Abstract and Keywords

Little systematic research has been done on strategy implementation, yet there is a body of work providing guidance for implementation efforts. The authors examine three basic collections of work on resources and governance, managing human capital, and accounting-based control systems, explaining how these issues have implications for strategy implementation. Although the chapters in this Handbook provide many useful insights concerning issues that must be addressed in order to effectively implement firms’ strategies, there is need for more and systematic work. The purposes of this final chapter are to identify promising future research directions and to serve as a catalyst for the creation of additional collections of work that can enhance our understanding of strategy implementation. The five specific topics for which more work on strategy implementation is needed are innovation and entrepreneurship, marketing strategies and services, managing operations, managing financial assets and human capital, and strategies (international, acquisitions, differentiation).

Keywords: strategy implementation, international strategy, acquisition strategy, differentiation strategy, marketing strategy, managing resources, financial assets, human capital, innovation, entrepreneurship
the creation of additional collections of work that can enhance our understanding of strategy implementation.

In the formulation and implementation of strategies, the firm’s external context is important. Specifically, legal, regulatory, economic, and competitive environments play critical roles in the development of strategies and in their implementation. Likewise, firm characteristics such as corporate governance processes, ownership structures (especially concentrated and institutional ownership), and available resources are important factors that influence strategic decisions. Owners with concentrated equity in the firm and boards of directors should provide oversight to ensure that decisions are made in the best interests of shareholders, but a firm also must have the resources needed to implement the strategies derived and it must establish a structure that facilitates the implementation of the chosen strategies. Figure 1 illustrates a general framework for understanding strategy implementation that includes these dynamics and suggests areas for future research that we examine in this chapter.

As shown in Figure 1, there are five specific topics for which more work on strategy implementation is needed. These include ways in which international strategies, acquisition strategies, and differentiation strategies are implemented; how to effectively manage financial assets and human capital, both of which can be especially critical in the implementation of strategy; the design and implementation of effective operations such as flexible production systems and a carefully coordinated and efficient supply chain; the role of marketing tactics and the support services offered to customers, which are especially important for firm strategies that rely heavily on differentiation; and, finally, the special actions that are needed to implement innovation strategies and corporate entrepreneurship. In the remainder of this chapter, we delve into these five implementation foci and suggest possible directions for future research.

**Implementation of Specific Strategies**

**International Strategy**

International strategies have become exceedingly important given the interdependent global economy, critical development of emerging economies, and global and regional competitive landscapes. The market opportunities for firms both established and new have grown dramatically, but the challenges are also greater. There is also a significant amount of research on international strategies, as evidenced by the recent meta-analysis
of studies examining the relationship between internationalization and firm performance (Marano, Arregle, Hitt, Spadafora, & van Essen, 2016). Specifically, Marano et al. analyzed 359 studies of firms across 32 countries and found that a firm’s internationalization–performance relationship was moderated by that firm’s home country’s formal and informal institutions. Also, there is a significant amount of research on the modes of international market entry, a major implementation question. More recently, research on the choice of markets to enter and the mode of entry has focused on regionalization or semi-globalization (Arregle, Miller, Hitt, & Beamish, 2013, 2016) and on the effects of the home and host countries’ institutional environments on firm strategies (Ahlstrom, Levitas, Hitt, Dacin, & Zhu, 2014; Hitt, Li, & Xu, 2016; Holmes, Miller, Hitt, & Salmador, 2013). These areas offer significant opportunities for research on international strategy implementation. For example, how do the means of implementation affect the influence of a firm’s international strategy on the resulting performance? What effect does the institutional environment have on the specific entry modes chosen? How are the local foreign operations managed? These are very important implementation questions (Hitt, 2016). How do firms using a semi-globalization strategy navigate within geographic regions? Do they seek to maximize their economic opportunities with arbitrage across different national institutional environments (Arregle et al., 2013, 2016)? Thus, there are significant opportunities for new research and to aggregate and evaluate the substantial amount of existing research to better understand how firms implement their international strategies and how they can maximize their economic returns in doing so.

