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Performance measures, consensus on strategy implementation, and performance: Evidence from the operational-level of organizations ☆

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ABSTRACT

In this article, we examine how consensus between operational-level managers and employees on strategy implementation affects the effectiveness of performance measures and employee performance. We use field-based surveys and proprietary archival data from a Taiwanese financial services company to answer our research questions. Consistent with the predictions of person–organization fit theory, we find that consensus on the implementation of the customer-oriented strategy is positively associated with frontline employees' performance. Our results also indicate that the incentive effect of using performance measures in performance evaluation and promotion is stronger for employees with a higher level of consensus. Our findings suggest that consensus is critical to the success of an organization's strategy implementation and the effectiveness of performance measures.

> "*To achieve financial and nonfinancial goals, managers must rely on the efforts and initiative of employees. Employees throughout the organization must understand the business's strategy and their role in achieving strategically important goals.*"
>
> Simons (2000, p. 207)

Introduction

An important role of management control systems is to help managers successfully implement strategies within the organization. Simons (1995) outlines four crucial levers of control systems that facilitate strategy implementation.[1] Among these control mechanisms, managers usually rely on critical performance measures to monitor the strategy implementation and to diagnose deviations from their preset standards of performance (Simons, 1995). Moreover, performance measures align managers' and employees' incentives and motivate them to achieve the organization's goals, and ultimately enhance organizational performance (Ittner & Larcker, 1998a; Kaplan & Norton, 1992, 1996; Simons, 2000). However, contingency research suggests that benefits of performance measures are influenced by many internal and/or external factors (Chenhall, 2003; Langfield-Smith, 1997). In this article, we provide theoretical arguments and empirical evidence on how consensus on strategy implementation at the operational level affects the effectiveness of performance measures and employee performance.

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[1] The four levers of control systems include belief systems, boundary systems, diagnostic control systems, and interactive control systems (Simons, 1995).

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Consensus on strategy implementation is the shared understanding of strategic priorities among operational-level managers and employees in an organization (Dess & Origer, 1987; Floyd & Wooldridge, 1992).[2] It improves the coordination and cooperation within an organization, which, in turn, creates synergy from employees' coherent behaviors and resource allocation (Kellermanns, Walter, Lechner, & Floyd, 2005). Researchers have been advocating the importance of reaching such consensus throughout an organization to facilitate and gauge successful implementation of strategy. For example, Kaplan and Norton (1992, 1996) argue that only when lower-level employees and managers understand and agree with the organization's strategies and methods of implementing them can they bring this focus to their daily tasks. Despite the surge of attention on the importance of consensus on strategy implementation, there is little empirical research on how this type of consensus affects operational-level employees' behaviors. The lack of empirical evidence motivates us to conduct this study.

In this article, we investigate how consensus influences the success of implementing an organization's strategy and, more importantly, the effectiveness of using performance measures in employee performance evaluations and promotion decisions. We rely on person–organization fit theory to develop our hypotheses. The theory argues that good fit between an employee and the organization leads to lower perceived uncertainty and stress about tasks, higher job satisfaction, and more commitment and effort to improve performance (Edwards, Caplan, & Harrison, 1998; Kristof, 1996). We consider consensus on strategy implementation an important form of fit between an operational-level employee and the organization. In keeping with this theory, we predict that consensus not only affects employees' performance, but also amplifies the incentive effect of performance measures in performance evaluation and promotion.

We empirically test our predictions using field-based archival and survey data collected from a major financial service company in Taiwan. This company strives to provide high-quality, customer-oriented service. The company uses six customer value drivers[3] – useful investment advice, friendly attitude, convenient location, reasonable price, complete product line, and professional service – to differentiate itself from competitors. In our setting, we operationalize consensus by measuring how consistently a branch manager and a salesperson prioritize the six customer value drivers (i.e., their consensus on strategy implementation).[4] Specifically, we survey salespeople and branch managers about their perceived priorities among the six customer value drivers and then calculate the consensus score between each manager/salesperson pair. Consistent with our prediction, we find that a salesperson whose perceived priorities among the six customer value drivers are more aligned with that of the branch achieves a higher level of customer satisfaction and better financial performance. Moreover, we observe that using customer satisfaction as a performance measure has a greater incentive effect for performance evaluations and promotion among employees with a higher level of consensus on strategy implementation.

This article contributes to the literature in two ways. First and foremost, our article adds to the performance evaluation research by showing that consensus on strategy implementation significantly influences the degree to which performance measures motivate employees to pursue an organization's goals, thereby affecting their performance. Strategy implementation and performance measures have been important agendas in management control systems research, because one crucial function of these systems is to gauge the success of an organization's strategy implementation (Langfield-Smith, 1997; Simons, 1990, 1995). Despite the prevalent use of performance measures in various types of organizations around the world, little research has examined the factors that determine the performance benefits arising from the use of these measures (Ittner & Larcker, 1998b). Although contingency theory suggests a positive relationship between performance measures and performance, prior empirical research has reported mixed findings on this relationship (Chenhall, 2003; Langfield-Smith, 1997). Our finding shows that consensus on strategy implementation is critical to achieving the benefits of such performance measures.

Second, we provide important insights to practitioners who use the Balanced Scorecard. Our findings support Kaplan and Norton's (1996, 2001, 2006) argument that it is important to effectively communicate strategies and performance measures across hierarchies when implementing the Balanced Scorecard. This suggests it is important for top management to clearly communicate the organizational strategies across ranks and to reach a certain level of consensus before they link their compensation schemes to performance measures.

The remainder of this article is organized as follows. The following section presents the literature on performance measures and strategy implementation, and the hypothesis development, while the third section contains a description of the research design and variable measurements. The empirical results are presented in the fourth section, followed by additional and sensitivity analyses in the fifth. The article concludes with the authors' remarks.

Literature on performance measures and strategy implementation

Identifying an accurate and clear set of strategies is a critical aspect of effective management (Porter, 1985). However, good strategies per se do not guarantee the success of a business unless they can be successfully implemented with appropriate support of management control systems, including performance measures and compensation sys-

[2] Chandler (1962, p. 13) defines strategy as "*the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.*" As such, a company's strategy includes not only the *goals* of the organization, but also the *means* it takes to achieve these goals. In this article, we focus on strategic means because it is more relevant to the strategy implementation.

[3] As we will elaborate further in the 'Research design' section, the six customer value drivers are six sources of differentiation through which the company can create unique value for customers and thus gain competitive advantage. Note that the six customer value drivers used by this company are conceptual factors, instead of measurable key performance indicators (KPIs).

[4] We use the manager's prioritization as the branch's priority in strategy implementation.

tems (Chenhall & Langfield-Smith, 1998). In his seminal work, Simons (1995) proposes four levers of control that managers can use to successfully implement business strategies. In this control framework, performance measures play a critical role in the diagnostic control system through which managers can monitor and evaluate organizational outcomes and then correct deviations from the preset performance standards (Simons, 1995). In addition, when performance measures are used in incentive plans, they can help communicate the organization's goals and plans, so that lower-level managers and employees know their specific roles in the implementation of strategies (Kaplan & Norton, 1996; Malina & Selto, 2001, 2004). Furthermore, performance goals in incentive plans can motivate employees to exert effort toward implementing the organizational strategies, which ultimately enhances organizational performance (Kaplan & Norton, 1992, 1996; Simons, 2000).

In line with these arguments, contingency research suggests that design of management control systems should be consistent with an organization's strategy (see Langfield-Smith, 1997, and Chenhall, 2003, for comprehensive reviews), because such alignment can lead to better organizational performance. For example, prior studies report that objective performance measures are more effective to support defender strategies (e.g., Govindarajan, 1988; Govindarajan & Gupta, 1985; Simons, 1987), while subjective performance measures are more suitable for prospector strategies (e.g., Govindarajan & Gupta, 1985; Gupta, 1987; Porter, 1980). Nevertheless, there is still very little empirical evidence on the association between performance measures and strategy (Chenhall, 2003; Langfield-Smith, 1997).

Similarly, Ittner and Larcker (1998b) point out the lack of consistent findings on the benefits of non-financial performance measures. For example, Ittner and Larcker (1997) find positive performance consequences of quality-oriented performance measures in the computer industry, but not in the automotive industry. Van der Stede, Chow, and Lin (2006) report a positive effect on performance only from pairing the quality-based strategy with use of subjective, but not with objective, non-financial measures. This mixed finding suggests that the benefit of matching performance measures with a strategy may depend on many internal and/or external factors, such as managers' required cognitive effort (Lipe & Salterio, 2000), their information or knowledge about strategies (Banker, Chang, & Pizzini, 2004), or individual psychological factors such as role ambiguity and role conflict (Burney & Widener, 2007). Therefore, Ittner and Larcker (1998b) urge researchers to identify circumstances under which performance measures can improve performance, and to provide evidence on contingency variables that affect performance consequences of various non-financial measures. This article adds to this line of literature by investigating how employees' consensus on strategy implementation influences the incentive effect of performance measures.

Hypothesis development

Person–organization fit

Person–organization fit theory, rooted in psychology and organizational behavior research, has received increasing attention over the past two decades. The theory originates from theories of stress that consider both the person and the organization important in understanding the nature and consequences of stress (see Edwards et al., 1998, for further discussion). Therefore, person–organization fit theory is concerned about the antecedents and consequences of the compatibility between an employee and the organization in which he/she works (Kristof, 1996). A higher degree of fit between individual and organization is associated with greater individual commitment to the organization, higher job satisfaction, lower turnover rate, and better performance (Shields, Deng, & Kato, 2000; Vancouver & Schmitt, 1991).

