If customer relationships are so important, why does CRM implementation fail so often?

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If customer relationships are so important, why does CRM implementation fail so often?

by

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A dissertation submitted to the graduate faculty in partial fulfillment of requirements for the degree of DOCTOR OF PHILOSOPHY

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Iowa State University
Ames, Iowa

2017

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ABSTRACT

Customer relationship management (CRM) is a strategic tenet for many leading firms and an important area of research for marketing strategy scholars investigating strategy implementation. Yet, for decades academic and industry researchers have reported a high rate of failure for CRM implementation efforts. This dissertation describes a deep investigation of the microfoundations of strategy execution, using both inductive and deductive techniques. The three studies demonstrate the importance of a new strategy implementation construct called disciplined execution of strategy (DE), characterized through the lens of CRM strategy execution. DE is not the implementation of ongoing marketing activities, but is a marketing capability of interdisciplinary CRM teams that balances the demands of executing a new strategy with their need to protect ongoing customers relationships from the disruption that comes with change. DE is presented as a novel and compelling explanation for the variability of past CRM efforts, and as a promising prescription for practitioners to improve future CRM implementation results.
CHAPTER ONE - INTRODUCTION

1.1. Statement of the problem

A fundamental precept of strategic marketing as a field of study is that the selection of strategy is a critical factor in determining a firm’s ability to create a sustainable advantage (Day 1994; Hunt 1993). To inform the process of selecting strategies, marketing scholars formulate and test theories about how the performance of a given strategy may vary according to firm-level factors, like size and industry type, or external conditions faced by the firm, like levels of competitiveness and technological reliance, among many other factors (Hunt 1993; Varadarajan 2010). We believe there is an important determinant of success in the marketing strategy process that sits between the selection of the strategy by top management and its long-term success as part of the ongoing management of the marketing function. In this dissertation, we seek to define and evaluate “disciplined execution of strategy” as a phenomenon in strategic marketing that is critical in determining the outcomes of a marketing strategy and is wholly separate from the selection of the strategy.

The studies in this dissertation focus on disciplined execution of customer relationship management (CRM) strategies. A review of the published materials from both academics and practitioners that characterize CRM produces numerous and varying perspectives and definitions (Payne and Frow 2005). I adopt an updated and abbreviated form of the definition for CRM from Payne and Frow (2005, p. 168) that emphasizes the strategic, interdisciplinary, and process-oriented view of CRM’s role in organizations:

“CRM describes a strategic emphasis on improving long-term performance of an organization through sustained efforts to build enduring and mutually productive relationships with selected customers. Organizations that adopt tenets of CRM unite relationship marketing, customer service, product and service delivery, and technology strategies to create superior experiences for customers. Accomplishing this requires
interdisciplinary coordination of customer knowledge, processes, and capabilities across the organization.”

Based on this definition of CRM, I define disciplined execution of strategy (DE hereon) as the degree to which interdisciplinary teams tasked with implementing a selected CRM strategy demonstrate specific behaviors that lead to the ability to execute the new strategy while maintaining their customer relationships. Executing a new CRM strategy introduces a paradox for teams responsible for the overall success of CRM efforts. The changes to work processes, technology usage, and roles that come with new CRM strategies can disrupt key customers relationships in the short term. Interdisciplinary CRM teams must manage the effects of this disruption on customers while simultaneously implementing a new strategy. We used extensive qualitative interviewing with senior executives who select CRM strategies and with interdisciplinary team members tasked with implementing CRM strategies to identify the factors critical to successful implementation. These DE behaviors include the team’s [1] engagement in defining the implementation approach, [2] acceptance and buy-in of the new strategy, [3] orchestration of implementation among its members, [4] focus and prioritization of time and resources to implementation, and [5] tenacity in supporting the strategy despite implementation challenges. We believe these behaviors result in superior results because they address friction from multiple factors inherent to CRM teams – the tension of maintaining existing customer relationships while adopting new strategies that may disrupt long-term patterns of service, and the natural tension from the disparate interpretative schemes, goals, and incentives present in interdisciplinary teams with members who represent widely varying backgrounds like sales, customer service, product management, marketing communication and digital media, and information technology.

It is important to note the boundaries of DE to explain its role in strategic marketing. DE is not concerned with generalized or overall implementation of marketing functions. As a phenomenon of marketing strategy, DE examines the execution of new marketing strategies – or major adjustments to existing strategies – that have been defined and mandated by senior managers and are implemented by
interdisciplinary teams. By scrutinizing incidences of strategy adoption and adjustment, we intentionally focus attention on the execution of a selected strategy as opposed to the implementation of ongoing and established processes or other existing marketing activities. This sustained focus allows us to make some theoretically important comparisons. We compare the performance of the same strategy at different levels of DE to measure the contribution attributable to disciplined execution. In this way, we address a persistent problem in strategic marketing that has resisted explanation in scholarly research and in practice – if customer relationships are so important, why do CRM implementations fail so often? Industry and academic researchers have highlighted the poor track record of CRM implementation (Bohling et al. 2006; Rigby et al. 2002; Varadarajan 2010; Venkatesan et al. 2007). A summary of industry research concerning disappointing results from CRM implementations appears in the Section 4.1.

We use a quasi-experiment to present evidence that DE can explain a good deal of variation in results when firms implement a CRM strategy. We then use a combination of extensive qualitative research and a survey of CRM team members to unpack the phenomenon of DE and understand its antecedents and consequences.

We use the financial advisory industry for this study because its characteristics are useful in separating strategy execution from strategy selection. The industry is mature and stable and its products (like insurance policies and investment funds) have long performance horizons and are considered largely homogenous in terms of features. Consequently, financial advisory firms tend to focus on customer relationships as central to their sustained success, as opposed to product performance or innovations. And many firms adopt similar CRM strategies promoted by “practice management” organizations, making it possible to compare execution quality across firms.

Despite the sameness of financial products, the plans offered to clients often combine products and require interdisciplinary teams that can deliver a combination of protection-oriented and investment-oriented elements as well as customized service for each client. These interdisciplinary teams are a useful analogue to the conditions of many firms where implementing strategic adjustments require the
simultaneous reordering of multiple, interconnected business functions. Finally, CRM is an area of strategy that has an uneven record of producing desired results in practice. Measures from a variety of industry and academic sources show that about half of relationship marketing implementations fail to meet expectations. Consequently, this area of marketing strategy provides strong relevance to practice since many marketing and sales leaders are interested in novel and useful answers to the question, “Why do half of all relationship marketing efforts fall short?”

