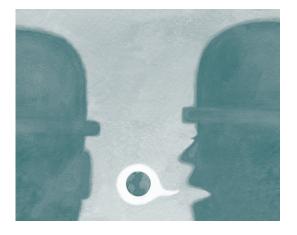
W hen David Jones, the CEO of Havas Creative ad agency with 316 offices located in 75 countries, acquired the small Denver-based agency Victors & Spoils in 2012, his idea was to bring V&S's revolutionary crowdsourcing approach and culture to one of the world's biggest advertising, digital and communications groups. His mandate to the Havas C-suite team: Adopt digital practices immediately: "I knew it would be essential for Havas, if we wanted to remain relevant, to lead the way in digitizing agency practices and adopting open source systems and tools like the model V&S was already using," he recalls.

V&S was the first advertising agency built on crowdsourcing principles. It offered a digital platform model that drew its creative ideas and talent from a crowd of participants outside the company who generated creative ideas for ad campaigns for one third the price Havas charged for the same work. The CMO of a prominent client, Harley-Davidson, Mark-Hans Richer said he saw "more great ideas in a one-hour meeting with" the V&S team than from any of his previous agencies.[1]

Jones's vision was to link V&S's crowdsourcing methods to Havas' creative-centric approach to advertising. He installed John Winsor, a founder of V&S, as the Chief Innovation Officer of Havas and asked him to integrate V&S's digital way of doing business into the culture and practices of the global agency.

Winsor's tenure at Havas was brief and frustrating. Havas's senior team, which saw the open source model as a threat to their prestige as creative talent, simply rejected the new ideas and approaches that Winsor and Jones championed. Just three years after the acquisition, Jones left his CEO post and Winsor resigned shortly thereafter. Havas was acquired by Vivendi in 2017, a French mass media conglomerate, and in 2018 it closed V&S.[2]

The story of V&S and Havas is a cautionary tale as it is recounted in several Harvard case studies and *Adweek* news stories. As Adweek summed up the situation, "According to the Harvard study, the company's biggest challenge (and, in retrospect, the reason for its failure) was the inability of traditional 'legacy' operations to accommodate new players who threaten to upend the old ways of doing things." Companies that let their old culture reject the new risk becoming obsolete if doing so inhibits their rethinking of their future using powerful tools like crowdsourcing, blockchain, customer experience-based connections, integrating workflows with artificial intelligence (AI), automated technologies and digital business platforms. These new ways of working affect how and where work is done, access to

information, an organization's capacity for work and its efficiency. As important as technological proficiency is, managing the cultural shift required to embrace transformative industry architecture – the key to innovating new business models – may be the bigger challenge.

Addressing threats

Havas's disastrous experience trying to introduce open sourcing certainly is not an isolated example. To date, few incumbent organizations have successfully adopted open source tools and systems. Through many conversations with managers at *Fortune* 500 organizations and other research findings at the Laboratory for Innovation Science at Harvard (LISH), it has become clear that though many organizations practice elements of open innovation, few have been able to gain the traction needed to adapt and scale open systems for a whole organization.

One tested solution is for organizations to adopt Prof. Michael L. Tushman's Ambidextrous Model, which provides insight into how companies can adapt to changing markets by remaining focused on their core business while simultaneously dedicating resources to explore new opportunities.[3] But what does it mean to be ambidextrous when it comes to adopting open systems? Tensions between the old and the new remain, especially in cases where digital changes confuse and threaten the practice of business as usual. Many companies are stuck, unable to shift their culture, structures, metrics, mindsets and identities to a new way of getting work done, even when their leader, like Jones at Havas, has foreseen the need and communicated a mandate for change.