Person–organization fit refers to the fit between a person and organizational characteristics (Kristof-Brown, Zimmerman, & Johnson, 2005). Prior researchers have identified organizational characteristics such as culture, climate, values, goals, and norms that may affect the level of fit (Kristof, 1996). Among the various sources of fit, Vancouver and Schmitt (1991) use employees' acceptance of organizational goals as a criterion of person–organization fit. They argue that "to measure organizational member agreement on organizational goals is to measure a type of person–organization fit" (p. 334). This is because organizational goals reflect the values of both organizational leaders and members. Employees' lack of understanding of the organization's priorities would adversely affect their performance, because they may engage in low-priority activities. This may also affect employees' commitment to their jobs, because without knowing the organization's values and priorities, employees have difficulty assessing their fit with the organization and have a higher level of stress in the long run (Kristof, 1996; Vancouver & Schmitt, 1991). Consistent with this theory, Witt (1998) finds that subordinates who understand and share their supervisor's priorities are less affected by politics and therefore perform better.

Following this line of research, we argue that operational-level managers represent the organization in determining approaches to implementing the organization's strategy and setting priorities for resource allocation. Therefore, the consensus between operational-level managers and employees reflects lower-level employees' understanding of how to allocate their time and effort on different tasks in order to implement the strategy. Because consensus can facilitate a shared understanding of organizational priorities, employees with a higher level of consensus perceive stress less, and thus are more committed to the organization and also more prone to take proactive action to implement the strategy (Noble, 1999). For example, using a sample of 68 intact strategic decision-making teams in Southeastern United States hospitals, Dooley, Fryxell, and Judge (2000) report that consensus on a decision helps the teams develop a greater level of decision commitment, which subsequently enhances the success of strategy implementation.[5]

In addition, the consensus improves coordination and cooperation, and also creates synergy in employees' effort as

[5] Similarly, Silva, Hutcheson, and Wahl (2010) use the person–organization fit framework and a lab experiment to examine the relationship between the individual and organizational strategy fit and performance. They find that employees whose ideal strategy is more consistent with the company's strategy are more committed to their organizations and are less likely to quit.

well as resource allocation and utilization. Therefore, even for employees who exert the same amount of effort, those whose views are more aligned with the organization's strategy implementation may attain better outcome/performance, because the synergy created through consensus helps employees achieve the goal more efficiently. Such synergy may come from different sources, including support from the supervisor, colleagues, and back-office staff; the infrastructure of the organization; and available financial resources.

The above analysis leads us to predict a positive association between consensus on strategy implementation and employee performance.

H1. Consensus on strategy implementation is positively associated with employee performance.

Performance measures and consensus on strategy implementation

In addition to its impact on performance, consensus can also affect the effectiveness of using performance measures in strategy implementation. Prior studies argue that performance measures influence employees' decisions to pursue the organization's goals (Demski & Feltham, 1976; Sprinkle, 2003). However, high reliance on a specific performance measure may cause subordinates' dysfunctional behavior, resulting in poor performance in some situations (Hopwood, 1972). Similarly, role theory suggests that high reliance on a performance measure leads to employees' elevated level of stress when the perceived task uncertainty is high (Hartmann, 2000). As such, an increase in weight placed on incomplete measures may aggravate the role conflict between subordinates and supervisors (Hartmann, 2000; Hirst, 1981, 1983), thereby causing subordinates to reduce effort to pursue performance goals.

As discussed above, we argue that consensus on strategy implementation amplifies the incentive effect of performance measures by reducing subordinates' perceived task uncertainty and job-related stress. In the case of a higher level of consensus, employees have clear understanding of the manager's methods of implementing the strategy, and consider their evaluations appropriate and fair. More weight placed on performance measures, therefore, motivates employees to exert greater effort without causing dysfunctional behaviors. On the other hand, if employees and managers have a lower level of consensus on strategy implementation, employees perceive performance measures as less complete and the task of promoting performance as less certain. Hence, the weight on performance measures may seem unfair to employees, leading to a higher level of stress and dysfunctional behaviors, such as unwillingness to commit to their tasks, and an adverse impact on their performance.

Given the above analysis, we predict:

H2a. The incentive effect of performance measures in performance evaluation is greater for employees with a higher level of consensus on strategy implementation.

H2b. The incentive effect of performance measures in promotion is greater for employees with a higher level of consensus on strategy implementation.

The relationship between consensus, employees' perceived weights on performance measures, and employee performance is illustrated in Fig. 1. The relationship between employees' perceived weights on performance measures and their performance represents the incentive effect of performance measures. Therefore, a stronger link means a greater level of responsiveness to the weight placed on the performance measure. We expect that consensus on strategy implementation will influence the incentive effect of performance measures, that is, consensus and the weights on performance measures jointly affect employee performance.[6]

Research design

Research site

Founded in 1988, the research company is a major financial services firm in Taiwan. Currently, it has 49 branches that provide brokerage, investment, and underwriting services to approximately 530,000 customers, and its business has grown steadily since its inception. In the financial services industry, a large percentage of the business is from repeat customers; therefore, it is important to offer high-quality customer service. In light of intense competition, the research company adopts a product/service differentiation strategy to create unique value for its customers through the combination of high-quality and customized services.[7]

To successfully implement its customer-oriented strategy, top management needs to identify the means to create customer value. Therefore, they surveyed salespeople and customer service representatives, asking them to list the means through which customer value would best be created. Based on the survey results and extensive discussion, top management selected the following six value drivers to implement customer-oriented strategies:

1. *Useful investment advice:* Provides customers with useful information to increase their investment profitability.
2. *Friendly attitude:* Employees are warm, polite, and flexible when helping customers.
3. *Convenient location:* Branches are easy to access for the majority of customers.[8]
4. *Reasonable price:* Price of product/service is competitive compared to competitors in the market.[9]

[6] According to Luft and Shields (2003, p.192), consensus on strategy implementation is an interacting independent variable because it has direct and interactive effect on performance.

[7] Product/service differentiation is a business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products or services (Barney & Hesterly, 2012, p. 132). In the financial service industry, companies can also follow a low-cost strategy by providing standardized products and basic or limited services.

[8] While convenient location is important to create customer value and the branch manager can select a location, this seldom changes once a

[9] Depending on the trading volume, salespeople have discretion to offer customers a discount of up to 20% on the company's listed price. However, salespeople have an incentive not to give discounts whenever possible because they are deducted from their net contribution, which determines their monthly commission and annual bonus.

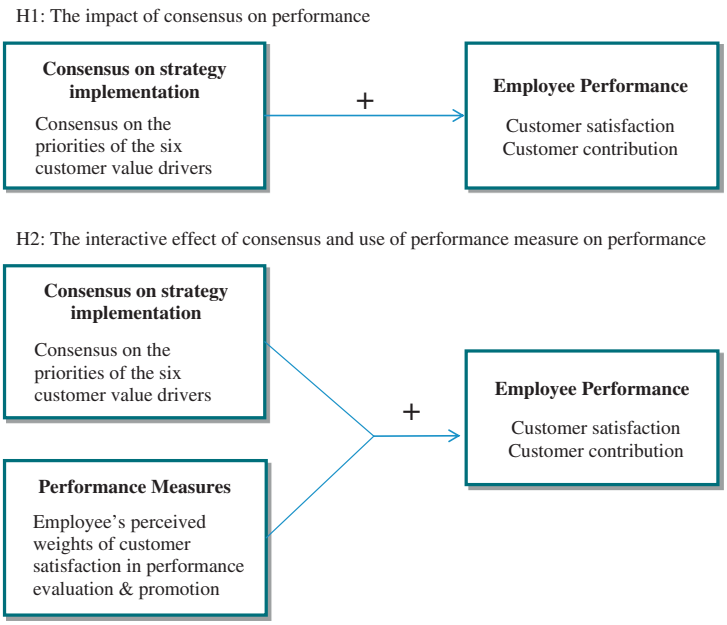

Fig. 1. Relationships between theoretical constructs.

5. *Complete product line:* Provides a broad span of services/products to fulfill customers' investing/financing demands.
6. *Professional service:* Provides fast and reliable service to customers.

Top management communicates these six value drivers to branch managers and allows them to determine their priorities in response to the competitive environment and changes in customer needs. Although the company has long adopted a customer-oriented strategy, the branch manager often reiterates it and communicates priorities to salespeople at monthly branch-wide meetings. Also, salespeople can provide feedback and information to help branch managers revise these priorities either at the monthly meeting or through other informal channels. Because this prioritization guides salespeople in how to allocate their time and effort, it is important that they reach a consensus on priorities to effectively implement the strategy.

Frontline salespeople in each branch play a crucial role in generating revenue and profit for the company. When a new customer opens an account, a salesperson is automatically assigned to this individual to provide services and to recommend products and services throughout the customer's lifetime with the firm. Although customer satisfaction is not explicitly mentioned in salespeople's compensation contracts, they have an incentive to provide satisfying service to their customers. A branch manager has authority to use factors such as customer complaints to adjust a salesperson's bonus and to make promotion or dismissal decisions. As documented in Campbell (2008), promotion opportunity brings higher salary and respect from peers, thereby giving salespeople incentive to pursue both financial and strategic goals.