**Acquisition Strategies**

It has been well known for some time that acquisitions on average create few if any positive returns. An acquisition strategy is one of the major ways that firms seek growth. The other major growth strategy is organic, by expanding current markets, developing new markets for current products, or introducing new products. Acquisitions provide a way of achieving major growth faster than through organic means. However, even though acquisitions are a frequently used strategy, they often fail. And these failures are commonly the result of ineffective implementation. For example, acquisitions have been criticized because of the significant premium paid to acquire the target firm. This premium, which is the amount exceeding the current market value of the target firm’s assets, is based on the premise that the merged firms will create synergy (enhanced value beyond the current value of the two firms operating independently; Sirower, 1997). Yet the manner in which the merger is implemented often prohibits achievement of synergy (Krishnan, Hitt, & Park, 2007). Krishnan and colleagues (2007) found that many acquiring firms paying significant premiums greatly downsized the employee base of the
acquired firm in order to reduce costs. However, in so doing, the acquiring firm lost valuable human capital that represented the potential value of the acquired firm. As a result, Krishnan et al. (2007) found that the acquired firm was unable to achieve the positive returns expected after the acquired firm’s operations were merged into the acquiring firm.

A primary reason that acquisitions fail is the inability of the acquiring firm to effectively integrate the acquired firm’s cultures, assets, and operations into the acquiring firm’s operations (Hespelgh & Jemison, 1991). Contrasting corporate cultures, unique central information systems, increased turnover because the acquired firm’s employees feel vanquished, and a lack of understanding of the true value of the assets acquired contribute to the inability to achieve effective integration (Teerikangas & Joseph, 2012). An additional goal in mergers and acquisitions is to learn and develop/acquire new capabilities (Barkema & Schijven, 2008). It can be especially valuable to build technological capabilities through acquisitions. Yet, such technological learning is only possible through careful selection of targets to acquire, followed by highly effective integration after the acquisition. Makri, Hitt, and Lane (2010) found that acquisitions in which the two firms had complementary technologies and related science knowledge were able to create new technological knowledge on which to build innovations. Learning and building synergy can be more challenging in cross-border acquisitions (Hitt, Harrison, & Ireland, 2001). Of course, an acquisition is a primary mode for entering a foreign market and thus subject to the institutional complexities noted in the previous section.

Of course, when acquisitions fail, corporations may need to develop and implement divestment strategies (Brauer, 2006). Such strategies may include decisions on refocusing, but divestment may also involve the sale of units that are performing well but are non-core, some of which may be unwanted parts of recent acquisitions. The implementation of these decisions may be voluntary or undertaken under some form of pressure (Coyne & Wright, 1986). Corporations need to design effective policies and processes at the board level; implementing divestment decisions requires that corporations establish a process for selling the assets that includes mechanisms to decide who the buyer(s) should be. Research is needed to determine what dimensions contribute to the effectiveness of such a process.

Although recent treatises on mergers and acquisitions have identified these problems (e.g., Faulkner, Teerikangas, & Joseph, 2012), much more research is needed to understand how to effectively implement mergers and acquisitions (Hitt, King, Krishnan, Makri, Schijven, Shimizu, & Zhu, 2012). For example, what actions are necessary to ensure that acquiring firms are able to build their capabilities after making acquisitions? How can acquiring firms best prevent undesirable turnover of the most valuable human
capital in the target firm after completing the acquisition? What can acquiring firms do to effectively integrate a target firm that has a disparate culture from their own corporate culture? Although not as extensive, there has been a growing amount of research on creating value through acquisitions. An interesting phenomenon of late is the increasing number of for-stock acquisitions undertaken for the primary goal of enhancing market capitalization (because of the larger number of shares outstanding). Does this type of acquisition truly create greater value, and how is such a merger implemented to create that value? Even treatises on creating value through acquisitions have only a small focus on the implementation of this strategy. Thus, aggregation of the research on specialized topics such as learning, preventing turnover of valued human capital, and effective integration could be especially valuable to increase our knowledge of mergers and acquisitions.