We believe this new dimension of research is additive to the domain of strategic marketing and contributes both theory and convincing evidence to answer important and unresolved questions in addition to why CRM efforts are plagued by implementation missteps. In particular, we believe disciplined execution may have a profound influence on the long-term success of organizations since it ensures the organization has an accurate baseline for future strategy selection and adjustments in subsequent strategic cycles (Morgan et al. 2009; Morgan and Hunt 1999). If an organization is not truly implementing its intended strategy, how can the senior executives make valid baseline comparisons to past results and decide what to do next?

1.2. Relevance to current literature

There are several specific calls for more theory development and empirical research in this area of marketing strategy. In a recent article reviewing earlier scholarship on the domain, definition, issues, and premises of strategic marketing, the author and journal editor presented an updated and expanded schematic representation of the domain of strategic marketing (Varadarajan 2015). One of the twelve areas of the domain of strategic marketing labeled “Marketing Strategy Process,” included “Strategy Implementation” as an element of the process (Varadarajan 2015). He notes, “Although for ease of exposition, the marketing strategy process is shown as a linear sequence, in reality, it is iterative. For example, firms routinely make changes in strategy content in the aftermath of implementation” (Varadarajan 2015, p. 87). By maintaining a sharp focus on implementation, our research seeks to provide
a richer and more detailed picture of this critical iterative element of the strategy process. Our approach also responds to earlier scholarship that highlights the need for the developing and testing a conceptual model linking CRM implementation with employee and customer attitudes and ultimately with financial outcomes (Bohling et al. 2006).

Finally, in their review of marketing scholarship that relies on the resource-based theory of the firm, Kozlenkova et al (2014) highlight a similar theoretical gap. Modern proponents of the resource-based theory believe a firm’s resources contribute to success when they are shown to demonstrate four qualities. To generate competitive advantage, resources must be (1) valuable, (2) rare, (3) imperfectly imitable, and (4) supported by the firm’s organization – sometimes referred to as VRIO (Barney and Hesterly 2012; Kozlenkova et al. 2014). Kozlenkova et al. (2014) show these four questions for evaluating resources have received unequal coverage in marketing literature. They call for more theorizing and empirical research examining the interactions between organizational elements (the “O” in VRIO) of sustainable advantage. They address this issue by examining the interaction between the selection of a strategy and the disciplined execution of strategy by teams as well as by exploring the role of DE in mediating the effects of CRM resource and structure investments.

Our examination of DE is grounded in the resource-based theory of the firm (RBT) and treats DE as an intangible resource as defined in RBT canon, similar to customer knowledge, internal and external relationships, and organizational routines (Barney 1991; Nelson and Winter 1982; Wernerfelt 1984) (Barney 1991; Nelson and Winter 1982; Wernerfelt 1984). RBT is at the heart of an increasing share of strategic marketing scholarship reflecting a 500% increase in the past decade (Kozlenkova et al. 2014). The continuing shift toward services in the U.S. economy suggests the importance of intangible resources like strategy selection and DE will continue to increase.

Kozlenkova et al. (2014) also identify a series of questions in strategic marketing related to DE that remain largely unaddressed and are addressed by our studies:
▪ Limited theorizing and a lack of investigation of the interactions between intangible resources like strategy selection and DE, including their complementarities or trade-offs;
▪ Little exploration of organizational factors, like the team behaviors in DE and their impact in cultivating strategic advantage; and
▪ Lack of empirical evidence quantifying the value of intangible marketing resources, like marketing strategy selection, DE, and customer relationship management capabilities.

The five interdisciplinary team dimensions comprised by DE also contribute to marketing strategy literature in the area of marketing orientation by examining cross-functional coordination – one of the foundations of marketing orientation (Kohli and Jaworski 1990; Menon et al. 1999; Narver and Slater 1990; Payne and Frow 2005). The DE behaviors address the interface between marketing, product, sales and service and the integration of efforts across the firm to execute complex strategies like CRM (Barney 1991; Cron et al. 2014; Wernerfelt 1984). We believe interdisciplinary teams are a strong analogue for studying the cross-functional nature of marketing strategy implementation. We found the natural tensions that emerge in interdisciplinary teams are similar to the friction that can occur between company functions (Kohli and Jaworski 1990; Krasnikov et al. 2009; Venkatesan et al. 2007). Marketing strategy in the customer relationship management domain often relies on efforts that may have conflicting goals, like customer segmentation and selectivity to increase client-level profitability versus standardization efforts aimed at gaining efficiencies through scale and scope economies (Payne and Frow 2005). Similar conflicts between varying perspectives and priorities are present in interdisciplinary teams tasked with implementing strategy and can influence their interactions and overall efforts. We believe this kind of misalignment and tension may help explain the poor track record of CRM implementation efforts among practitioners (Bohling et al. 2006; Rigby et al. 2002; Venkatesan et al. 2007) and the reason that DE has strong effects on CRM outcomes. The following table provides examples from the qualitative interviewing.
Theoretical tensions | Examples from interviews | Relevant DE dimensions
--- | --- | ---
Customer segmentation versus customer intimacy | Service team member expending time on “favored” clients outside of strategic focus segments | Acceptance of strategy, Commitment of resources
Scale and scope efficiencies versus responsiveness to individual client request | Sales team member asks for exceptions to pricing or servicing programs to satisfy one client | Engagement in implementation, Orchestration of team efforts
Standardization of marketing mix to support a consistent brand experience versus customizing products or services for clients | Marketing team member uses unapproved and off-brand sales materials, tactics or language to pursue local opportunities | Acceptance of strategy, Tenacity in implementation

Figure 1: Specific examples of tensions in CRM implementation

1.3. Research questions addressed

This dissertation addresses three key questions related to challenges identified in prior CRM research:

- What are the specific structures and practices by which DE influences the results of CRM strategies? We identify specific practices and attitudes of interdisciplinary teams that lead to greater discipline and success in CRM implementation efforts. In studying teams, we also identify and characterize the structures and work flows of interdisciplinary CRM teams and provide a useful taxonomy for teams.

- Does DE have a meaningful impact on the results of CRM strategy implementation efforts? We endeavor to test whether DE has strong enough influence on CRM performance to help explain the low success rate of CRM implementations.

- Can we measure and manage disciplined execution? We develop and test direct measures of DE in interdisciplinary teams to understand the relationship between DE and the antecedents and consequences of CRM strategy implementation. We show that DE is a mediator between senior executive support for CRM and performance attributable to CRM implementation.
efforts. By proposing measures of DE, we offer teams the opportunity to monitor their implementation efforts and adapt their approach in an effort to improve results CRM results.