In general, satisfied customers may remain with the firm longer or buy more products and services, resulting in more revenue to the firm and higher bonuses to the salesperson. There are, however, potential conflicts of interest between customers and salespeople. Because salespeople's formula-based commission and bonus are determined mainly by their customers' total net contributions,[10] they tend to aggressively sell products or services. This is a common agency problem in the financial services industry, due primarily to high information asymmetry about financial products between salespeople and customers. The overselling behavior may boost salespeople's annual bonuses but adversely affect customer satisfaction and the firm's long-term profitability.

Data collection

To test the hypotheses, we collected data from multiple sources at the research site. First, we worked with the top management team, including the CEO, CFO, CIO, Chief Strategy Officer, and VP-Sales to conduct a large-scale customer satisfaction survey of approximately 7000 customers.[11] We first interviewed the top managers to understand the customer-oriented strategy and six customer value drivers for the company. We then developed

[10] A salesperson mainly works on an individual basis and each month is paid a fixed salary plus commission, which is solely based on her customers' total net contribution. At the end of each year, a salesperson also receives a formula-based bonus that equals her annual net contribution multiplied by a pre-determined bonus multiplier determined by top management on the basis of overall branch performance. Normally, the bonus multiplier does not exceed 20%, with an average of around 9%.

[11] Prior to our study, the company relied on the customer complaints record to evaluate each salesperson and branch's performance in customer service.

the survey questions in accordance with the interview information. The draft of the questionnaire was reviewed by salespeople and pilot-tested by customers to ensure the validity of our questions. To form our survey sample, each branch contacted at least 10 of its top 50 customers and randomly chose frequent customers.[12] A total of 2868 customers (40.97% of the total customers we approached) responded to our mail survey within ten days, including 554 responses from the top-50 customers group and 2314 from the remaining group.[13]

Second, we conducted a field survey with branch managers and salespeople in the research company. We first interviewed the top managers and then developed the survey questions in accordance with the interview information. To ensure the validity of the constructs and items, the preliminary draft of our research instrument was evaluated by the top managers and pilot-tested by several salespeople in the company. We numbered each survey instrument so that we could track each completed survey to the respondent's profile. We distributed the instruments to 49 branch managers and 738 salespeople. To ensure confidentiality and privacy, our research team collected the completed surveys and assured participants that their supervisors would be informed only of the aggregate results, which could not be traced back to their individual responses. We received responses from 47 branch managers and 658 salespersons (with a 96% response rate for branch managers and 89% for salespeople). The customer and employee surveys were conducted in December 2008 and September 2009, respectively.[14] The questions in both the customer and employee/manager surveys are included in Appendices A and B, respectively. Finally, we collected each customer's annual contribution in 2008 and 2009 from the firm's database of individual customer transactions.

After merging these data sets, we lost some observations due to missing information for our major variables. As a result, our final sample consists of 1395 customers, 395 salespeople, and 40 branch managers. We define our major variables below.

Variable measurement

Dependent variables: customer satisfaction (CUS_SAT)

Because the case company takes a customer-oriented strategy, we operationalize employee performance by measuring customer satisfaction ratings of salespeople. Customer satisfaction ratings of salespeople (*CUS_SAT*) are measured using a 5-point Likert scale (1 for very unsatisfied and 5 for very satisfied). Specifically, customer participants were asked to rate the salesperson's service in the three areas that they can control: friendly attitude, response to questions, and professional knowledge.[15] We first conducted factor analysis on the three customer satisfaction variables. Our result shows only one factor with eigenvalue greater than one (1.83). We then use the scoring coefficients of the factor analysis to generate the factor score for each observation as a proxy for customer satisfaction with salespeople's service.

Independent variables

Consensus on strategy implementation (CONSENSUS)

We operationalize consensus by measuring how consistently a pair of a branch manager and a salesperson prioritize the six customer value drivers. We first ask both branch managers and salespeople to rank the six customer value drivers by their relative importance. In this way, we form a six-dimension configuration of customer value drivers for each salesperson and branch manager pair. We then use Euclidean distance to measure the difference of rankings in this pair. Specifically, we calculate the square root of the sum of squares of the differences in the six scores between salespeople and branch managers.[16]

To illustrate, a salesperson considers *advice* as the most important, *attitude* as the second most important, and *price* as the third most important driver,[17] while her branch manager considers *service* as the most important, *attitude*

[12] Because our sample consists of each branch's top 50 customers to ensure that the company receives feedback from its significant customers, we conducted a robustness test by excluding these top 50 customers and observed qualitatively similar results.

[13] We carefully considered potential survivorship bias in our sample. The management indicated that customers rarely close their accounts, and our untabulated analysis shows that unsatisfied customers are not more likely to close accounts or become inactive. Therefore, we believe our sampling pool contains both satisfied and unsatisfied customers, and thus our sample should not suffer from a potential survivorship bias problem. We are also concerned that satisfied customers might be more willing to respond to the survey than less satisfied customers. To investigate this issue, we compared the annual net contribution of the responding and non-responding customers for each branch, because more satisfied customers tend to have more transactions with the company. Our results show that the two groups do not differ significantly in their annual net contribution in all but two branches. For the other two branches, the responding customers have higher average net contribution than non-responding customers in one branch, but it is the opposite in the other branch. Therefore, the non-response bias should not be a big concern in our study.

[14] The research company has limited capacity to help us distribute and collect questionnaires, making it difficult to conduct both surveys at the same time. Specifically, the customer surveys were completely handled by the company, and quite a few salespeople spent a significant amount of time contacting customers for their participation in the survey. Hence, management decided not to conduct an employee survey at the same time. In a follow-up interview, the top management told us that the employee turnover rate was very low (around 2.8% for salespeople and 0.5% for managers) during the nine-month period between these two surveys.

[15] Although salespeople of the research company have discretion to give discounts to their customers, most customers are not aware that salespeople have such discretion. Because of the perceived uncontrollability of price by salespeople, we were advised by an executive not to include "reasonable price" as an evaluation for salespeople's overall service.

[16] Because respondents may give equal weights to some drivers, we follow prior studies to eliminate both the individual mean score and the scatter (i.e., the square root of the sum of squares of an individual's deviation scores about her own mean) to reduce the noise and to standardize the test scores for each person (Cronbach & Gleser, 1953). The result remains similar without the standardization of measures.

[17] We include only the three highest ranked drivers to estimate consensus because the strategy literature suggests that a firm's customer-oriented strategy should include only the most critical value drivers that distinguish a company's product/service from others (Anderson, Narus, & van Rossum, 2006). We take the three value drivers ranked highest by each salesperson/manager and assign a score of 3, 2, and 1 to the highest, second highest, and third highest drivers, respectively. We assign 0 to the other non-top-three value drivers. The result remains similar if we include all drivers in our estimation.

as the second most important, and *product line* as the third most important driver. In the six-dimension configuration of (*advice, attitude, location, price, product line, service*), we can plot the salesperson's prioritization as (3, 2, 0, 1, 0, 0) and the branch manager's prioritization as (0, 2, 0, 0, 1, 3). The Euclidean distance between the two points is around 4.47.[18] This number, however, refers to the discrepancy, rather than to the consensus, on customer service strategy. We then multiply the Euclidean distance by −1 to get our *CONSENSUS* score for this pair of salesperson and branch manager.

Perceived weight of customer satisfaction in performance evaluation (PERF_EVAL) and promotion (PROMOTE)

We operationalize the incentive effect of performance measure by examining the degree to which salespeople are motivated to promote customer satisfaction by their perception of weights that managers place on customer satisfaction ratings in performance evaluation and promotion decisions. A stronger link between perceived weight and actual performance (i.e., salespeople respond to the weight placed on customer satisfaction to a greater degree) represents a stronger incentive effect of customer satisfaction measure. In the survey, salespeople were asked to indicate their perception of the extent to which their supervisors use customer satisfaction ratings in determining their performance evaluation (*PERF_EVAL*) and promotion decisions (*PROMOTE*), using a 7-point Likert scale ranging from 1 (customer satisfaction is not used) to 7 (customer satisfaction is heavily used).[19]

Control variables

Closeness between a salesperson and her customers (CLOSE_EMP-CUS, MEAN_CLOSE)

To provide satisfactory service, salespeople must understand customers' needs. In the customer survey, customers were asked to rank the same six value drivers as in the survey given to salespeople and branch managers. We then calculate the Euclidean distance between the customer and the corresponding salesperson, which measures their discrepancy on the importance of value drivers. As we do for *CONSENSUS*, we multiply the Euclidean distance by −1 as the "closeness" between a salesperson and her customers. In addition, we take the average of "closeness" between salespeople and customers in a branch as a branch-level control variable (*MEAN_CLOSE*). We expect a positive correlation between the customer satisfaction rating and the closeness between salespeople and customers (*CLOSE_EMP-CUS* and *MEAN_CLOSE*).

Tenure (MGT_TENURE, EMP_TENURE)

We use employment tenure to proxy for experience of a manager or a salesperson in providing financial services to customers. Employment tenure refers to the number of years that a manager (*MGT_TENURE*) or a salesperson (*EMP_TENURE*) has worked in the same branch. Longer tenure allows salespeople or managers to better understand customers' needs and, consequently, develop better and more intimate customer relationships. Thus, we expect a positive relationship between manager and employee tenure and customer satisfaction.