**Differentiation Strategy**

Differentiation is a business-level strategy, whereas international and acquisition strategies are more commonly pursued at the corporate level. A differentiation strategy is designed to create superior value for the customer by providing them with products having unique attributes relative to those offered by rivals. The products provided may be innovative, of exceptionally high quality, and/or have support services that provide significant value to the customers. The unique features must be provided at what the customers perceive as a reasonable cost. If the intended differentiation is an innovative product, the firm often must have a strong research and development (R&D) unit that continuously develops innovative products, thus allowing the firm to maintain a competitive advantage (Dunlap-Hinkler, Kotabe, & Mudambi, 2010; Levitas & Chi, 2010). The innovation process also must be cost efficient in order for the firm to offer the product to customers at a reasonable cost relative to the value provided by the product.

To implement a differentiation strategy, firms must first precisely determine how they desire to distinguish their offering to customers. Then, these firms must ensure that they have the capabilities to provide these distinguishing features. For example, can they produce high-quality and desirably innovative products on a continuous basis? Do they have the capabilities to provide superior service to the customers? Some firms attempt to differentiate their products based on brand image, especially if that brand image is perceived as standing for high quality or being innovative. To develop such a brand image requires strong marketing capabilities to ensure that customers perceive the brand in the way the company desires (Roberts & Dowling, 2003; Sorenson, 2014).

A number of research questions remain. For example, can firms provide consistent superior value with a differentiation strategy, given the role of technology in product
marketing and service delivery and the growing capabilities of rivals to rapidly imitate new product features? How does the increasing role of social media in marketing affect a firm’s ability to differentiate its products? What roles do other stakeholders play in the provision of a differentiated product? For example, how important are suppliers and customers in helping to differentiate the product? There also is a need to aggregate research on differentiation strategies and the actions necessary to implement them. Such a review might have focused sections on each type of differentiation strategy, such as innovative products, special and unique services, and high-quality and reputation/brand image, followed by a compilation of the research on how to effectively implement these particular forms of differentiation.

Managing Resources

Managing Financial Assets

Managers draw on accounting information to guide organizational investments, control strategy implementation, and report to stakeholders. In particular, the effects of traditional functions of accounting-based systems on the implementation of specific strategies are of special interest. As noted earlier, both US and non-US firms are steadily implementing internationalization strategies that provide firms with market opportunities but also add considerable complexity to organizational actions and the reporting of financial information related to them. In capital markets, English is the lingua franca of global investors, which makes it important for non-US firms to communicate efficiently with stakeholders to provide them with corporate disclosures. In a context that features technological innovations, corporate disclosures to global investors are no longer restricted to quantitative, hard-copy, financial statements and budgets, but also take the form of verbal communications (e.g., conference calls) and narrative disclosures (e.g., financial narratives). Brochet, Naranjo, and Yu (2016) examine how language barriers affect disclosures of non-US firms via conference calls and the effects of such reporting practices on capital market reactions; they suggest that calls made by firms based in countries with high language barriers feature complex expressions (e.g., non-standard English), erroneous statements (e.g., frequent grammatical errors, passive voice, and abnormal use of articles), or both, and that these issues affect how investors react to the information provided in conference calls. In particular, Brochet et al. (2016) indicate that negative market reactions are more likely when a firm is located in a non–English-speaking country and has more English-speaking analysts participating in the call.
A sparse but growing stream of accounting research examines the specifics of narrative disclosures. Although financial narratives constitute a central aspect of financial reporting, standard setters largely focus on quantitative data, and, hence, firms have “considerable latitude over both the aspects of financial performance they choose to emphasize and the language they choose to describe performance” in the qualitative information provided (Henry & Leone, 2016: 153). Lang and Stice-Lawrence (2015) examined textual disclosures for more than 15,000 non-US firms from 42 countries for the period 1998–2011 and analyzed length of disclosure, presence of boilerplates, comparability with US and non-US firms, and complexity. As noted by Lang and Stice-Lawrence, these textual characteristics are of interest for a considerable number of stakeholders (e.g., regulators, investors, and other users of financial information). Their results indicate that the quality of financial narratives is higher in institutional environments featuring stringent accounting standards, stronger oversight, and greater demand for information. Furthermore, these findings suggest that institutional contexts dominated by International Financial Reporting Standards (IFRS), US Generally Accepted Accounting Principles (GAAP), cross-listing, and Big Audit Firms result in higher quality textual narratives. Therefore, there is a need for research examining the use of non-English textual disclosures and financial narratives as well as investigations addressing the relationship between the tone of textual disclosures and the market reaction of earnings announcements (e.g., press releases; see Henry and Leone, 2016).