1.3.1. What specific practices and attitudes of teams contribute to DE?

We completed two rounds of extensive qualitative research, first with industry experts and then with CRM team-members themselves, to identify, fully define, and verify the face validity of interdisciplinary CRM team behaviors and attitudes. The first round included 12 in-depth interviews with practice management consultants, industry researchers with experience studying CRM teams, and partners and senior executives of financial advisory firms. These interviews employed an exploratory laddering approach to understand how the different behavior patterns of CRM teams influenced the outcomes of implementation efforts of a specific type of CRM strategy commonly used in the financial advisory industry. This CRM strategy – often called tiered-servicing – calls for teams to track the revenue impact and need-profile of each client relationship and design and apply diverse service “packages” appropriate for each profile type. Traditional service models in this industry use a monolithic approach to planning and product delivery that do not make à priori judgments about how to differentiate the team’s approach to clients. Consequently, in traditional service models all customization is provided in a reactive fashion making service activities more ad hoc and less efficient compared to planned service packages. This CRM strategy is an excellent fit for our research since it does not require additional investments in technology or other costs to implement. Instead, it calls for changes in the structure and workflow of CRM teams and in their approach to serving clients. Consequently, we avoid potential confounding influences from the simultaneous introduction of innovative technologies or other production factors during the initial execution period. We used this first stage of qualitative interviewing to identify the areas or categories of team behaviors that influence discipline in executing CRM strategy. The categories of behavior we identified in this stage provided the five items for the third-party measure of DE in the quasi-experiment.
In the second stage, we conducted 46 depth interviews with team members from ten separate teams. These interviews included a representative of every role on each team. The number of roles per team ranged from two to six. We used structured interviews in these interviews to answer a series of questions about how the teams approached CRM execution. These interviews provided the foundation for several different outputs critical to mapping the micro-foundations of disciplined execution. For example, we used the results of the interviews to identify the most common team structures and develop service blueprints for three archetypes of CRM teams (Bitner et al. 2008; Shostack 1987). We also constructed detailed descriptions of three core value propositions the firms used with their clients to describe the teams’ approach to service. Together, the team archetypes and value propositions provide a useful typology scheme for comparing CRM teams and their approaches to serving clients (Andreatta 2010). Finally, we use the interviews to validate the categories of team behaviors identified in the first round and to develop more detailed measures of DE to use with team members. We used these detailed constructs in the survey and modeling study.

1.3.2. Does DE have a meaningful impact on CRM results?

We employed a quasi-experiment using third-party assessments of DE levels in teams and a highly focused dependent variable from archival data to quantify the impact of DE on CRM performance. By examining changes in recurring revenue for financial advisory firms, we created a direct measure of relationship marketing performance that reflects only the revenue from ongoing client relationships for the firm, excluding any one-time fees or commissions. By employing independent assessments of disciplined execution from expert third parties, we avoid the frequent problems of endogenous and monomethod effects that have detracted from the credibility of many prior efforts to measure the impact of attitudinal and behavioral factors in micro-foundational research. We then use a Bayesian model to compare CRM performance of teams that adopted CRM strategies to those who did not. We also compare performance of adopter teams at distinct levels of DE.
1.3.3. Can firms measure and try to influence the level of DE in their teams?

We used a survey of 91 team members from different interdisciplinary CRM teams and a mediation model in the third and final study to evaluate direct and more detailed measures of disciplined execution. Using these direct measures of DE, we endeavor to test whether DE is a significant mediator of the positive effects of a firms’ investments in CRM – in the form of specific resources and structures – on CRM teams’ ability to meet their goals. We developed measures for the antecedents and outcomes of DE from the qualitative interview with team members. The antecedents measure the investment in resources and the creation of organizational structures to support CRM implementation. The outcomes are the most common measures of CRM team performance mentioned by the team members of the ten focal firms. The ability to meet or exceed CRM team goals is the criterion used by historical studies of CRM implementation that have shown high failure rates. Consequently, we use the third study to assess the role that DE may play in determining the ultimate outcome of CRM implementation efforts.

1.3.4. Research propositions tested

We test the following four hypotheses about the relationships between managerial behaviors and firm outcomes for CRM efforts using the results of the three studies:

\[ H_1: \] CRM strategy enhancements improve CRM performance (compared to no enhancements).

\[ H_2: \] An increase in the level of disciplined execution (DE) increases the positive effects of the enhancements.

\[ H_3: \] An increase in a firm’s CRM resources and structures improves the level of disciplined execution.

\[ H_4: \] As the level of disciplined execution improves, the positive effects of CRM resources on CRM performance are enhanced.

The studies provide significant and positive results to all four research propositions. As expected, we find that firms that undertake enhancements to CRM strategy produce superior improvements to their CRM
performance – measured by growth in recurring revenue – compared to a control group that does not undertake enhancements. We also find that an improvement from average discipline in execution to high discipline produces an improvement in CRM performance on par with undertaking enhancements. It is important to note that while undertaking a new strategy invariably requires expending additional time and resources on CRM efforts, increasing disciplined execution does not require new or additional resources. Disciplined execution is defined as attitudes and behaviors of teams related to CRM execution and not as the strategy itself or the resources committed to CRM. By controlling for strategy selection and resources in our models, we ensure that the benefits associated with DE are not driven by variations in strategies or resources. Perhaps most importantly, we find compelling evidence of our primary thesis that DE mediates the effects of firm-level investments in CRM on CRM performance. This supports the claim that the level of DE in teams is a plausible explanation for the highly variable success of CRM implementation. The results also provide novel and credible insight to marketing managers and CRM teams trying to improve the impact of CRM implementations in practice.