Expected employment horizon (MGT_HORIZON, EMP_HORIZON)

Non-financial performance measures are forward-looking and may not have direct financial benefits in the current period. As such, employees or managers with a short work horizon would have a weaker incentive to promote forward-looking performance measures than would those with a long work horizon (Farrell, Kadous, & Towry, 2008). To control for this horizon effect, we asked salespeople and managers to estimate the number of years they expect to work in the same company, using an eight-point scale: 1 (less than a half year), 2 (1/2–1 year), 3 (1–3 years), 4 (3–5 years), 5 (5–7 years), 6 (7–10 years), 7 (10–15 years), and 8 (more than 15 years). We expect a positive association between customer satisfaction and manager's horizon (*MGT_HORIZON*) and salesperson's horizon (*EMP_HORIZON*).

Salespeople's self-estimated customer satisfaction (SELFEST_CS)

Our independent and dependent variables may both correlate with salespeople's self-evaluated customer satisfaction ratings due to a potential negativity bias in attribution.[20] To avoid possible confounding effect, we include salespeople's self-evaluated customer satisfaction rating as a control variable. In the employee survey, we asked salespeople to estimate the degree to which their customers are satisfied with their service (*SELFEST_CS*), using a 7-point

[18] To simplify the illustration, we report the unstandardized score in the text. The mean ranking is 1 and the scatter of rankings is 2.83 for both salesperson and manager in this case. The standardization procedure then converts the salesperson's prioritization to (0.71, 0.35, −0.35, 0, −0.35, −0.35) and the manager's to (−0.35, 0.35, −0.35, −0.35, 0, 0.71), which yield a standardized Euclidean distance of 1.58.

[19] When we first conducted the customer satisfaction survey, we used a 5-point Likert scale. When we asked the firm to approve our drafted employee/manager survey, senior management told us that the firm had been using a 7-point Likert scale in their past internal surveys. To be consistent with the firm's practices, we thus changed from a 5-point to a 7-point scale for the employee/manager survey. According to Dawes (2008), data characteristics such as mean, variation, skewness, and kurtosis do not vary significantly between 5- and 7-point Likert scales. Therefore, we consider these two scales comparable, and the use of a 7-point scale should not significantly alter our results.

[20] The negativity bias in attribution refers to the fact that people are "*…more likely to attribute events to external agents when events are negative rather than neutral or positive*" (Morewedge, 2009). Salespeople with lower perceived customer satisfaction scores are more likely to attribute their poor performance to external or less-controllable value drivers (e.g., location and product line), and thus rate these less-controllable drivers more important. On the other hand, employees with higher perceived customer satisfaction scores tend to rate controllable drivers as more important. Therefore, employee's perceived customer satisfaction rating may correlate with our consensus variable. Meanwhile, it is likely that self-estimated customer satisfaction scores are positively associated with actual customer satisfaction ratings because salespeople more or less sense their relationship with customers.

Table 1
Descriptive statistics of sample characteristics.

	N	Mean	Std dev.	Min.	Median	Max.
Level 1: Customer level						
CUS_SAT	1395	0.03	0.89	−2.90	−0.05	1.11
CUS_ SAT_BRANCH	1395	4.13	0.58	2	4	6
Level 2: Employee level						
CONSENSUS	395	−1.08	0.43	−1.87	−1.12	0
PERF_EVAL	395	4.60	1.33	1	5	7
PROMOTE	395	4.65	1.39	1	5	7
CLOSE_EMP-CUS	395	−1.11	0.35	−1.94	−1.14	0
EMP_TENURE	395	8.29	4.60	0	9	21
EMP_HORIZON	395	5.95	1.70	1	6	8
SELFEST_CS	395	5.76	0.79	1	6	7
Level 3: Branch Level						
MEAN_CLOSE	40	−1.12	0.12	−1.40	−1.11	−0.93
MGT_TENURE	40	5.55	3.73	1	4	14
MGT_HORIZON	40	5.80	1.40	3	6	8

CUS_SAT: Composite variable capturing a customer's satisfaction rating on a salesperson's service, which is defined as the factor score created from factor analysis of a customer's satisfaction ratings on a salesperson's advice, attitude, promptness of question resolution (ranging from 1 to 5).
CUS_SAT_BRANCH: A customer's satisfaction rating on the branch's overall service (ranging from 1 to 5).
CONSENSUS: Both salespeople and branch managers rank the most important three customer value drivers from the six value drivers (i.e., advice, attitude, location, price, product line, service). We then calculate the Euclidean distance (i.e., square root of the sum of squared differences in ratings) between a salesperson and the corresponding branch manager. The consensus equals the Euclidean distance $* -1$.
PERF_EVAL: A salesperson's perceived weight of customer satisfaction being used by her supervisor in her annual performance (ranging from 1 to 7).
PROMOTE: A salesperson's perceived weight of customer satisfaction being used by her supervisor in her promotion decision (ranging from 1 to 7).
CLOSE_EMP-CUS: Similar to our consensus measure, we first ask salespeople and customers to rank the most important customer value drivers. We then calculate the mean Euclidean distance between a salesperson and her customers. The consensus equals the Euclidean distance $* -1$.
MEAN_CLOSE: The average *CLOSE_EMP-CUS* at the branch level.
EMP_TENURE (MGT_TENURE): The number of years a salesperson (manager) has been working in the current branch.
EMP_HORIZON (MGT_HORIZON): A salesperson's (manager's) expected employment horizon in this firm (1: less than half year, 2: half year to one year, 3: one to three years, 4: three to five years, 5: five to seven years, 6: seven to ten years, 7: ten to fifteen years, 8: more than fifteen years).
SELFEST_CS: A salesperson's self-estimated customer satisfaction rating (ranging from 1 to 7).

Likert scale ranging from 1 (very unsatisfied) to 7 (very satisfied).

Satisfaction with branch's overall service (CUS_ SAT_BRANCH)

Because our purpose is to examine how consensus on strategy implementation affects the level of customer satisfaction with salespeople, we need to tease out factors that may influence customer satisfaction ratings but are beyond salespeople's control. Salespeople do not provide service in a vacuum: A customer's satisfaction with the salesperson often is influenced by other experiences with the branch. To control for this, we include customers' satisfaction with the branch's overall service (*CUS_SAT_-BRANCH*). This variable is measured by how customers rate their degree of satisfaction with the branch on a 5-point Likert scale, from 1 (very unsatisfied) to 5 (very satisfied).

Empirical analysis: hierarchical linear model

Our customer satisfaction observations are nested first within employees and then within branches. Therefore, we use the hierarchical linear model (HLM hereafter) to model the structure of 1395 customer satisfaction observations (Level 1) nested within 395 salespeople (Level 2), who, in turn, are nested within 40 branches (Level 3). HLM is a model specifically designed for the analysis of multilevel data structure and thus can account for heterogeneous and correlated variances in the data (Bryk & Raudenbush, 1992). Heterogeneity and correlation in variances usually cause inaccurate estimation of standard errors in ordinary least-square (OLS) regression. HLM is, therefore, considered a more accurate but also more conservative estimation method in dealing with multilevel data. Moreover, HLM allows us to examine (1) how characteristics of branches and branch managers affect the variation in customer satisfaction ratings across branches and (2) how salespeople's characteristics affect the variation in customer satisfaction ratings across employees within the same branch.

We use the multi-level regression model:

$$\begin{aligned}
\text{Level 1: } & CUS_SAT_{c,e,b} = \alpha_{0,e,b} + \alpha_{1,0,0} CUS_SAT_BRANCH_{c,e,b} + \varepsilon_{c,e,b}, \\
\text{Level 2: } & \alpha_{0,e,b} = \beta_{0,0,b} + \beta_{0,1,0}\, CONSENSUS_{0,e,b} + \beta_{0,2,0} PERF_EVAL_{0,e,b} \\
& \quad + \beta_{0,3,0}\, PROMOTE_{0,e,b} + \beta_{0,4,0}\, CONSENSUS_{0,e,b} \\
& \quad \times PERF_EVAL_{0,e,b} + \beta_{0,5,0}\, CONSENSUS_{0,e,b} \\
& \quad \times PROMOTE_{0,e,b} + \beta_{0,6,0} CLOSE_EMP\text{-}CUS_{0,e,b} \\
& \quad + \beta_{0,7,0} EMP_TENURE_{0,e,b} + \beta_{0,8,0} EMP_HORIZON_{0,e,b} \\
& \quad + \beta_{0,9,0}\, SELFEST_CS_{0,e,b} + \mu_{0,e,b}, \\
\text{Level 3: } & \beta_{0,0,b} = \gamma_{0,0,0} + \gamma_{0,0,1} MEAN_CLOSE_{0,0,b} \\
& \quad + \gamma_{0,0,2}\, MGT_TENURE_{0,0,b} \\
& \quad + \gamma_{0,0,3} MGT_HORIZON_{0,0,b} + \nu_{0,0,b}.
\end{aligned}$$

where $CUS\_SAT_{c,e,b}$ represents the satisfaction rating from customer *c*, who is served by salesperson *e* in branch *b*. The three levels in our HLM model explain variations

Table 2
Pearson correlation coefficients between variables in the models.