External users of audited financial statements tend to consider them as objective, neutral reports of organizational performance. However, this traditional view is challenged by research examining the impact of individual characteristics of accounting and auditing experts on financial reporting. Knechel, Vanstraelen, and Zerni (forthcoming) analyzed the impact of audit partners on audit outcomes. Using a sample of Swedish firms during the period 2001–2008, they found that aggressive and conservative audit styles persist with individual audit partners over time and that the market recognizes and places differing values on audit partner reporting styles. In particular, Knechel et al. suggested that the market penalizes firms audited by partners with a history of aggressive going-concern opinions or accrual reporting through higher implicit interest rates, lower credit ratings, and higher assessed insolvency risks.

Therefore, further research may focus on those characteristics of audit partners’ identity and performance that matter to audit firms, regulators, and markets. There is also need for more research on the effect of financial disclosures on how firms manage financial assets to implement strategies over time. What types of financial information are emphasized by US and non-US firms? How can non-US firms enrich the communication of their financial disclosures? A compilation of the existing research on financial disclosures
and their effect on how managers implement strategies could add value to research in
both the accounting and strategic management fields.

Managing Human Capital

As noted in Chapter 1, human capital is a strategic resource. Human capital is composed
of individual employees’ knowledge, skills, and capabilities. In turn, human capital partly
or largely comprises an organization’s capabilities and is used to deploy them. Thus,
based on the firm’s human capital, managers make decisions and take actions assigning
tasks to employees that are designed to implement the firm’s strategy (Greer, Lusch, &
Hitt, 2016). In short, managers leverage the firm’s human capital to engage the
organizational capabilities in ways that are designed to implement the firm’s strategy.

According to the behavioral perspective of strategic human resource management (HRM;
see Jackson, 2013; Schuler & Jackson, 1987), effective strategy implementation involves
understanding the essential employee role behaviors needed for implementation and then
designing or adopting management practices to encourage and support those behaviors.
Examples of management practices that can be used to shape a firm’s human capital and
its behavioral repertoire include methods for attracting, selecting, developing,
motivating, and retaining talent that create value for the firm’s customers and thereby
create a competitive advantage (Schuler & Jackson, 1987; Vomberg, Homburg, &
Bornemann, 2015).

Human resource management systems can help develop the skills of individual employees
and manage their performance, but, for most firms, it is not sufficient to attend to the
human capital of individual employees to ensure effective strategy implementation. Also
needed are policies and processes that promote coordination among units inside the firm
and collaboration with external partners (Jackson, Chuang, Harden, & Jiang, 2006). That
is, effective HRM systems help build both human capital and the social capital that binds
together members of a firm and promotes the transfer of explicit and tacit knowledge
that enhances the firm’s knowledge base (Adler & Kwon, 2002; Chuang, Jiang, & Jackson,
2016; Ployhart & Moliterno, 2011). Effective HRM systems help ensure that the firm has
access to the appropriate human capital needed to build essential strategic capabilities,
such as collaborating across units within the firm and building strong relationships with
critical external stakeholders such as customers and suppliers.

A strategic perspective on managing human and social capital recognizes that there is
“no one best way” to manage the essential human resource (people). Rather, firms must
effectively align their people management approach with various firm characteristics—
including business strategies—as well as conditions in the external environment (Jackson,
Schuler & Jiang, 2014). For example, Baird and Meshoulam (1988) argued that HRM
activities evolve through developmental stages—as do organizations—and effectiveness is greatest when the developmental stage of HRM activities matches the organization’s developmental stage.