As the history of attempts to scale open innovation at venerable organizations like NASA show, cultural threats are an enormous problem.[4] Professionals, for example, often worry that adopting open innovation will affect their own roles, and perhaps lessen their value to the organization. Unit managers who have invested career time in a brand or a market are concerned that technology innovations may change the core identity of the firm or business unit, thus lessening the value of their experience and expertise. The key is to clearly communicate that the open system is a complement to existing capabilities and that these dual capabilities are linked to an overarching identity for the firm.[5]

How to introduce open source innovation

Rather than promote the introduction of the open system with a dramatic announcement and mandate, followed by a public relations blitz, it's essential to sensitively tend to a company's internal culture, listen more and request one-to-one conversations – especially with the people who are protesting the most. Meet with interested managers to generate more client proof points. Form a good internal communications program to champion and humanize the vision, the people and the results of the program. With

> **"As important as technological proficiency is, managing the cultural shift required to embrace transformative industry architecture – the key to innovating new business models – may be the bigger challenge."**

> **"We are reworking our message from talking about innovation and disruption to talking about tools that help employees access additional resources that will build on ideas or products they already have."**

client excitement, a business model that demonstrably works, good story sharing and a few internal champions, it's easier to build more internal and external momentum. Here is a step-by-step process to facilitate adoption.

Emphasize that the traditional employee base remains intact

Begin by clearly communicating how adopting open systems will affect the larger ecosystem of the organization. Share that the traditional way of doing business will not change and is in fact core and essential to the overall strategy, which ensures traditional employees that their professional identities will not be threatened. Addressing unspoken fears in this way increases the likelihood that employees will emotionally engage and be more open to the overall vision adopting open systems and tools.

Steve Rader, Deputy Manager for the Center of Excellence for Collaborative Innovation (CoECI) at NASA, began utilizing open tools like crowdsourcing to tap the talents of the world-wide scientific community ten years ago. Rader over time has changed his language when communicating with employees, to help them understand their role and relationship to the new open systems Rader's program makes available to them. "We are reworking our message from talking about innovation and disruption to talking about tools that help employees access additional resources that will build on ideas or products they already have," says Rader. "A lot of problem solvers don't want to outsource. They want to solve the problem themselves. Open systems become more appealing when we position these services as tools that let the employees bring in some of the latest and greatest technologies that they can use to advance their original idea and project."[6]

Begin small, by working with an internal crowd

Once leaders have effectively articulated the vision, strategy and benefits of open systems to the leadership team and employees, begin to integrate the open system by first tapping the talent of the crowd already working within the organization – the internal crowd. Internal crowd members are already organizational "insiders," and once they are reassured that the organization values and supports both the traditional business model and new approaches to innovation they can become potential allies in the implementation of new initiatives.

The Commonwealth Bank case. Commonwealth Bank, one of Australia's largest financial institutions, began its innovation program by tapping its internal employees. The bank built a digital platform called "Unleashing Innovation" to host internal crowdsourcing contests and provide a set of channels that employees across the organization can access at any time to submit new ideas to improve the bank's products, processes, systems and services. Employees from different business units collaborate with each other through the platform to come up with solutions to enhance their customers' experience with the bank, or improve efficiencies in their internal operations. "The "Unleashing Innovation" platform has made it easier for teams and people across the bank to collaborate at scale, regardless of who they are, what they do or where they're

located," says Jesse Arundell, Open Innovation & Partnerships Lead at Commonwealth Bank of Australia. "Now everyone is innovating and improving what we do for the benefit of the customers and communities we serve."[7]

Next, tap individuals from the freelance market

After establishing and communicating success using open systems to tap talent already inside the organization, next begin introducing open source tools that engage individual freelancers who contract with the organization to complete specific tasks. In most cases, working with a freelancer is a 1:1 proposition, even when they are enlisted through a talent sourcing platform. Therefore, utilizing this type of open source tool requires personal attention to the relationship by qualified internal talent.

Last, introduce external crowds and contests once the company has become comfortable tapping talent using open tools

Begin to work with an external crowd to solve problems and surface ideas only after traditional employees have practiced using open systems internally, and the experiences and results have been communicated throughout the company. Tapping an external crowd to solve problems typically involves running a contest. Crowd contests can create profound and impactful results in myriad areas. One of the keys to adoption is to continue to give credit in internal communication programs to the individuals working within the traditional organization model who designed and supervised the contest, instead of only to members of the crowd who solved the problem. This makes it clear that traditional employees will not only be valued, but will be central in the adoption process.

Working with an internal crowd, with freelancers and with an external crowd, while continuing as a traditional organization with salaried staff represents a more holistic way of getting work done. Thinking of these talents as interdependent components of a whole business ecosystem encourages staff in traditional organizations to feel less threatened.