	1	2	3	4	5	6	7	8	9	10	11	12
1. *CUS_SAT*												
2 *CUS_SAT_BRANCH*	0.47***											
	(0.00)											
3. *CONSENSUS*	0.09***	0.04										
	(0.00)	(0.10)										
4. *PERF_EVAL*	−0.07***	−0.05*	0.05*									
	(0.00)	(0.07)	(0.08)									
5. *PROMOTE*	−4.9E−03	−5.4E−03	0.04	0.74***								
	(0.86)	(0.84)	(0.17)	(0.00)								
6. *CLOSE_EMP-CUS*	0.11***	0.03	0.24***	0.05*	0.10***							
	(0.00)	(0.33)	(0.00)	(0.07)	(0.00)							
7. *EMP_TENURE*	0.11***	−0.01	0.05*	−0.11***	−0.16***	0.10***						
	(0.00)	(0.67)	(0.06)	(0.00)	(0.00)	(0.00)						
8. *EMP_HORIZON*	0.04	0.02	−0.04	0.11***	0.16***	0.02	0.12***					
	(0.16)	(0.45)	(0.16)	(0.00)	(0.00)	(0.48)	(0.00)					
9. *SELFEST_CS*	0.12***	0.11***	0.01	0.04	0.02	0.06**	0.14***	0.13***				
	(0.00)	(0.00)	(0.70)	(0.15)	(0.39)	(0.03)	(0.00)	(0.00)				
10. *MEAN_CLOSE*	0.15***	0.08***	0.11***	−0.10***	−0.04	0.34***	0.21***	−0.04	0.06**			
	(0.00)	(0.00)	(0.00)	(0.00)	(0.14)	(0.00)	(0.00)	(0.21)	(0.04)			
11. *MGT_TENURE*	−0.09***	−0.05*	0.10***	−0.05*	−0.10***	−0.04	0.15***	0.10***	0.04	−0.16***		
	(0.00)	(0.09)	(0.00)	(0.08)	(0.00)	(0.16)	(0.00)	(0.00)	(0.16)	(0.00)		
12. *MGT_HORIZON*	0.12***	0.10***	−0.13***	−0.01	−0.04	−0.05*	0.01	0.10***	−4.58E−03	−0.14***	0.09***	
	(0.00)	(0.00)	(0.00)	(0.70)	(0.14)	(0.09)	(0.66)	(0.00)	(0.86)	(0.00)	(0.00)	

Refer to Table 1 for variable definitions.
*** Significance at the 1% level.
** Significance at the 5% level.
* Significance at the 10% level.

of customer satisfaction at the branch level (Level 3), employee level (Level 2), and individual customer level (Level 1).[21]

Primary result

Summary statistics

Table 1 shows descriptive statistics for the dependent and explanatory variables. Recall that we multiply the Euclidean distance by −1 as our consensus measure. The range of *CONSENSUS* is from −1.87 to 0, with 0 indicating complete consensus on strategy implementation. The distribution of *CONSENSUS* is a little right-skewed (with skewness = 0.41). The means (medians) of *PERF_EVAL* and *PROMOTE* are 4.60 (5) and 4.65 (5), respectively, which are higher than the median on a 7-point scale. Moreover, untabulated results show that the distributions of *PERF_EVAL* and *PROMOTE* are both left-skewed (with skewness = −0.68 and −0.65, respectively).[22] These statistics indicate that most salespeople perceive customer satisfaction as a significant factor in their annual evaluation and promotion decisions.[23]

Table 2 presents the Pearson correlation coefficients. We find consensus on strategy implementation (*CONSENSUS*) is positively correlated with customer satisfaction, suggesting that higher consensus is associated with higher customer satisfaction. Moreover, this consensus is also positively associated with the closeness between salespeople and customers (*CLOSE_EMP-CUS* and *MEAN_CLOSE*), which suggests that clear communication of customer strategy helps salespeople better understand their customers' needs. Also consistent with our expectation, we find that both proxies of the closeness between salespeople and customers (*CLOSE_EMP-CUS* and *MEAN_CLOSE*) are positively correlated with customer satisfaction, which implies that the better salespeople understand their customers, the higher the level of customer satisfaction.

Multi-level regression results

Table 3 presents a summary of the HLM regression results. Due to the high correlation between *PERF_EVAL* and *PROMOTE* (0.74), we examine their effects in separate mod-

[21] The Level-3 model explains the between-branch differences in customer satisfaction. $\gamma_{0,0,0}$ is the grand mean of customer satisfaction across all customers surveyed in our study, while $\beta_{0,0,b}$ is the mean customer satisfaction rating for branch *b*. The Level-3 branch-specific variables, therefore, explain variations of mean customer satisfaction across 40 branches. $v_{0,0,b}$ denotes the Level-3 random effect. Given the branch mean customer satisfaction ($\beta_{0,0,b}$), the Level-2 model explains the within-branch variation of customer satisfaction, i.e., variances across different salespeople in the same branch. $\alpha_{0,e,b}$ is the mean customer satisfaction rating for salesperson *e* in branch *b*. Finally, the Level-1 model explains different customer satisfaction ratings of the same salesperson.

[22] All untabulated results in this article are available upon request.

[23] We use Cronbach's α to measure the reliability of our major psychometric variables. For our independent variable, *CUS_SAT*, the Cronbach's α is 0.85, suggesting high internal consistency in customer satisfaction ratings. We also ask verification questions for salespeople's perceived weights on customer satisfaction in performance evaluation and promotion. The Cronbach's α equals 0.71 for *PERF_EVAL* and 0.76 for *PROMOTE*, indicating acceptable reliability of these two measures.

Table 3
Regression of customer satisfaction on consensus.

Dependent variable: Customer satisfaction	Predicted signs	Model 1	Model 2
Intercept		−2.57***	−2.53***
		(−6.37)	(11.21)
Level 1: Customer level			
CUS_SAT_BRANCH	+	0.59***	0.59***
		(16.18)	(16.26)
Level 2: Employee level			
CONSENSUS	**+(H1)**	**0.16****	**0.15****
		(2.33)	**(2.22)**
PERF_EVAL	?	−0.03	
		(−1.47)	
PROMOTE	?		6.0E−05
			(0.00)
CONSENSUS * PERF_EVAL	**+(H2a)**	**0.11****	
		(2.16)	
CONSENSUS * PROMOTE	**+(H2b)**		**0.09***
			(1.93)
CLOSE_EMP-CUS	+	0.08	0.07
		(0.89)	(0.87)
EMP_TENURE	+	0.02***	0.02***
		(2.97)	(3.19)
EMP_HORIZON	+	0.01	0.01
		(0.58)	(0.39)
SELFEST_CS	+	0.06	0.05
		(1.60)	(1.48)
Level 3: Branch level			
MEAN_CLOSE	+	0.54*	0.55*
		(2.02)	(1.99)
MGT_TENURE	+	−0.02***	−0.02***
		(−2.91)	(−2.75)
MGT_HORIZON	+	0.08***	0.07***
		(3.62)	(3.36)
N		1395	1395
Level 1 residual (ε) & Wald *Z* statistic		0.42***	0.42***
		(22.47)	(22.47)
Level 2 random effect (μ) & Wald *Z* statistic		0.15***	0.15***
		(6.84)	(6.83)
Level 3 random effect (v) & Wald *Z* statistic		0.01	0.01
		(0.71)	(0.96)
Level 1 incremental explanatory power		10.32%	10.32%
Level 2 incremental explanatory power		42.87%	42.91%
Level 3 incremental explanatory power		90.17%	85.48%
Total incremental explanatory power		26.98%	26.65%
−2 Log Likelihood (−2LL)		3071.9	3074.7
χ^2 (change in −2LL; Δdf = 11)		281.7***	278.9***

Refer to Table 1 for variable definitions.
*** Significance at the 1% level (two-tailed).
** Significance at the 5% level (two-tailed).
* Significance at the 10% level (two-tailed).

els. Models 1 and 2 in Table 3 show the impact of perceived use of customer satisfaction in performance evaluation and promotion decisions, respectively.

In the HLM, unexplained variation of customer satisfaction ratings can be further broken down into three levels: Level-1 residuals (ε) and Level-2 and Level-3 random effects (μ and v, respectively).[24] Both Models 1 and 2 have good explanatory power at the branch level (90.17% and 85.48%, respectively) but moderate explanatory power at the employee level (42.87% and 42.91%, respectively) and customer level (10.32% and 10.32%, respectively). The total incremental explanatory power of a model is calculated by comparing the sum of ε, μ, and v with that in the null model (i.e., $\Delta(\varepsilon + \mu + v)/(\varepsilon + \mu + v)$).[25] As shown in Table 3, the total incremental explanatory power of Models 1 and 2 are 26.98% and 26.65%, respectively. These numbers show that our model explains a significant portion of variation in customer satisfaction ratings. Another goodness of fit measure is the computation of a χ^2 test of the change in −2 Log Likelihood statistic (−2LL), as compared to that in the null model, relative to the change

[24] Following Bryk and Raudenbush (1992), Singer (1998), and Anderson, Dekker, and Sedatole (2010), we estimate each model's incremental explanatory power at three levels. In doing so, we compare the model's ε, μ, and v with those of the null model (i.e., the model without any explanatory variable).

[25] Although not exactly the same, the total incremental explanatory power of a HLM is conceptually similar to the R^2 in the OLS regression.

in degree of freedom (Δdf). In Model 1 (2), the −2LL reduces by 281.7 (278.9), and the degree of freedom increases by 11, together yielding a p-value lower than 0.01. The χ^2 test indicates that both Models 1 and 2 have significant explanatory power.