Almost 30 years ago, an empirical study reported results from a large-sample test of hypotheses derived from the emerging strategic HRM perspective (Jackson, Schuler, & Rivero, 1989). Organizational characteristics such as industry, the pursuit of innovation as a competitive strategy, manufacturing technology, and organizational structure were examined as predictors of numerous HRM practices in 267 organizations. Among the significant conclusions from this study was the important influence of a firm’s innovation strategy on HRM practices. Specifically, the authors found that HRM systems comprising practices that ensure selectivity in staffing, performance-based pay, and enhanced employee opportunity through participation in decision-making result in higher levels of organizational effectiveness. More recently, a large study of US motor carriers found that HRM practices can enhance the effectiveness of firms in the industry, providing further support for the value of adopting a systems theory perspective to ensure internal alignment and consistency in the messages employees receive about what behaviors are most valued by the firm (Delery & Gupta, 2016).

Aligning the firm’s approach to managing its human capital can be extremely complex because solutions must achieve internal alignment while also being responsive to various external conditions, including cultural norms, regulatory policies, labor market conditions, competitors’ actions, and the firm’s reputation resulting from its past actions (Delery & Doty, 1996; Jackson & Schuler, 1995). This alignment promotes greater engagement among the firm’s workforce. Barrick, Thurgood, Smith, and Courtright (2015) argued that workforce engagement was critical for the implementation of a firm’s strategy by top managers. An engaged workforce enhances coordination and collaboration among units and employees, which facilitates strategy implementation (Sull, Homkes, & Sull, 2015). But there are likely to be contextual influences on the positive effects of human resource systems. For example, the ability of these systems to create social capital with external parties is partly dependent on the level of trust that exists between the parties (e.g., with customers) that has developed over time and the firm’s internal corporate culture as well (Sirmon, Gove, & Hitt, 2008; Sirmon & Hitt, 2003).

Although critical for effective strategy implementation, the effects of human capital on strategy implementation are not yet fully understood. Thus, much more research is needed to understand how human capital resources contribute to effective implementation of strategy (for a detailed discussion of potential fruitful new research directions, see Schuler & Jackson, 2014). For example, specifically, how does human capital contribute to firm capabilities? Are certain forms of human capital more important
than others? How can human capital resources be most effectively deployed to facilitate strategy implementation? What, if any, role does a firm’s human capital play in decisions about the likelihood of successful implementation of alternative strategies that could be pursued by a firm? Is there a cascading effect of human capital through the managerial ranks in the implementation of strategy? Substantial research has demonstrated the criticality of human capital for firm effectiveness in general, and, more recently, there has been a growing body of research on the role of human capital in strategy implementation specifically (e.g., Burton-Jones & Spender, 2011; Ketchen, Crook, Todd, Combs, & Woehr, 2017; Wright, Coff, & Moliterno, 2014). Thus, there is a need for a compilation of research on human capital that helps us to understand its role in the implementation of strategy.

Managing Operations

A critical component of strategy implementations is managing a firm’s operations to provide the desired output. In fact, some describe operations as an input–output system. Hitt, Xu, and Carnes (2016) identified several major foci in the research on operations management. These include supply chain management, operations strategy, performance management, and product/service innovation (Pilkington & Meredith, 2009; Taylor & Taylor, 2009). In this section, we examine the first three foci, with the fourth one examined in a separate section on innovation and entrepreneurship later in this chapter.

The supply chain envelopes the upstream and downstream flow of activities (including products, services, finances, information, etc.) in which the firm engages, beginning with the ultimate supplier and extending across the various activities to the ultimate customer. Highly relevant are the outcomes of supply chain activities, including asset utilization, costs, revenues, and customer satisfaction. The ultimate goals of managing the supply chain are to create value for the customer and to enhance profitability at each stage in the chain while creating this value. Not only must each activity in the chain be managed, but all should also be managed collectively to ensure that the activities and outputs of each are coordinated and integrated (Williams, Maull, & Ellis, 2002). In effect, the firm’s capabilities should be integrated across the supply chain to leverage their outcomes in ways that contribute to a competitive advantage. Because some external partners in a supply chain provide resources, the relationships must be managed to allow the integration of their resources so that they contribute to the firm’s capabilities (Hitt et al., 2016).