A retrospective: vision, strategy and cohesive senior teams are required to make change non-threatening and culturally acceptable

In retrospect, many mistakes were made when V&S was brought into Havas. The acquisition disrupted the status quo. The decision makers didn't consider the culture when asking Havas's creative executives and support teams to adopt this new model. Instead, Havas executives perceived V&S to be a threat to the traditional team's budgets, talent and individual professional identities. V&S executives came into the company boldly and provocatively and created disruption. Yet from that epic fail, came insights that have led to more effective ideas for helping organizations adapt.

> **"Open systems become more appealing when we position these services as tools that let the employees bring in some of the latest and greatest technologies that they can use to advance their original idea and project."**

Jones and Winsor unknowingly colluded in this failure. Had Jones and the board clearly articulated the goal of Havas' strategy to be world class in traditional and digital media and coupled this strategic shift with an overarching identity that would emotionally engage Havas' professionals and clients, his creatives might have seen open sourcing of talent as an opportunity not a threat. Further, Jones did not develop a cohesive senior team that supported his aspiration to be world class in applying both open source and internal talent to creative advertising. Powerful senior team leaders who were profoundly ambivalent remained on Jones' team and undermined Winsor's work with V&S. Also, Winsor could have communicated better about how an open system like V&S could have fitted into the larger ecosystem of Havas. He could have said no to being appointed Havas' chief innovation officer until he had more client successes. Finally, had Jones and Winsor explained to creative executives that V&S would operate, and in fact could only operate, in coordination with the traditional way of working, the fate of Havas would likely be different.

Introducing a new business model into an incumbent system will always be disruptive and traumatic. And yet, why let a good disruption go to waste? Our subsequent research into successful and unsuccessful adoptions of potentially transformative technologies provides insight on how to effectively help incumbent organizations prepare for global business shifts to open source and digital business models.

The overwhelming evidence is that open source systems work and that they are complements to traditional systems. The goal is to make the transition more productive and less traumatic for incumbent firms by providing a language and tested methods to help senior leaders use innovative technologies to build on their core even as they explore new business models.

How open source companies can protect intellectual property rights

Protecting intellectual property (IP) rights is among the top concerns for companies transitioning to open source models. Firms protect IP through contracts both with the talent platform and with the talent itself. Companies additionally protect their IP from exposure by anonymizing the problem when running open source contests, or working with talent, so that the company seeking a solution is unidentified. Successful companies begin the open source model process by engaging IP counsel and other stakeholders in HR and procurement early and thoughtfully to help projects proceed smoothly and ensure that the entire team understands the protocol, respects the chain of command and is prepared to listen to stakeholder opinions.

Notes

1. Lakhani, K.R. and Tushman, M.L., "Victors & Spoils: 'Born Open'." Harvard Business School Multimedia/Video Case 415-701, September 2014.

2. Coffee, P. (August 9, 2018), "End of an Era as Havas 'Crowdsourcing Agency' Victors & Spoils Closes Shop," *Adweek*.

3. Michael L. Tushman is the Paul R. Lawrence MBA Class of 1942 Professor of Business Administration at Harvard Business School. He is the co-author, with Charles O'Reilly, of *Lead and*

Disrupt, (Stanford University Press, 2016). The Ambidextrous Model is discussed in detail in "The Ambidextrous Organization," *Harvard Business Review*, April 2004 Charles A. O'Reilly III and Michael L. Tushman.

4. Davis, J.R., Richard, E.E. and Keeton, K.E. (2015), "Open Innovation at NASA A New Business Model for Advancing Human Health and Performance Innovations," *Research – Technology Management*, 52-58.

5. Richard, E.E., Davis, J.R., Paik, J.H. and Lakhani, K.R. (2019) "Sustaining open innovation through a 'Center of Excellence,'" *Strategy & Leadership*, Vol. 47, No. 3.

6. Rader, Steve, May 8, 2019, interview for *Open Assembly Quarterly 2019 Vol. 1.*

7. Catchpole, H., October 15, 2018, interview with Jesse Arundell, Careers with STEM, https://careerswithstem.com.au/profiles/cba-jesse-arundell/

Corresponding author

John Winsor can be contacted at: john@open-assembly.com