The coefficient on *CONSENSUS* is 0.16 ($t = 2.33$, $p = 0.02$) in Model 1 and 0.15 ($t = 2.22$, $p = 0.03$) in Model 2. The positive and significant coefficient supports our first hypothesis that greater consensus on strategy implementation is associated with higher employee performance. This suggests that better communication and greater consensus strengthen employees' motivation to attain performance goals. Moreover, greater consensus creates synergy in an organization that also enhances performance. Therefore, the results provide support for H1.

In Model 1 of Table 3, the positive and significant coefficient on the interaction term *CONSENSUS* × *PERF_EVAL* (0.11, $t = 2.16$, $p = 0.03$) suggests that the incentive effect of performance measures is greater for employees with a higher level of consensus on strategy implementation.[26] That is, the higher the consensus, the more beneficial the use of performance measures in performance evaluation. Therefore, the results provide support for H2a.

Recall that H2b predicts that the incentive effect of performance measures in promotion decisions is greater for employees with a higher level of consensus on strategy implementation. Model 2 shows that the coefficient on *CONSENSUS* × *PROMOTE* is positive and significant (0.09, $t = 1.93$, $p = 0.05$), suggesting the incentive effect of using customer satisfaction in the promotion decision is also affected by the level of consensus on strategy implementation. Therefore, the results provide some support for H2b.

We present the results for control variables below. Intuitively, the better the salespeople understand their customers, the higher the level of customer satisfaction. Consistent with our expectation, we find a positive and significant coefficient on *MEAN_CLOSE*, the average closeness between salespeople and customers at the branch level (0.54, $t = 2.02$, $p = 0.05$ in Model 1 and 0.55, $t = 1.99$, $p = 0.05$ in Model 2). Additionally, there are positive and significant associations between managers' expected employment horizons (*MGT_HORIZON*) and customer satisfaction ratings (0.08, $t = 3.62$, $p < 0.01$ in Model 1 and 0.07, $t = 3.36$, $p < 0.01$ in Model 2). The findings confirm our conjecture that managers will put more weight on forward-looking performance measures, such as customer satisfaction, when they expect to stay with the company longer. Nevertheless, we do not observe an impact of salespersons' job horizon on customer satisfaction.

Regarding employment tenure, we expect longer tenure to be positively associated with customer satisfaction. However, our findings are mixed. Specifically, employees' tenure (*EMP_TENURE*) is positively and significantly associated with customer satisfaction (0.02, $t = 2.97$, $p < 0.01$ in Model 1 and 0.02, $t = 3.19$, $p < 0.01$ in Model 2), which suggests that senior salespeople provide more satisfying service and have earned greater trust and loyalty from their customers. Yet, unexpectedly, we find a negative and significant coefficient on branch managers' tenure (*MGT_TENURE*; −0.02, $t = -2.91$, $p < 0.01$ in Model 1 and −0.02, $t = -2.75$, $p < 0.01$ in Model 2). One possible explanation is that, when a manager stays too long in a branch, she may lose the passion or motivation to initiate new customer service programs, which, in turn, lowers customer satisfaction.

Additional analyses

Sensitivity analysis: an alternative measure of consensus

In our main analysis, we use the Euclidean distance to operationalize the consensus on strategy implementation. Although the distance measure captures the similarity between two profiles and has been commonly used in the literature, it is not perfect and is subject to some criticism. For example, the distance is the square root of the sum of squared differences, which ignores the direction of differences between two profiles. To address this problem, we use a profile correlation method (Caldwell & O'Reilly, 1990; Chatman, 1991), a directional measure of consensus, to check the robustness of our findings. Specifically, we measure consensus as the Spearman rank-order correlation coefficient between two respondents' answers. Untabulated results show that using this alternative measure supports the main analysis and all of the hypotheses.

Impact on financial performance

Non-financial performance measures are leading indicators or drivers of an organization's financial performance. Theoretically, factors that affect non-financial performance will ultimately influence the organization's financial outcome. Therefore, we explore how consensus on strategy implementation is associated with financial performance. We collect each customer's annual net contribution to the firm in the following fiscal year and use it as our dependent variable. We expect a positive coefficient on *CONSENSUS* for two reasons. First, consensus on strategy implementation leads to greater customer satisfaction, which, in turn, increases customers' contribution to the company. Second, consensus on strategy implementation creates synergy in the allocation of both financial and human resources in the organization. Therefore, salespeople who understand their branch manager's strategic priorities can better deploy the resources and support from the branch to identify, attract, and retain valuable customers.[27] Consequently, more effective customer service and

[26] In our regression analysis, we center both *CONSENSUS* and *PERF_EVAL* on their sample means to reduce multicollinearity problems due to interaction. The centering also allows us to interpret the coefficients more meaningfully. The same centering procedure applies to Model 2 as well.

[27] For example, if the branch manager considers "providing useful investment advice" very important to the branch's valuable customers, she would ask supporting staff to spend more time collecting and analyzing investment information. A salesperson who agrees with the branch manager's priority (i.e., a high-consensus pair) may focus on "providing useful investment advice" and more effectively use resources and support from the back office to support her efforts to attract and meet the valuable customers' needs. Conversely, compared to the salesperson in the high-consensus pair, a salesperson who places a higher priority on "friendly attitude" (i.e., the low-consensus pair) may receive equally good customer satisfaction ratings but is less likely to attract the branch's target customers, which results in lower net contributions from her customers.

sales would be reflected in both higher customer satisfaction and better financial performance.

Additionally, we are interested in the relationship between customer satisfaction and customers' contribution to the firm. Prior studies document a positive link between non-financial performance measures and future financial outcome (e.g., Ittner & Larcker, 1998a). Thus, we expect a positive coefficient on customer satisfaction (*CUS_SAT*). We include two new control variables in this additional analysis. The first one is the mean customer contribution for each branch (*MEAN_CONTRIBUTION*). This variable helps control for a variety of unobservable branch-specific factors that affect financial performance, including competition and composition of population in that region. The other variable is cross-sell (*CROSS_SELL*), defined as the number of product/service categories that a customer has with the company. This is an important customer-specific factor that may influence a customer's annual contribution.

We use the following multi-level model to examine the relationship between consensus on strategy implementation and customers' annual contribution to the company:

$$\text{Level 1: } CONTRIBUTION_{t+1c,e,b} = \alpha_{0,e,b} + \alpha_{1,0,0}CUS\_SAT_{c,e,b} + \alpha_{2,0,0}CROSS\_SELL_{c,e,b} + \varepsilon_{c,e,b},$$

$$\text{Level 2: } \alpha_{0,e,b} = \beta_{0,0,b} + \beta_{0,1,0}CONSENSUS_{0,e,b} + \beta_{0,2,0}EMP\_\ TENURE_{0,e,b} + \beta_{0,3,0}EMP\_HORIZON_{0,e,b} + \mu_{0,e,b},$$

$$\text{Level 3: } \beta_{0,0,b} = \gamma_{0,0,0} + \gamma_{0,0,1}MEAN\_CONTRIBUTION_{0,0,b} + \gamma_{0,0,2}MGT\_TENURE_{0,0,b} + \gamma_{0,0,3}MGT\_HORIZON_{0,0,b} + \nu_{0,0,b}.$$

Table 4 presents the HLM results for customers' annual contribution, using both Euclidean distance and a profile correlation to estimate the consensus on strategy implementation. Both models have significant explanatory power (50.41% and 49.45%, respectively) in regard to the variation of customer contribution across salespeople. The explanatory power, however, is lower at the branch level (29.34% and 23.93%) and lowest at the customer level (1.03% and 0.54%). The χ^2 test shows that the overall explanatory power is significant ($p < 0.01$).

We find that the coefficients on *CONSENSUS* are positive and significant in both models (0.61 with $t = 2.13$, $p = 0.03$ and 0.63 with $t = 2.24$, $p = 0.03$, respectively), consistent with our expectation that consensus on strategy implementation not only influences employee performance, such as customer satisfaction, but also has a positive financial impact. The benefit is significant even when we control for customer satisfaction, a potential mediator in the link, in our model. Not surprisingly, we also find a positive and significant coefficient on the customer satisfaction rating (0.30 with $t = 2.42$, $p = 0.02$ and 0.27 with $t = 2.17$, $p = 0.03$, respectively). The positive correlation between customer satisfaction and financial performance is consistent with our expectation as well as what is reported in prior studies.

Relation between consensus and job satisfaction

To confirm that person–organization fit is the mechanism that drives better performance, we further analyze the relationship between consensus on strategy implementation and salespeople's job satisfaction. As person–organization fit theory suggests, a better fit between the individual and the organization leads to an increase in the individual's commitment, effort, and satisfaction through reducing job-related stress. Therefore, we expect that consensus on strategy implementation is positively associated with the salesperson's job satisfaction.

In the employee survey, we asked salespeople to indicate their satisfaction with: (1) the pay level, (2) the tasks assigned to them, (3) the organization, and (4) the overall satisfaction with their job, using a 7-point Likert scale. Panel A in Table 5 shows descriptive statistics for these four satisfaction measures. On average, salespeople are more satisfied with the tasks assigned to them (mean score of 5.12) but are relatively less satisfied with the pay level and the organization (mean scores of 4.13 and 4.16, respectively). Employees' mean overall job satisfaction is 4.59, roughly in the middle of these four job satisfaction variables.[28]

Panel B in Table 5 shows the correlations between consensus on strategy implementation and job satisfaction variables. As predicted, we find that consensus is positively and significantly correlated with salespeople's satisfaction with the organization and their overall job satisfaction. The finding is robust for the two different measures of consensus. The positive correlation provides additional evidence for our prediction that consensus on strategy implementation is an important form of "fit" associated with the employee's higher job satisfaction.