1.4. Mixed method approach to the research

The three studies in this dissertation rely on a disciplined mixed-methods approach including qualitative, experimental, and survey methods to understand a potentially important new phenomenon in marketing strategy. To adequately explore, identify, unpack, and measure the behaviors that underlie the disciplined execution of marketing strategy, we believe a combination of exploratory and causal techniques is required to provide both a detailed picture of the phenomenon, and credible empirical evidence of its effects. The following schematic diagram summaries the way in which we combined methods to achieve these goals.
Figure 2: Structure of the three studies of disciplined execution

The two qualitative stages of the research preceded both the quasi-experiment and the survey and provided the foundations for our definition and scales for DE. The first qualitative stage included depth interviews with twelve experts in the financial advisory industry asking for them to describe the differences in practices and behaviors for teams that had the most success executing CRM strategies compared to teams that tended to struggle to make CRM strategies pay off. In exploring these behaviors, we also asked experts to describe the primary goals firms were trying to achieve by pursuing these strategies. The primary goal mentioned in selecting a CRM strategy by all experts in the first stage of interviews was to overcome traditional limits on growth for advisory firms, measured in changes in recurring revenue from ongoing relationships. Traditional solo advisory models typically have a maximum capacity of about 200 households, which drives these firms to focus on high-net worth clients who generate more revenue per household. Once advisory practices reach their household capacity, growth of the firm slows dramatically. Strategies to accelerate growth in recurring revenue are a top priority for firm executives. Therefore, we used growth in recurring revenue as the dependent variable for the quasi-experimental study, and measures of client growth and retention as the dependent variables for the survey and model study.
1.5. Significance of the studies

Despite the extensive use of RBT in marketing scholarship, there has not been a detailed exploration of the behavioral and attitudinal micro-foundations of CRM implementation, the failure modes for CRM, and their impacts and tradeoffs (Kozlenkova et al. 2014). Other marketing scholars have argued the treatment of marketing capabilities in literature has focused on their static nature as assets available for exploitation and not on their dynamic role in exploration and renewal (Barney and Clark 2007; Barney et al. 2011; Day 2011). While Day’s conceptual framework points to both dynamic and adaptive capabilities, it does not attempt to uncover the specific interactions, processes, behaviors or mechanisms that lead to enhancements in resources like CRM capabilities. Barney and Clark (2007, p. 259) also argue that RBT characterizes resources and capabilities as conferring advantage in a fixed manner. They go on to argue that even so-called dynamic capabilities are static in this sense. These limitations in the explanatory power RBT are due in part to a lack of understanding of the mechanisms underlying capabilities and the tensions inherent in these mechanisms that contribute to their development and evolution. A special issue on RBT in the Journal of Management reflects on efforts to uncover the micro-foundations of RBT, especially pertaining to strategic management capabilities (Foss 2011). In an invited editorial, Foss concludes these efforts leave a largely unfulfilled promise for explaining the leverage created by knowledge-based capabilities. In particular, he points out prior efforts to uncover the mechanisms of strategic management capabilities have focused solely on individual psychological factors and have not examined the equally significant role of interactions among individuals and teams (Foss 2011). We believe the opportunity to expand on this under-theorized role of tensions in these interactions is particularly promising in the case of marketing capabilities where sales, service and marketing team members converge to create go-to-market strategies in relationship marketing contexts. All three studies addressing disciplined execution of marketing strategy make contributions to address the problems highlighted by the aforementioned leading scholars in our discipline. We advance theory in marketing strategy scholarship by defining and measuring the impact of a new dimension of the strategy process.
We also contribute to the stream of CRM research by proposing a novel and credible explanation for the low success rate of CRM implementation efforts – a persistent problem highlighted by both academic and industry research (Bohling et al. 2006; Rigby et al. 2002).

By disentangling the value of marketing strategy selection from disciplined execution using a quasi-experimental approach with archival data, we address the lack of empirical support for the value of intangible resources in RBT-oriented research on marketing strategy (Barney 1991; Kozlenkova et al. 2014). We also advance theory in marketing strategy by distinguishing the magnitude of performance contribution from strategy selection compared to DE in implementing CRM strategy (Kozlenkova et al. 2014; Piercy 1998).

Finally, by providing a detailed examination and characterization of interdisciplinary CRM teams, we help to clarify the micro-foundations of marketing orientation and how it is applied to strategy implementation (Day 2011; Jaworski and Kohli 1993). Micro-foundations are the individual and team-level actions that result in the regular performance of valuable capabilities that lead to competitive advantage (Eisenhardt et al. 2010). Our intensive interviews with team members provide insight into how teams use intimate client knowledge to adapt and execute new strategies by reconciling the needs of current clients with forward-looking efforts. We also add to scholarship in selling and sales management by identifying the specific structures and work-flows of interdisciplinary CRM and by providing a taxonomy for CRM teams (Akçura and Srinivasan 2005; Speier and Venkatesh 2002; Treacy and Wiersema 1993).
CHAPTER TWO – ADDRESSING THE ROOT CAUSES OF CRM STRATEGY FAILURE

The expert and practitioner informants interviewed for these studies all emphasized the primacy of revenue growth as the main motivation for implementing new CRM strategies. This emphasis on growth implies the simultaneous challenge of retaining all valuable current client relationships while acquiring and cultivating new relationships. The tension between serving existing clients and prospecting for new ones is additive to the natural interdisciplinary tensions among team members with varying skills and backgrounds. Our studies of disciplined execution provide a deep and detailed exploration of the attitudes and behaviors of interdisciplinary team members that address these tensions and lead to the effective implementation of CRM strategies (Foss 2011; Frow et al. 2011). Experience has shown that effective implementation of CRM is far from guaranteed in practice. Despite the popularity of CRM as a strategy, academic and practitioner researchers alike report a high rate of implementations that fall short of expectations. Our basic argument is that disciplined execution of strategy (DE) is a critical dimension of the strategy process. Moreover, understanding DE can help marketing leaders address root causes of strategy failure and produce results more consistent with their strategic intentions and goals (Bohling et al. 2006; Day 2011; Jaworski and Kohli 1993). Resource-based theory in marketing suggests that effective implementation of marketing strategy results in the development of marketing capabilities that create sustainable competitive advantage (Barney 1991; Barney et al. 2011; Slotegraaf et al. 2003; Vorhies and Morgan 2005). Consequently, we argue that addressing causes of strategy failure through disciplined execution is just as important as selecting the correct strategies to implement. The results of our three studies indicate DE has a profound influence on CRM results, and that firms can use the insights to measure and manage DE in interdisciplinary teams to influence performance.

2.1. Three modes of strategy failure

Strategy failure has been documented by industry and academic studies showing the disappointing results from CRM implementation efforts (Bohling et al. 2006; Rigby et al. 2002). Bohling et al. (2006)
highlight several causes of failure from prior literature including resistance to change and the shift in duties and loss of control for marketing managers when production, sales and service, and supply chain functions share control of CRM implementation. They concluded that the challenges in aligning CRM initiatives with stakeholder interests was a major barrier to success, saying “there is a need for research developing and testing a conceptual model linking CRM implementation with employee and customer goals and attitudes, and ultimately with financial outcomes” (Bohling et al. 2006, p. 188). Boulding et al. (2006) list the three most important roadblocks to CRM implementation as:

1. Lack of resources;
2. Insufficient focus on change management; and
3. Insufficient involvement of employees.

Accordingly, they found the three components of CRM implementation that were cited as most critical to success in their survey of experts and practitioners (Boulding et al. 2005) as:

1. Change management;
2. Process change; and
3. Senior executive and opinion-leader buy-in.

Our definition of DE and corresponding model for measuring DE levels in CRM teams is consistent with this assessment of CRM implementation challenges and adds to theory and practice by providing far greater detail about how team-members address these challenges in practice.

