When Leaders Fail to Execute Strategy: Insights from Marketing Research

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The Better Half of Strategy

As it turns out, leaders are better at designing strategy than implementing strategy. Executives spend countless hours in "war rooms" mapping their competitors' next moves, anticipating customer demands, identifying core competencies, and seeking strategic opportunities for growth. The curtain opens and a new strategy is born.

m-2float: right;https://www.youtube.com/embed/3YEMsc0Bgxs?list=PLZ3khUxaJ_ug-ipJLHuFBk2QGzEmqkUmk400225 Relatively speaking, executives do a good job at strategy design. Over the past few decades, leaders have become more adept at utilizing information to make strategic decisions, especially given the vast array of data available to shine light on their competitive landscapes.

Envisioning future success, attempting to see around the next corner, clarifying the corporate vision, and developing the next organizational strategy is what successful leaders do well. Envisioning the future is a large part of their ongoing creative work. Often it is what they enjoy most. Yet how well do leaders implement their strategic plans?

Having penned a blueprint for future success, leaders then encounter the challenge of executing their. Interestingly, the research indicates that "strategy implementation" is more challenging than "strategy design.

The Other Half of Strategy

Implementation is often where strategic efforts fail. Most executives can vividly recall times when they encountered unanticipated resistance and had to abandon their plans. While many leaders enjoy the creative process of designing strategy, they are frequently frustrated when initiatives fail to go as planned.

As reported by the American Management Society, "The Conference Board's recent Survey of CEOs revealed that chief executives are so concerned about strategy execution that they rated it as both their number one and number two most challenging issue. For anyone who's tried to execute strategy, this finding should come as no surprise: it's estimated that more than 60% of strategies are not successfully implemented."

Why do some of the best-laid plans go awry? How can leaders create a strong base for implementing strategy? In our "Call for Papers" we note that for too long Human Resources and Marketing departments have simply co-existed in organizations, sometimes competing for scarce budget dollars, but otherwise ignoring each other. The evolution of customer experience marketing on one hand, and the insights from employee engagement research on the other hand has led HR and Marketing to discover a combined one-two punch for people and strategy. What lessons can we learn from marketing, about the successful execution of strategy?

In this issue of *People & Strategy*, we review a new study that addresses the challenge of strategy implementation. Charles R. Greer (Texas Christian University), Robert F. Lusch (University of Arizona), and Michael Hitt (Texas A&M University) recently published an important study that utilizes a marketing approach for HR to adopt as a base for strategy implementation. Their article is entitled, "A service perspective for human capital resources: A critical base for strategy implementation." The study was published this year in the *Academy of Management Perspectives* (2017).

The SDL Marketing Approach

The service-dominant logic (SDL) perspective is a marketing approach that has implications in HR and strategy. It has long been understood that strategy execution is accomplished through human capital. Top management engages middle and lower-level managers to establish processes and drive results that align with the strategic plan. "Thus, managerial actions to successfully implement strategy require the firm's human capital to effectively accomplish tasks designed to achieve implementation goals." The question then is: *How* can human capital be managed to best implement the firm's strategy?

According to Greer, et al., leaders can significantly improve the chances of successfully implementing strategy by incorporating the service-dominant logic. SDL is based on a service perspective that includes several components, including, "concerted interaction (e.g., seamlessly working together), developmental interaction (e.g., educating, information sharing), empowered interaction (e.g., enabling customer or partner influence), ethical (e.g., non-opportunistic, not misleading), individuated interaction (e.g., process or contextual sensitivity), and relational (e.g., bonding, emotional linkage) capabilities. An overview of key concepts of SDL is shown in Table 1.

Table 1 - Service-Dominant Logic in a Nutshell [iii]

Selected Key Concepts	Description
Resources	A resource is anything that can be drawn upon for support —either tangible or intangible, internal or external to the actor, operand or operant. Resources are a function of human appraisal.
Resource Integration	From the integration of resources new resources emerge. These can in most cases be disassembled back into the component resources, but sometimes the integration results in emergence of a resource that cannot be disassembled. This is often the case with integration of intangible resources.
Customer Focus	The question is not what to sell customers but more deeply how to help customers to get one or more jobs done (i.e., accomplish a goal or resolve a problem).
Service Embedded in Goods	Service is a transcending concept: Service can be provided directly or indirectly via a tangible good. Thus, all firms are service firms, and all economies are service economies.
Value in Use	This does not ignore value in exchange but focuses on value in use by the beneficiary. It involves deep learning about how the beneficiary (customer) uses the service you provide.
Dialogic Communication	This is focused away from debate and toward learning together. Build trust, solidarity, and relationships through learning together at all levels of the organization.
Co-creation and Co-production	Co-creation is not optional; we all depend on others, co-evolve, and co-create. Most of this is indirect through a service ecosystem. However, a subset of co-creation is co-production, where the entity is directly involved in

Selected Key Concepts	Description
	helping produce market offerings. How can suppliers and customers and potentially other stakeholders be co-producers of mutual benefits? What jobs can we hire the customer to do? What jobs can suppliers hire the firm to do?

Shamelessly Stealing from the Field of Marketing

Lessons learned from the field of marketing can provide new insights for leaders and HR professionals with regard to human capital and strategy implementation. Historically, marketing professionals believed that the best way to increase market share was to focus on the product. That is, a product-dominant logic (PDL) focused on building better products with lower prices.

More recently, many marketing professionals have abandoned the product-dominant logic in favor of the service-dominant logic. In the SDL perspective, "customers are not passive entities to which firms target their products and services, but rather active participants working with employees, suppliers and other partners." This partnership approach (both internal and external partners) holds true for both the development and execution of strategy.