High versus low controllable factors

Although the research company uses six customer value drivers to implement its customer-oriented strategy, not all of these drivers could be controlled by branch managers or salespeople to the same degree. In particular, salespeople have more control over their own service attitude, promptness and reliability of service, and usefulness of investment advice, as well as the discount on price to their customers. Yet, they have less or little control over the composition of product line and branch location. Consensus on high-controllable value drivers may have different implications than consensus on low-controllable ones. In particular, our theory development suggests that higher consensus on strategy implementation motivates employees to exert greater effort to pursue the organization's goals. Therefore, we expect consensus can motivate employees to exert greater effort only when they are able to influence the value drivers.

To investigate the controllability issue, we conducted another short survey and randomly asked 160 salespeople from different branches to rate their controllability over each customer value driver using a 7-point Likert scale ("1" refers to totally uncontrollable, and "7" refers to totally controllable by the salesperson). The average ratings on the six value drivers are: reasonable price (6.03), useful investment advice (6.02), professional service (5.99), friendly attitude (5.96), complete product line (2.62), and convenient location (1.85). We calculate consensus on both

[28] The Cronbach's α for salespeople's job satisfaction is 0.89, suggesting high internal consistency of the measure.

Table 4
Regression of customer's annual contribution on consensus.

Dependent variable: Customer *Contribution*$_{t+1}$	Predicted signs	Model 1	Model 2
Intercept		−4.69	−3.92
		(−1.40)	(−1.19)
Level 1: Customer level			
CUS_SAT	+	0.30**	0.27**
		(2.42)	(2.17)
CROSS_SELL	+	0.33***	0.34***
		(4.09)	(4.32)
Level 2: Employee level			
CONSENSUS (Euclidean Distance)	**+**	**0.61****	
		(2.13)	
CONSENSUS (Profile Correlation)			**0.63****
			(2.24)
EMP_TENURE	+	0.19***	0.19***
		(6.83)	(6.65)
EMP_HORIZON	+	0.17**	0.17**
		(2.42)	(2.46)
Level 3: Branch level			
MEAN_CONTRIBUTION	+	0.92***	0.85***
		(3.27)	(3.06)
MGT_TENURE	+	−0.04	−0.04
		(−1.03)	(−1.05)
MGT_HORIZON	+	−0.10	−0.10
		(−0.91)	(−0.88)
N		1384	1384
Level 1 residual (ε) & Wald *Z* statistic		13.23***	13.29***
		(22.83)	(22.86)
Level 2 random effect (μ) & Wald *Z* statistic		1.09***	1.11***
		(2.79)	(2.84)
Level 3 random effect (ν) & Wald *Z* statistic		0.38**	0.39**
		(1.71)	(1.73)
Level 1 incremental explanatory power		1.03%	0.54%
Level 2 incremental explanatory power		50.41%	49.45%
Level 3 incremental explanatory power		29.34%	23.93%
Total incremental explanatory power		8.70%	8.11%
−2 Log Likelihood (−2LL)		7637.3	7645.5
χ^2 (change in −2LL; Δdf = 8)		76.7***	68.5***

CONTRIBUTION$_{t+1}$: The amount of revenue the case company earned from a customer in year $t+1$.
MEAN_CONTRIBUTION: The average contribution per customer for a branch in the current year.
CROSS_SELL: The number of product categories a customer has with the company.
Refer to Table 1 for other variable definitions.
*** Significance at the 1% level (two-tailed).
** Significance at the 5% level (two-tailed).
* Significance at the 10% level (two-tailed).

the four high-controllable value drivers and the two low-controllable value drivers for each manager–salesperson pair, and then use the two consensus scores as the major variables in our model. Untabulated results provide support for our three hypotheses only for the model with consensus on high-controllable value drivers, but not on low-controllable ones. This finding supports our conjecture that consensus on strategy implementation affects employees' behaviors and performance only when they have control over the methods of implementing the strategy.

However, an alternative explanation may cloud the interpretation of our findings. Attribution bias suggests that, when customer satisfaction is high (low), salespeople and branch managers tend to agree on whether the factors they have control over are more (less) important. Therefore, the perceived priorities might be jointly influenced by both customer satisfaction and controllability of the value drivers. To rule out this alternative explanation, we split the salespeople into "High" and "Low" customer satisfaction groups based on the median customer satisfaction rating of the full sample. If attribution bias exists, then we should find that salespeople in the "High" group place a higher priority on the four high-controllable drivers (i.e., advice, attitude, price, service), and vice versa. In other words, salespeople in the "High" group are more likely to believe their own abilities and effort are important factors that drive high customer satisfaction, compared to those in the "Low" group. However, untabulated results show no significant difference in these two groups' average priorities assigned to the four high-controllable drivers and the two low-controllable drivers. Therefore, our results suggest that attribution bias is not a plausible alternative explanation to our findings.[29]

[29] As we discussed earlier in the 'Research design' section, including *SELFEST_CS* as a control variable also helps alleviate this concern.

Table 5
Correlation between consensus and employee job satisfaction.

	N	Mean	Std. dev.	Min.	Median	Max.
Panel A: Descriptive statistics on job satisfaction variables						
Satisfaction on pay level	395	4.13	1.28	1	4	7
Satisfaction on job contents	395	5.12	1.06	2	5	7
Satisfaction on organization	395	4.16	1.27	1	4	7
Overall job satisfaction	395	4.59	1.11	1	4	7

	Consensus on strategy implementation			
	Euclidean distance		Profile correlation	
	Pearson correlation	Spearman correlation	Pearson correlation	Spearman correlation
Panel B: Correlation coefficients between consensus and job satisfaction				
Satisfaction on pay level	0.07	0.06	0.06	0.06
	(0.19)	(0.22)	(0.21)	(0.25)
Satisfaction on job contents	0.04	0.05	0.06	0.05
	(0.44)	(0.31)	(0.22)	(0.35)
Satisfaction on organization	0.10*	0.13**	0.13***	0.13**
	(0.05)	(0.01)	(0.01)	(0.01)
Overall job satisfaction	0.08	0.09*	0.11**	0.09*
	(0.12)	(0.07)	(0.04)	(0.07)

Employees' job satisfaction is measure by a 7-point Likert scale. Please see Appendix for further detail.
*** Significance at the 1% level.
** Significance at the 5% level.
* Significance at the 10% level.

Wrong direction of strategy implementation

Intuitively, the benefit of reaching high consensus is conditioned on whether the direction of strategy implementation is correct. High consensus on strategy that reflects the wrong direction may result in misallocation of resources and be detrimental to the organization. To further investigate the issue, we create a proxy for bad-strategy implementation variable that equals one if the quality of branch-level strategy implementation, measured by the Euclidean distance between branch manager and customers' top three rankings multiplied by -1, falls into the bottom 15% (or 10%) of the sample. We then include the bad-strategy implementation proxy and its interaction terms with our major independent variables in our models. We find a negative and significant coefficient on the interaction term between the bad-strategy implementation proxy and consensus variable. The result suggests that the benefit of consensus documented in this article is conditioned on the quality of strategy implementation.

Concluding remarks

In this article, we use field-based surveys and proprietary archival data to examine how consensus on strategy implementation and performance measures jointly influences employee performance. We find that consensus on strategy implementation is positively associated with both financial and non-financial performance. Moreover, our results show that the incentive effect of using performance measures in performance evaluation and promotion decisions is greater for employees with a higher level of consensus on strategy implementation. This finding implies that consensus within an organization would affect the effectiveness of performance measures. In addition, consistent with person–organization fit theory, we observe that consensus on strategy implementation is positively associated with salespeople's job satisfaction.

The most important implication of our article is the crucial role of consensus in strategy implementation. Our finding may explain why many organizations do not experience the expected performance improvement after implementing complex performance evaluation systems, such as the Balanced Scorecard. Our article suggests that management should not only focus on the design of performance measures, but also take steps to ensure effective communication of corporate strategy and strategy implementation methods throughout the organization to increase consensus. Only when there is a high level of consensus among all employees in the organization can the benefits of the Balanced Scorecard be achieved.

Nonetheless, our research design is not without limitations. First, in this relatively homogenous setting (i.e., all branches employ the same incentive system but have different approaches to implementing the customer-oriented strategy), we can gain high internal validity by controlling the impact of environmental factors, such as the design of management control systems and performance measurement noise. However, similar to other field-based studies, examining one firm may limit variation and thus may limit generalizability. Second, due to the research company constraints, our customer and employee surveys were not conducted at the same time or during the global financial crisis.[30] Although we believe the timing of our surveys should not significantly affect our findings, our results need

[30] To examine whether salespeople's perceived importance of the six customer value drivers were unique during the financial crisis, we conducted a short survey in July 2012. Specifically, we randomly selected 160 salespeople who participated in the previous survey and asked them to again rank the relative importance of the six customer value drivers. Our results show that the order of the relative importance of the six customer value drivers is the same between the two surveys conducted in 2009 and 2012. This finding suggests that salespeople's perceived strategic priorities are stable, and were not significantly influenced by the global financial crisis.

to be interpreted with this in mind. Third, similar to other empirical studies that rely on cross-sectional data, our findings demonstrate only the association, but not the causal relationship, between consensus and performance.