Our conception of strategy failure in CRM implementation is based on the results of our qualitative interviews with leaders, experts and team members and is consistent with current literature. We see CRM strategy implementation failure fitting into three modes, [1] incompleteness of execution, [2] inability to execute, and [3] mismatch of strategy to immediate customer or competitive conditions.
2.1.1. Failure Mode I – Incompleteness of execution

First, strategies can fail in a fundamental or essential way when implementation efforts do not adequately match the specification of a prescribed strategy. This is a particular risk for CRM strategies that involve asking experienced sales and service leaders to alter the way they interact with long-standing clients. In these cases, experienced sales and service leaders may have personal relationships with clients that span years or even decades. For example, if a new CRM strategy mandates a change in the primary service contact for a long-standing client, resistance from the incumbent service contact may lead to ad hoc alterations or even subversions in execution to avoid this unwanted aspect of the strategy. This “incompleteness” means the implementation does not conform to the strategic intention of those who created the strategy and will likely lead to disconnections with team members who obey the intended strategy. In an ironic sense, this type of failure is intentional since those responsible for implementation abandon some aspects of the strategy from the very beginning of execution.

2.1.2. Failure Mode II – Inability to execute

Secondly, failure can result from firms implementing strategies without the needed resources. Team members may require new knowledge or skills, or appropriate organizational structure to support the delivery of a CRM strategy. They may also lack needed information technology or physical infrastructure to enable team processes. For example, if a new CRM program relies on the use of sales automation or campaign management technology, failure can result when the data needed is out of date or inaccurate or when one or more team members lack adequate training to use a new technology. In cases of “inability,” individuals and teams may make outright errors that lead to customer problems. A lack of training may mean a team member fails to anticipate and prepare for routine challenges, or makes unwise compromises in execution. When a lack of skills or resources is the barrier, implementation can fail despite a team’s determination to implement the intended strategy. This mode of failure is a particular risk for smaller or
newer firms that undertake CRM implementation before developing mature capabilities in other basic functions like sales, service, marketing, product, and supply chain management.

2.1.3. Failure Mode III – Mismatch with environmental conditions

Finally, the third mode of failure is the one that has received the most attention from marketing scholars – a “mismatch” between the selected strategy and the firm’s environmental realities (Kozlenkova et al. 2014). In a case of mismatched strategy, senior leaders may select a form of CRM strategy that is a poor fit for a chosen customer segment or region, or that leads to an unfavorable competitive position given the strategies of firms in direct competition with one or more of their CRM teams. Even the most rigorously executed strategy will likely lead to disappointing results when a CRM strategy is a mismatch with a CRM team’s customers or immediate competitive environment. This may make increases in DE seem like a disadvantage in the “mismatch” mode, since the mismatched strategy leads to a disadvantage. Interestingly, even in the case of a mismatched strategy, teams with higher levels DE indicated they benefited from more accurate baseline processes and made faster and more effective adjustments.

2.2. DE through the lens of CRM strategy failure

Our interviews confirm prior research that senior executives expect a great deal of value from CRM strategies. The goals for CRM efforts offered by senior executives in our interviews were both varied and profound in nature and included improvements in scale economies, service quality, and branding outcomes, among others. With this slate of expectations, one could argue that disappointment in CRM is not surprising. Nevertheless, the results of our research are also consistent with literature in that they highlight the centrality of revenue growth in CRM strategies.

The emphasis on growth implies the unspoken challenge in CRM implementation that is at the heart of many implementation shortfalls. In order to generate sustained growth in recurring revenue, teams must simultaneously retain and grow current client relationships while acquiring and cultivating new ones. This is particularly a challenge when long-standing clients (like baby-boomer households in or
nearing retirement) have dissimilar needs and expectations compared to many prospective new clients (like young professionals). These tensions – between existing and new customer demands and between retention and prospecting activities – present additional challenges in implementation that can interact with interdisciplinary tensions among team members due to differences in incentives, skills, or focus.

Conceptually, we present DE as the way CRM teams encounter new strategies and interact with each other and with other functions to execute the strategy and avoid the three modes of failure. According to our 58 depth interviews, the five dimensions of DE, [1] engagement in implementation, [2] acceptance of the new strategy, [3] orchestration among team members, [4] commitment of resources, and [5] tenacity in facing challenges, address the three failure modes in diverse ways. The dimensions of DE are the means by which teams avoid failure modes by combining the skills of different specialists in an atmosphere of unity borne of purpose, and not in an atmosphere of enforcement through individual incentives or supervision. We provide several examples of how DE addresses failure modes from our interviews here:

<table>
<thead>
<tr>
<th>Failure mode</th>
<th>Example from interviews</th>
<th>How DE addresses failure</th>
</tr>
</thead>
<tbody>
<tr>
<td>MODE I: Incompleteness (in a tiered service strategy)</td>
<td>Account manager expends more attention than is needed to a legacy client with low value</td>
<td>Acceptance of strategy (DE 2) ensures team shares commitment to the strategy; Commitment of resources (DE 4) ensures appropriate prioritization</td>
</tr>
<tr>
<td>MODE II: Inability (to execute a targeted messaging strategy)</td>
<td>Marketing manager uses out-of-date email addresses since campaign is not linked to active sales database records</td>
<td>Engagement in implementation (DE 1) ensures awareness of new data needs; Orchestration of team efforts (DE 3) ensures usage of the most current data</td>
</tr>
<tr>
<td>MODE III: Mismatch (of strategic pilot with an emerging competitive threat)</td>
<td>Firm selects a region for piloting a new team structure whose top clients are being actively targeted for defection</td>
<td>Engagement in implementation (DE 1) ensures awareness of the local threat; Tenacity in implementation (DE 5) ensures regional team and firm continue efforts after pilot experience</td>
</tr>
</tbody>
</table>

Figure 3: Examples of CRM failure modes and how DE addresses them
2.3. DE through the lens of marketing capabilities