So strategy implementation, while initiated by the top management team, includes partnerships and relationship building among the top, middle and lower management, front-line employees, suppliers and customers. Each has a role to play in the co-creation and co-production of strategy. The most important stakeholders may be customers, which should enjoy an active relationship with the firm. "Thus, firms must build relational capital to facilitate strategy implementation (and) relational embeddedness exists when there is trust, regular information exchange, and joint problem solving between the parties. Such embeddedness leads to the development of relational capital (which) helps the firm access new resources, especially human capital, and better use of existing capabilities based on the firm's human capital…."

An important point to note is that these relationships are built over time with external stakeholders and are based on the human capital capacities to orient externally. "The strategist needs the implementer and vice versa. You cannot build strategy on the top floor where the elevators are locked….You have to have the experience from the customer interface."

This then leads to the question: What is the relationship between human resource architectures and the implementation of the firm's strategy? A service-dominant logic (SDL) orientation embedded within the organization's human capital has been shown to be positively associated with customer's perspective of value, trust, satisfaction, loyalty, and enduring relationships, collaboration, and engagement as well as with firm market and financial performance. This study also suggests that when the human capital is oriented toward the service-dominated logic (SDL), strategy implementation increases.

The Service-Dominant Logic & Human Capital

The core proposition of Greer, Lusch and Hitt's study (2017) states that a service-dominant logic orientation toward managing human capital will increase the success rate of a firm's strategy implementation. This is especially important given that a majority of strategies do not fail in the design phase, but rather in the execution phase.

Several important implications emerge from the study. Table 2 provides a list of key areas where leaders can focus to embed a service-dominant logic within their firm's human capital and, in turn, impact strategy implementation.

Table 2 - Service-Dominant Logic for Human Capital Resources in Strategy Implementation (Revised) [iv]

Elements of Service-dominant Logic (SDL) from Marketing Research	Management of Human Capital Resources
• **Establishing the primacy of transcending service relationships**	• **Applying guidance from SDL**
• **Focusing on customers and other stakeholders**	• **Selecting and developing HCR with SDL capabilities**
• **Exchanging service rather than transactions focused on goods**	• **Minimizing status differentials**
• **Exchanging service rather than transactions focused on goods**	• **Minimizing status differentials**
• **Fostering enduring relationships**	• **Developing capabilities for knowledge transfer**
• **Emphasizing mutual respect**	• **Developing capabilities for relational complexity**
• **Emphasizing candid dialogue rather than propaganda**	• **Bundling complementary HCR with insights from SDL**
• **Engaging in symmetrical information exchange**	• **Developing HCR that will promote continuity**
• **Relying on mutual trust created by relationships**	• **Developing systems for rewarding cooperation and reciprocity**
• **Collaborating and doing things together**	• **Selecting and developing HCR with boundary-spanning capabilities**
• **Focusing on continuity/reciprocity & evolving with interdependency**	• **Deploying resources with consideration of the context (e.g., right people in the right place)**

For an interesting look into HR's role in supporting strategy implementation, view a video of the key points of this study produced by Greer, Lusch and Hitt (2017).

Insights for HR Leaders on Strategy Execution

In a personal interview conducted with the lead author of this study , Dr. Charles R. Greer stated that before SDL, the goal in marketing was to take a product and use propaganda to sell it. Many in the marketing field have evolved away from this and have adopted a service-dominant approach. The goals in this SDL approach are a manifestation of a service mindset – a perspective that is informed by a deep knowledge of customers' needs and a recognition that relationships matter.

For example, instead of assuming the customer wants a ¼ inch drill, an SDL orientation would lead one to understand that the customer really wants a ¼ inch hole. The SDL-oriented firm would then work with the customer on executing a plan that would best serve their needs and perhaps provide a product with prefabricated holes, rather than offering a drill.

In the SDL-oriented firm, hierarchical distinctions and status differentials are minimized to improve collaboration and increase the flow of customer information. All levels of the firm (multi-level and multi-unit) engage in fostering enduring and interdependent relationships across units and with customers. Candid dialogue is valued over propaganda. Executives and HR leaders engage employees in developing a service-dominant mindset and interdependent relationship with suppliers and customers.

Rather than announcing a new organizational strategy from the top floor, leaders in an SDL-oriented company engage suppliers, employees and customers in open discussions during strategy formulation, which in turn lead to higher levels of engagement during strategy execution.

While the service-dominant logic (SDL) approach was developed in and transformed the field of marketing, this study points out that the same logic can be used by executives and HR leaders in the management of human capital to improve strategy implementation. Human resource leaders have an important role to play as architects of organizational culture and builders of the critical base that supports successful strategy execution.

[i] Barrows, E. (2014). What is strategy execution? New York: American Management Association. See http://www.amanet.org/training/articles/what-is-strategy-execution.aspx

[ii] Greer, C.R., Lusch, R.F. & Hitt, M.A. (2017). A service perspective for human capital resources: A critical base for strategy implementation. *Academy of Management Perspectives.* 31 (2) pp. 137-158.

[iii] Ibid

[iv] Ibid

[v] Mantere, S. (2008). Role expectations and the middle manager strategic agency. *Journal of Management Studies*, 45, 294-316.

[vi] Greer, C.R., Lusch, R.F. & Hitt, M.A. (2017). A service perspective for human capital resources: A critical base for strategy implementation. *Academy of Management Perspectives.* 31 (2) pp. 137-158.

[vii] Personal interview communication with Charles R. Greer (June 28, 2017).