An operations strategy defines how capabilities are used (e.g., processes) to achieve the firm’s goals. The operations output includes products/services created, product quality and reliability, customized products, product modularity/flexibility, and after-sales
service, among others (Ahmed, Montagno, & Firenze, 1996). The operations strategy connects operations to business- and corporate-level strategies. In fact, proper strategic positioning requires that the operations’ capabilities be aligned with the firm’s strategy to implement it in ways that achieve the firm’s strategic goals (Anderson, Cleveland, & Schroeder, 1989; Hitt et al., 2016). Essentially, for the firm to effectively implement its strategy requires that all of its business functions and operations activities be aligned and integrated (Pilkington & Meredith, 2009).

Liyanage and Kumar (2003) suggested that performance management is intended to ensure that the firm creates unique value for its customers by having strong internal efficiency and effectiveness in the firm’s operations. Thus, managers attempt to meet customers’ requirements through an economic use of the firm’s resources. On the surface, this statement seems rather straightforward, but the processes involved are complex. First, managers must orchestrate resources to create capabilities and leverage the resulting capabilities to provide the desired level of product and service that satisfies customers’ needs better than rivals. Yet, they must also be efficient in their use of resources so that the costs are reasonable. Increasingly, firms also are being pressured to ensure that their operations are not damaging to the environment, with such pressure coming from local communities, governmental and nongovernmental agencies, and even from employees. Thus, an overemphasis on satisfying the customer could create value for the customer but harm the firm’s ability to create value for the firm’s other stakeholders. Alternatively, too much emphasis on efficient use of resources may result in low costs of operations but also an inability to satisfy customers’ needs and establish a positive corporate reputation. Thus, multiple goals must be balanced to ensure the satisfaction of many stakeholders with diverging priorities.

Although there has been a growing amount of quality research in operations management and supply chain management, little of it has addressed linkages to firm strategy and especially not the linkage with strategy implementation. Yet to better understand how firms implement their strategies, we must delve deeper into these linkages with operations management. Thus, there are a number of relevant research questions that, if addressed, could enhance our understanding of strategy implementation. For example, precisely what is the relationship between a firm’s operations and its achievement of strategic goals? What role does the supply chain play in implementing a firm’s strategy? How does a firm integrate external resources from partners with internal resources to create the capabilities necessary to implement the firm’s strategy? In the implementation of a firm’s strategy, how do managers achieve synergy among the firm’s various supply chain activities and operations functions? In addition to answering these and other questions, there is an opportunity to compile and integrate the recent research in
operations management and supply chain management to identify how they contribute to strategy implementation (e.g., see Kleindorfer, Singhal, & Van Wassenhove, 2005).

Marketing Strategies and Services

Marketing strategy is a critical component of strategy implementation. Most marketing strategies in some way involve the 4Ps: product, price, place, and promotion (Goi, 2009). The product is analyzed to identify those features that customers will find attractive, and appropriate packaging is designed for the product. Price is a critical element because it partly defines the value provided to the customer. Deciding on price is more complex than it seems on the surface, however. What revenues are needed to cover costs and provide a return? What price will customers pay for the product? Place commonly refers to the location of the market and the channels used to deliver the product (e.g., wholesale, retail). Promotion decisions revolve around market positioning relative to rivals’ products, suggesting two important questions. First, how are potential customers informed of the product’s features and availability? Second, what support services are needed for those buying the product?