Krasnikov and Jayachandran (2008, p. 1) draw a direct connection between marketing capabilities and behaviors, stating “Capabilities enable a firm to perform value-creating tasks effectively, and they reside in organizational processes and routines that are difficult to replicate. Capabilities are deeply rooted in these processes and therefore are embedded within organizations in the complex mesh of interconnected actions that follow managerial decisions over time.” This description of capabilities helps to prescribe how DE works as a foundation for marketing capabilities (Krasnikov and Jayachandran 2008). The tacit nature of team behaviors like DE magnify their influence on marketing capabilities by making capabilities more opaque and difficult for competitors to copy (Gavetti 2005). The five dimensions of DE are emblematic of the deeply embedded and idiosyncratic actions that provide the micro-foundations of capabilities. According to Gavetti (2012, p. 599), “A large, growing body of research on capabilities rests on, or is highly influenced by, the routine-centered micro-foundational apparatus of evolutionary economics (Nelson and Winter 1982). Routines and the related notions of local, experiential, semiautomatic search are powerful concepts. They provide a parsimonious explanation of what may be the central feature of capabilities’ macro-evolutionary characteristics: their continuity.” Day (1994, p. 38) reinforces this point, “Capabilities are so deeply embedded in the organizational routines and practices that they cannot be traded or imitated.” By exploring the role of disciplined execution in CRM strategy, the DE studies enumerate the individual and team behaviors that act as the building blocks for marketing capabilities and measure their impact on results. DE also provides a clearer and more granular understanding of the tensions between marketing processes, like new product sales and client service provision, and the intangible marketing capabilities that enable them according to resource-based theory. This is a gap noted by scholars in several disciplines, including marketing strategy, management, and management information systems (Gavetti 2005; Gavetti 2012; Krasnikov and Jayachandran 2008; Wade and Hulland 2004).
In marketing strategy scholarship, Ramaswami et al. (2009, p. 98) define market-based capabilities as follows, “A capability can be viewed as ‘a competence that is truly distinctive’ (Learned et al. 1969) and as “complex bundles of skills and accumulated knowledge, exercised through organizational processes that create positional or competitive advantages for the firm which are not easily imitable by competitors.” In this sense, the resource-based theory of the firm identifies capabilities as patterns of behavior that enable and define the quality of more tangible business processes. Ramaswami et al. (2009) make a compelling argument for the need for more rigor in understanding the behavioral underpinnings of marketing capabilities. They argue that market-based capabilities (MBC) are an area of strategy scholarship that requires a more comprehensive evaluation to understand the mechanisms through which they influence performance (Ramaswami et al. 2009; Varadarajan et al. 2001). They address this gap by identifying new product development, supply chain management and customer management as three critical processes that rely on MBCs. They provide a deep exploration of how seven market-based capabilities influence the performance of these processes and show that the MBCs associated with customer management have the most significant impact. These three MBCs are [1] “capability in focusing on high-value customers, [2] ”capability in responding to customer goals,” and [3] “capability in building customer relationship assets” (Ramaswami et al. 2009, p. 100). We build on this important foundational research by endeavoring to identify and measure the micro-foundations of these customer management capabilities. Specifically, all three studies analyze how CRM teams implement strategies that call for focusing on high-value clients, improving responsiveness to customer goals, and building client relationships in the financial advisory industry. We also provide empirical evidence of the financial impact of DE as a complementary capability that interacts with other capabilities as interdisciplinary CRM teams combine their areas of expertise to implement new strategies.

The diagram below builds on Ramaswami et al. (2009) to depicts the theorized role for DE. The ability of the senior management team (TMT) to select strategies and resources to exploit customer relationships is one form of intangible capability within firms. This high-level capability depends on the
marketing capabilities of customer selection, customer insight use, and building relationships. These capabilities support the CRM process and help to determine its success in generating business performance. We posit that DE is an example of a cognitive and behavior marketing capability that interacts with and enables complementary marketing capabilities to build sustainable advantage.

**Figure 4: Theorized role of DE in CR performance (Ramaswami et al. 2009)**

Cohen and Bacdayan (1994) also describe a critical gap in organizational theory associated with a lack of empirical evidence to support the impact of intangible resources despite their centrality to behavioral theory. For example, they point out that Cyert and March (1963) – a seminal book outlining behavioral theory of the firm and arguing for the existence of routines – was cited 71 times in a five-year period around the publishing of their article in 1994 by authors applying the idea as part of an explanation of other behavioral phenomena (Cyert and March 1963). Yet, little has been added to theory in explicating and detailing the nature of intangible resources. Cohen and Bacdayan (1994) described the treatment of routines in RBT research as a convenient way to mop up the “residuals” of rationality – i.e.
as post hoc explanations of apparently non-rational behavior. This criticism is still valid in describing explanations of the failure rate of CRM implementation efforts (Cohen and Bacdayan 1994; Kozlenkova et al. 2014). While many marketing scholars who subscribe to RBT acknowledge the importance of individual and team-level micro-foundations, we have yet to unpack and explain the influence of individual and team-level behavior on important marketing processes like CRM. In an effort to address this gap in marketing theory, we propose a novel and convincing conceptual model to help explain how disciplined execution accounts for variation in the ability of firms to gain consistent benefits from processes like CRM.

2.4. Using DE to answer the research questions

Our overall research design treats the disciplined execution of a CRM strategy (DE) as a phenomenon wholly independent of the selection of a strategy, and independent of any decisions concerning the resources provided in support of the strategy. We hypothesize that DE mediates the positive effects of investments in CRM on CRM performance by determining the fidelity and effectiveness of the implementation of a strategy by a team tasked with its execution. We also distinguish DE from the generalized or ongoing execution of marketing functions. DE is concerned with the execution of new marketing strategies – or major adjustments to existing strategies – that have been mandated for implementation by interdisciplinary CRM teams. This careful focus allows us to explore several acknowledged gaps in marketing theory.

2.4.1. Research Question I: What are the specific behaviors and practices that drive DE?

We identify specific practices and attitudes of interdisciplinary CRM teams through two stages of qualitative research that include 58 interviews in all, with industry experts, senior executives, and CRM team members. In the first stage of interviews with 12 industry experts, we identified five dimensions of DE. In the second stage, we used 46 interviews with CRM team members to identify and refine the specific behaviors underlying the five dimensions identified in the first stage. The first stage dimensions
were used to define the third-party measure of DE in the quasi-experiment and the more detailed measures of the individual behaviors were used in the survey research.