Data availability

The confidentiality agreement with the company that provided data for this study precludes the dissemination of detailed data without the company's consent.

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Appendix A. Customer survey questionnaire

Dear Customer:

We, ABC company, will celebrate our 20th anniversary this November. We appreciate your business with us! This customer satisfaction survey will help us better understand your needs and how to improve our service to you in the future. Please take a few minutes to complete the survey. Thank you very much for your time and valuable comments!

1. Does your salesperson display a good attitude when she processes your orders?

☐ Excellent ☐ Above Average ☐ Average ☐ Below Average ☐ Extremely Poor

2. Does your salesperson have sufficient professional knowledge?

☐ Excellent ☐ Above Average ☐ Average ☐ Below Average ☐ Extremely Poor

3. Are you satisfied with the salesperson's responses to your questions?

☐ Very Satisfied ☐ Satisfied ☐ Average ☐ Unsatisfied ☐ Very Unsatisfied

4. Do we provide you with sufficient investment information?

☐ Excellent ☐ Above Average ☐ Average ☐ Below Average ☐ Extremely Poor

5. Which of our following products/services have you heard about from us? (Check all that apply)

☐ Stock trading service ☐ Margin trading service ☐ Futures and options
☐ Stock trading service (Hong Kong) ☐ Mutual funds- Domestic
☐ Mutual fund- Overseas ☐ Bond ☐ Insurance ☐ Credit cards ☐ Call/put warrants

6. What products/services have you had with us in the past? (Check all that apply)

☐ Stock trading service ☐ Margin trading service ☐ Futures and options
☐ Stock trading service (Hong Kong) ☐ Mutual funds- Domestic
☐ Mutual fund- Overseas ☐ Bond ☐ Insurance ☐ Credit cards ☐ Call/put warrants

7. Can our product line and service satisfy your investment/financing needs?

☐ Very Satisfied ☐ Satisfied ☐ Average ☐ Unsatisfied ☐ Very Unsatisfied

8. Are you satisfied with our promotion programs? (Please mark N/A if you have not heard of our promotion programs)

☐ Very Satisfied ☐ Satisfied ☐ Average ☐ Unsatisfied ☐ Very Unsatisfied

9. Do you usually wait for a long time (e.g., more than 10 minutes) at our service desk/counter?

☐ Always ☐ Frequently ☐ Occasionally ☐ Rarely ☐ Never

10. Is the paperwork required at the service desk/counter excessive?

☐ Overly Excessive ☐ Too Much ☐ Average ☐ Few ☐ Very Few

11. If you have given us prior feedback, have we addressed or resolved the issue(s) for you?
☐ Yes ☐ No
The unresolved issue is:_____.

12. Are you satisfied with the overall service provided by our branch?

☐ Very Satisfied ☐ Satisfied ☐ Average ☐ Unsatisfied ☐ Very Unsatisfied

13. Which characteristic of the company's product and service create the greatest value for you? Please rank the following items according to their relative importance. ('1' represents the most important value, and '6' represents the least important value).

☐ Reasonable Price ☐ Friendly Service / Attitude
☐ Professional Service ☐ Complete Product Line
☐ Profitable Investment Advice ☐ Convenient Location

14. Do we meet/exceed your expectation on quality of service?

☐ Far beyond my expectation ☐ Beyond my expectation ☐ Consistent with my expectation ☐ Below my expectation ☐ Far below my expectation

15. Are you willing to recommend us to your friends?

☐ Very willing to recommend to my friends ☐ Willing to recommend to my friends ☐ Undecided ☐ Won't recommend to my friends ☐ Certainly won't recommend to my friends

16. How can we provide better service to you?

17. Please specify your age group.

☐ 20-30 ☐ 31-40 ☐ 41-50 ☐ 50 or more

18. How many years of experience do you have in making investments? _____ years.

19. Are you currently a client of other financial service companies? ☐ Yes ☐ No

If yes, our products/services account for roughly _____% of your total investment.

How is our service compared to that of the other companies?

☐ Much better than other companies ☐ Better than other companies ☐ Same as other companies ☐ Worse than other companies ☐ Much worse than other companies

Appendix B. Employee/manager survey questionnaire

Dear Colleague:

Our company collaborates with Professor A at XYZ University in designing and conducting this survey. The purpose of this study is to examine the degree to which our managers/employees understand the company's vision, mission and strategy. Professor A's research team will directly collect the completed surveys and analyze the data which will only be used for academic purposes, and be reported to top management in summary form. Your supervisor will **NOT** have access to individual answers or feedback. Therefore, your responses will **NOT** affect your performance evaluation, promotion or bonus. There is no right or wrong answer to any of the questions below. Please respond according to your own judgment or observation.

If you have any questions about the survey, please contact Professor A at (xxx) xxx-xxx. We appreciate your time and effort in responding to this survey.

I. Customer Service Strategy

1. Based on your understanding of the company's customer service strategy, please rank the following customer value drivers according to their relative importance. ('1' represents the most important value to customers, and '6' represents the least important value to customers).

☐ Reasonable Price ☐ Friendly Service / Attitude

☐ Professional Service ☐ Complete Product Line

☐ Profitable Investment Advice ☐ Convenient Location

	Very Unsatisfied						Very Satisfied
	1	*2*	*3*	*4*	*5*	*6*	*7*
2. To what degree do you think your customers are satisfied with your service?	☐	☐	☐	☐	☐	☐	☐

	No Impact						Huge Impact
	1	*2*	*3*	*4*	*5*	*6*	*7*
3. To what degree would customer satisfaction affect our company?	☐	☐	☐	☐	☐	☐	☐
4. To what degree do customer satisfaction and customer complaints influence your annual performance evaluation?	☐	☐	☐	☐	☐	☐	☐
5. To what degree do customer satisfaction and customer complaints influence your promotion opportunity?	☐	☐	☐	☐	☐	☐	☐

6. Assume our average customer satisfaction rating is 75 (out of 100), which is comparable to the industry average.

(1) If we can improve the average customer satisfaction score by 10 points (i.e., increases to 85), how would it affect the customer retention rate?	☐	☐	☐	☐	☐	☐	☐
(2) If we can improve the average customer satisfaction score by 10 points (i.e., increases to 85), how would it affect the new customer acquisition rate?	☐	☐	☐	☐	☐	☐	☐
(3) If we can improve the average customer satisfaction score by 10 points (i.e., increases to 85) this year, how would it affect the company's profit next year? Our revenue will increase by _____ % Our profit will increase by _____ %	☐	☐	☐	☐	☐	☐	☐

7. It takes a significant amount of effort, time and resources to provide quality service to customers. If customer satisfaction rating will not affect your performance evaluation or bonus this year, how much time are you willing to spend to increase customer satisfaction rating by 10 points?

☐ No. Boosting sales volume this year is more important.

☐ Yes, I am willing to spend _____% of my time to improve customer satisfaction.

II. Employee Satisfaction

	Very Unsatisfied						Very Satisfied
	1	*2*	*3*	*4*	*5*	*6*	*7*
1. Are you satisfied with your current task assignment?	☐	☐	☐	☐	☐	☐	☐
2. Are you satisfied with your current pay level?	☐	☐	☐	☐	☐	☐	☐
3. Are you satisfied with the promotion opportunity you have?	☐	☐	☐	☐	☐	☐	☐
4. Are you satisfied with the organization of this company?	☐	☐	☐	☐	☐	☐	☐
5. What is your overall satisfaction with your current job?	☐	☐	☐	☐	☐	☐	☐

6. How long do you plan to stay in the company?

☐ Less than half year

☐ Half to less than one year

☐ One to less than three years

☐ Three to less than five years

☐ Five to less than seven years

☐ Seven to less than ten years

☐ Ten to less than fifteen years

☐ Equal or more than fifteen years

III. Personal Opinion

Please indicate the degree to which you agree with the following statements.

	Strongly Disagree						Strongly Agree
	1	*2*	*3*	*4*	*5*	*6*	*7*
1. Customer satisfaction and customer complaints will affect my annual performance evaluation.	☐	☐	☐	☐	☐	☐	☐
2. Customer satisfaction and customer complaints will affect my promotion opportunity.	☐	☐	☐	☐	☐	☐	☐
3. Satisfied customers, compared to unsatisfied customers, are more likely to stay with us longer.	☐	☐	☐	☐	☐	☐	☐
4. Satisfied customers, compared to unsatisfied customers, are more likely to bring in new customers.	☐	☐	☐	☐	☐	☐	☐
5. Customer satisfaction will affect our profit next year.	☐	☐	☐	☐	☐	☐	☐
6. We should focus on increasing this year's sales, rather than promoting customer satisfaction. *(reversely coded)*	☐	☐	☐	☐	☐	☐	☐

IV. Demographic Information

1. Your gender: ☐ Male ☐ Female

2. Your highest education

☐ Elementary school ☐ High school ☐ College ☐ Graduate school

3. How many years have you worked in the same branch? _____ years

4. How many years have you worked in this company? _____ years

5. How many years have you worked in the financial service industry? _____ years

Thanks again for your time and effort in completing this questionnaire. Your valuable feedback will help us improve our company's service in the future. If you have any questions regarding the survey, please contact Professor A at (xxx) xxx-xxx or via email xxx@xxx.xx.

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