These concerns appear to be straightforward, but the reality is usually much more complex. For example, most firms commonly have multiple products and have to decide how to position each one not only relative to rivals, but also relative to each of the firm’s other products. Firms also must decide how to allocate resources to each product (e.g., sales force attention, advertising). Additionally, marketing actions often must be dynamic in order to respond to a rival’s actions (e.g., changes in pricing or advertising, entry of new products into the market). The changes made depend on the firm’s competitive strategy used to engage its rivals in the marketplace. Therefore, if a firm uses a differentiation strategy, it then implements that strategy through its market selection (e.g., market niche), product choices and features thereof, its positioning in the market relative to rivals, and its pricing strategy (e.g., high end of the market). These decisions often require continuous evaluation based on their success and also based on competitors’ actions and responses.

The preceding discussion reflects the traditional focus of marketing research. Another highly popular emphasis in marketing research over the past two-and-a-half decades has been that of market orientation. Market orientation is reflected in an organization’s culture and produces actions designed to create superior value for customers and high performance for the firm (Narver & Slater, 1990). It involves providing high-quality products and services that continuously satisfy consumer needs and expectations. To do this requires that the firm engage in market intelligence across the organization and that it widely disseminate and effectively respond to the information provided by units
throughout the organization (Jaworski & Kohli, 1993). Essentially, research has shown that a strong market orientation promotes greater employee organizational commitment and cohesiveness and higher business performance (Jaworski & Kohli, 1993). Additionally, recent research has linked market orientation to a firm’s strategy. For example, Matsuno and Mentzer (2000) found that a firm’s strategy moderated the relationship between market orientation and firm performance.

Vargo and Lusch (2004) propose the emergence of a new dominant logic in marketing. The new logic emphasizes the role of providing services rather than products in transactions/economic exchanges. They refer to this as a service-dominant logic. This service perspective builds partly on market orientation because it promotes gaining information to build customer insights and knowledge. It also emphasizes the development of relationships involving collaboration and trust. Vargo and Lusch (2004) refer to this as building enduring service-oriented relationships. The relationships endure over time because status differentials are low and there is more honest dialogue between the partners in these relationships (Greer, Lusch, & Vargo, 2016). This trust and greater honesty, along with the free flow of information between parties, helps the firm to provide more targeted and higher quality services that better meet customers’ needs (Lusch, Vargo, & Malter, 2006). Webster and Lusch (2013) suggest that using this service perspective helps to build relationships in the extended organization, such as with suppliers and other stakeholders. Thus, this service perspective builds partnerships that allow the co-creation of service and thereby facilitates the implementation of the firm’s strategy (Greer, Lusch, & Hitt, 2016).

Vorhies and Morgan (2003) recommended organizing marketing activities to best implement the firm’s strategy. They suggest that when marketing activities satisfy the implementation requirements of a firm’s strategy, firm performance is enriched. Although this work provides a good base, much more research is needed that links marketing strategies and tactics with firm strategies. Undoubtedly, the relationship is strong because most marketing activities facilitate or directly affect implementation of the firm’s strategy. A number of potentially valuable research questions could be addressed. For example, what marketing strategies are needed to implement differentiation and organic growth strategies? Can a service-dominant logic broadly facilitate strategy implementation? If so, how can it do so? Are marketing activities important in the implementation of all strategies or only selected ones? In addition to answering these and related research questions, there is a need to analyze, aggregate, and integrate the research in marketing to demonstrate its value to strategy implementation.
Innovation and Entrepreneurship

A prominent goal of most businesses is growth because growth is highly valued among the firm’s stakeholders, particularly stockholders. Organic growth (defined earlier) is an important alternative to achieve this goal. Organic growth often requires entrepreneurial activities and innovation to identify market opportunities and develop innovative products to exploit them (Ireland, Hitt, & Sirmon, 2003). In fact, some scholars argue that firms need to engage in strategic entrepreneurship, which involves simultaneously seeking new market opportunities and seeking to gain and sustain a competitive advantage (Hitt, Ireland, Sirmon, & Trahms, 2011). Although opportunity seeking and advantage seeking are not mutually exclusive and can be complementary, the behaviors required often differ. Kuratko (2015) argues that corporate entrepreneurship entails cultivating employee creativity and commitment to develop innovation; research suggests that many firms pursuing innovation and corporate entrepreneurship do in fact adopt particular management practices to support the required attitudes and behaviors (Hayton, 2005; Jackson, Schuler, & Rivero, 1989). Indeed, innovation often may be necessary in order for firms to achieve competitive advantage, and the innovation also may need to be continuous if a firm is to sustain that advantage (Bowen & Ford, 2002). Interestingly, after firms gain an advantage, they frequently reduce their risk by engaging in incremental innovation (e.g., improving features of their current products) trying to sustain their current advantage rather than attempting to create a new one.