2.4.2. Research Question II: Does DE have a meaningful impact on CRM results?

We test whether DE has a measurable influence on the ultimate firm-level criterion for CRM success – growth in recurring revenue. To complete this test, we use a quasi-experiment that combines third-party assessments of DE in CRM teams with archival data that are used to measure results for firms going through a practice management curriculum designed to help them implement a specific CRM strategy called “tiered servicing.” This approach allows us to compare the performance of firms that select and implement a specific CRM strategy to like firms that did not. We then compare the results of the firms that implemented the strategy at different levels of DE to measure the contribution of DE. The first comparison examines the contribution attributable to selecting the strategy while the second comparison isolates the effects of different levels of discipline in executing the strategy.

2.4.3. Research Question III: Can DE in CRM teams be measured and managed?

To address the last question, we develop and test more detailed and direct measures of DE in interdisciplinary CRM teams using a survey. The survey uses five separate four-item constructs for the dimensions of DE and is designed to gauge the relationship between DE and the antecedents and consequences of CRM strategy implementation. We test our hypothesis that DE mediates the effects of senior management support for CRM on CRM performance. In the survey, we characterize CRM performance as the team’s record of missing, meeting, or exceeding team-level CRM goals to match the dependent variable to the unit of survey’s unit of measurement – the CRM team. This definition of performance also provides excellent face validity for addressing the question of whether DE provides a novel and convincing explanation of the high failure rate of CRM implementations since success is often judged by the outcomes of these team measures – particularly growth in revenue.

2.4.4. The context for all three studies
The context for this study is the U.S. financial advisory industry and the unit of analysis is the financial advisory practice. We define a financial advisory practice (practice hereafter) as a discrete business entity in a single location that serves a common set of clients.

We also believe the financial advisory industry offers an excellent opportunity to study the impact of disciplined execution in collaborative sales and marketing teams implementing customer relationship strategies. Financial advisory practices have substantial autonomy is developing approaches to serve their clients. Consequently, they represent a wide range of marketing and sales team configurations and operating philosophies. Also, since advisors must conform to strict regulatory prescriptions about how advice is delivered and the suitability of products, practices are required to align sales and marketing approaches to provide consistent messages and direction based on sound defensible principles. This combination of industry conditions creates a wide variety of approaches within different practices with an industry-wide requirement for delivering basic service levels. This makes the advisory industry a robust laboratory for studying the performance effects of disciplined execution.

2.4.5. The role of interdisciplinary teams in the research

The criticality of teams in the execution of modern CRM strategies was among the most consistent finding of our initial depth interviews with experts and leaders. In the financial advisory industry, the largest and fastest-growing firms were characterized as those most likely to use CRM team structures and to have made a long-term commitment to teams. These firms use teams much the same way that major business-to-business firms use key-account teams – to ensure the needs of new and existing clients are met efficiently.

Interdisciplinary teams also provide a useful analogue for the cross-functional nature of CRM implementation in other contexts. CRM team members must combine specialist abilities and collaborate to deliver service efficiency and sales effectiveness without sacrificing one for the other.
We provide more findings concerning the impact of team structures on CRM results in the chapter for the qualitative study results.

2.4. A conceptual framework for the role of DE in CRM

The conceptual framework is based on the proposition that the long-run growth of firms employing CRM strategies – measured by their ability to consistently grow recurring revenue – is determined largely by their ability to manage natural tensions between specialists and convert them into opportunities for collaboration, learning and more effective action. We offer DE as the specific behaviors of interdisciplinary teams to manage tensions from combining diverse skills, knowledge, and strengths to generate greater value for clients and for the firm.

2.4.1. Conceptual framework for disciplined execution

Our conceptual framework for the study of disciplined execution of CRM strategies is based on the premise that firms adopt CRM strategies to accelerate their growth in recurring revenues from ongoing customer relationships. This emphasis on growth implies that for a CRM strategy to meet expectations, the teams implementing the strategy must simultaneously improve their ability to retain and grow current client relationships while maintaining their ability to acquire and cultivate new ones, or improve their acquisition abilities while maintaining their retention – or both. Thus, CRM implementation represents multi-faceted challenges for teams that require thoughtful adjustments to retain the most effective current practices while integrating new practices associated with new strategies while continuously monitoring the impact of work-flow changes on clients. We undertook three studies to understand and measure how CRM teams take on these challenges and the results of the studies are presented in the following diagram of the DE framework.
Figure 5: Conceptual framework for Disciplined Execution (DE) in CRM teams

The insights from the two stages of qualitative interviewing in Study #1 are cumulative and are used to support the quantitative research in Studies #2 and #3. The 58 interviews with industry experts, top executives, and CRM team members defined the five dimensions of DE used in the third-party measure for the quasi-experiment and the more detailed direct measures of each DE dimension used in the survey. Together, the three studies paint a detailed picture of how the level of discipline in the execution of a marketing strategy influences the performance of the strategy. This framework for understanding the role of disciplined executions (DE) also permits us to quantify the impact DE on CRM performance and to confirm its mediating role between investments in resources to support CRM and performance. The qualitative research was consistent across 58 depth interviews and identified the five dimensions and the 19 associated behaviors and attitudes of interdisciplinary CRM teams that drive success in implementing CRM strategies. The quasi-experiment in Study #2 compares the growth in recurring revenue as a measure of CRM performance attributable to selecting a CRM strategy to the growth attributable to DE. For the average case in the Bayesian quasi-experiments, firms that adopted the CRM strategy had an average annual growth in recurring revenue for the three years after adoption of 46% more than the average case for a matched control group. Firms that implemented the strategy and had a high level of DE
(6 on a 7-point scale) produced growth in recurring revenue that was 41% more than similar firms with an average DE level (4 on a 7-point scale). The survey and model in Study #3 explore the role of DE as a mediator between the investment in CRM resources by senior leaders to support CRM strategy as an antecedent and CRM team performance as an outcome. The results confirmed positive and significant effects for CRM resources on CRM performance with positive and significant mediating effects for DE, as hypothesized. The dimensions and measurement items for DE used in the survey are summarized here:

### 2.4.2. Five interdisciplinary team dimensions of DE and associated items

Through qualitative interviewing, we identified 31 specific behaviors and attitudes associated five dimensions of DE in CRM teams. The 19 items we retained after exploratory and factor analysis are described briefly here.