There are two major stages in the innovation process: developing the innovations and taking them to the market. To be innovative, firms must create a culture that encourages it, as noted by Kuratko (2015). They must also create the structure to develop innovation (e.g., R&D units, new product development teams; Garud, Tuertscher, & Van de Ven, 2015). Firms need to develop internal innovation capabilities by hiring people with the required skills, nurturing their development, and then using those skills in ways that lead to innovation. For example, building a collaborative climate and structuring cross-functional teams facilitate innovation development (Greer & Stevens, 2015; Hitt, Nixon, Hoskisson, & Kochhar, 1999). Firms also can seek knowledge resources from external entities such as alliance partners to create innovation. Service-dominant logic suggests the engagement of customers in co-creating innovation (Greer & Lei, 2012). Actions are required to implement innovation strategies, but these strategies are second-level in that they are often designed to help achieve the business strategy (e.g., differentiation). In this way, developing innovation and taking it to the market are steps in the implementation of a firm’s strategy.

Firms also may acquire innovation through acquisitions of carefully selected targets. They do so to add new and/or different products to their product lines. This approach may
be used in an attempt to sustain a competitive advantage (Hitt, Hoskisson, Johnson, & Moesel, 1996). Although this may be successful, it may only sustain the advantage in the short term unless the firm has strong internal innovative capabilities to continuously produce more innovation. Alternatively, Makri and colleagues (2010) found that firms making acquisitions of target firms with complementary science and technological knowledge sets can enrich their innovation productivity, assuming that they are able to extract that knowledge in the integration process. They also must have strong innovative capabilities to inculcate the complementary knowledge stocks to create innovation.

Although there has been a significant amount of research on entrepreneurship and innovation, more research is needed. For example research on innovation and research on entrepreneurship have only rarely integrated the two topics. Yet creativity plays a role in each, and one may facilitate the other (Shalley, Hitt, & Zhou, 2015). What are the interrelationships among creativity, innovation, and entrepreneurship? How can entrepreneurial actions to identify market opportunities facilitate innovation? Can innovation help firms to exploit market opportunities? What is the role of innovation and entrepreneurship in the implementation of strategy? There are a number of major treatises and compilations of research on innovation and on entrepreneurship. A new one is needed to integrate these two research streams and analyze their role in strategy implementation.

Further research is also needed on how entrepreneurial firms manage or orchestrate the resources and capabilities they need to be able to identify and exploit entrepreneurial and innovative opportunities. Emerging, largely conceptual work has focused on identifying relevant constructs, mainly based on large corporations (Sirmon, Hitt, Ireland, & Gilbert, 2011). But it is also becoming evident that these constructs may vary between different types of firms. For example, Baert, Meuleman, DeBruyne, and Wright (2016) show that how portfolio entrepreneurs orchestrate their resources and capabilities as they build their portfolio of ventures is distinctive from the methods used in established corporations.

Conclusion

We have highlighted potential research questions in each of the areas examined herein. However, there is an even greater need for more research on strategy implementation and for research to understand the links between implementation and the topic areas examined in this chapter. Although the implementation of strategy is an important determinant of which firms perform better than others, it has received little attention in strategic management research. Likewise, many of the areas of knowledge and research
identified in this chapter have significant implications for strategy implementation. Yet little work has examined the linkages among these content areas and implementation, although there is research relevant for implementation in several of these areas. Thus, the need exists to identify, aggregate, and analyze this research to increase our understanding of the implementation of strategy. The opportunities are great, and we hope that this volume serves as a catalyst for greater strategy implementation research.

References


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