1. Engagement in defining implementation (five items)
   a. Defined an implementation plan
   b. Made suggestions about how to implement
   c. Shared insights about implementation
   d. Passionate about generating benefits
   e. Team took ownership of implementation

2. Acceptance of the new strategy or adjustment (four items)
   a. My team was among the first to use it
   b. My team helped me to adopt it
   c. My team discussed the merits of the change
   d. My team is committed to get the most out of it

3. Orchestration of implementation with team members (four items)
   a. My team paid attention to my feedback
   b. My team acted on my feedback
c. I am satisfied with my team’s responsiveness

d. I have followed the feedback from my team members

4. Focus of time and resources on implementation (three items)
   a. Implementing the change was a high priority for my team
   b. My team committed ample time to implementation
   c. My team applied appropriate resources to implementation

5. Tenacity in addressing challenges of implementation (three items)
   a. My team stayed with the change through difficult challenges
   b. My team was unwilling to give up
   c. My team identified and worked through problems

We believe our research contributes to practice by specifying and testing these behaviors and attitudes marketing leaders can use in their efforts to train, measure, and manage disciplined execution as a source of strategic advantage. The results of this research have been presented to the ten focal firms that participated in the qualitative stage and the insights concerning disciplined execution have been incorporated in several training and measurement regimens at these firms. The early anecdotal feedback from practitioners has been favorable as managers have found the results to be consistent with their experiences and the training based on results has resulted in positive team outcomes.

2.5. Operational definitions for key terms related to DE

We define disciplined execution of marketing strategy (DE) as the presence of five behaviors in interdisciplinary teams that facilitate the implementation of new marketing strategies while maintaining the team’s ongoing sales and service performance. In this study, we are not concerned with the generalized or routine execution of marketing functions, but examine how DE facilitates the implementation of new strategies or major adjustments to existing strategies that have been defined and
mandated by senior managers. We focus on the implementation of new strategies in order to disentangle the effects attributable to strategy selection from those attributable to disciplined execution.

2.5.1. Operational definitions for measures of disciplined execution of CRM strategy

Behaviors of interdisciplinary teams in implementing new marketing strategies while maintaining the team’s ongoing sales and service performance.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE1: Engagement in the implementation process</td>
<td>Direct involvement in planning implementation efforts, make suggestions, sharing insights, and taking ownership.</td>
</tr>
<tr>
<td>DE2: Acceptance of the new strategy or adjustment</td>
<td>Discussed the strategy's merits, were among the first to use it, encouraged team mates to adopt it.</td>
</tr>
<tr>
<td>DE3: Orchestration of implementation efforts</td>
<td>Listened and followed-up on implementation comments from team members, felt team members accepted and used feedback.</td>
</tr>
<tr>
<td>DE4: Commitment of time and resources to implementation</td>
<td>Made implementation a high priority, committed necessary time and resources to implementation efforts.</td>
</tr>
<tr>
<td>DE 5: Tenacity in implementation despite obstacles</td>
<td>Stayed with implementation through challenges, worked through implementation setbacks, demonstrated responsibility for success.</td>
</tr>
</tbody>
</table>

Figure 6: Disciplined execution of marketing strategy (DE):

As reported by Koslenkova et al. (2014) and others, our review of literature showed that engagement in and acceptance of strategy by CRM teams has not been a focus of prior research in marketing. While human resources management scholarship has explored employee engagement, it conceptualizes engagement as a broad, firm-wide phenomenon (Harter et al. 2002; Saks 2006) related to generalized outcomes likes employee retention, productivity, and efficiency. Similarly, scholarly articles in strategic management and management information systems in addition to numerous practitioner publications have explored the challenges of strategic change and change management (Fiss and Zajac 2006; Sirkin et al. 2005; Treacy and Wiersema 1993). Nevertheless, these studies define strategic change very broadly, like changes in a firm’s diversification-level or ownership structure at the corporate level, or fundamental shifts in strategic direction or technology reliance at the business unit level. Like the engagement
literature, none are concerned with the cognitive and behavioral micro-foundations of strategy implementation at the team and team-member level.

2.5.2. Operational definitions for measures of CRM antecedents

We use senior management support for CRM implementation as the natural antecedents to DE and define this support as the degree to which the top management team provides both resources and organizational structures intended to facilitate CRM strategies. We used two separate four-item constructs to measure CRM support, [1] CRM resources, and [2] CRM organization, and asked team members to rate support for CRM by senior leaders of the firm.

*Behaviors of top management in providing the resources, organizational structures, and other support needed to implement CRM strategies.*

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide resources to support CRM</td>
<td>Invested in technology, training, and support processes needed to implement and sustain successful CRM strategies.</td>
</tr>
<tr>
<td>Provide organizational structures to support CRM</td>
<td>Provided appropriate organizational structures and incentives, and supported CRM strategies by championing implementation.</td>
</tr>
</tbody>
</table>

Figure 7: Senior management support of CRM implementation:

We used two types of measures for CRM performance in our studies. For the quasi-experiment, we used archival data provided by focal firms to gauge the success of CRM strategy implementation. The data provided by firms covered four years of results corresponding to the time period of their implementation of CRM strategy. The datasets included both total revenue and recurring revenue for the advisory businesses, as well as the number of client households, number of employees, and their assets under management for each year. Recurring revenue refers to fee-based revenue from ongoing contractual client relationships, usually based on a percentage of assets under management (0.25% to 1.50% depending on the services provided). Recurring revenue excludes all other revenue received by the firm, including transactional fees, commissions, or one-time fees that are not part of a recurring fee structure.
2.5.3. Operational definitions for measures of CRM performance

A primary motivation for this research is the paradox presented by a popular marketing strategy—customer relationship management—whose implementation has repeatedly produced disappointing results. Therefore, in our survey research the dependent variables are the team-level performance measures that were mentioned most frequently in the qualitative research. We employed a scale that asked respondents to indicate their team’s performance as either missing goals, meeting goals, or exceeding goals for these performance measures.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring revenue</td>
<td>Fee-based revenue from renewable contracts (excluding other revenue).</td>
</tr>
<tr>
<td>Client retention rate</td>
<td>Percentage of the team’s client base still engaged with the firm at year-end.</td>
</tr>
<tr>
<td>New client referrals</td>
<td>Number of referrals generated by the team’s client base.</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>Results of annual client satisfaction measures.</td>
</tr>
</tbody>
</table>

*Self-reported results of team measures where, 1 = Regularly miss goal, 4 = Regularly meet goal, 7 = Regularly exceed goal.*

**Figure 8: Team CRM performance measures (all other than recurring revenue):**

By its nature, CRM is a challenge that reaches across the multiple disciplines in the firm and requires collaboration and buy-in from a diverse group of firm leaders seeking a wide range of potential benefits. In our interviews with executives of the focal firms, we identified the top outcomes decision-makers had in mind when they selected a CRM strategy for implementation. The five most common outcomes are listed here in order of how frequently they were mentioned:

1. Overcome growth and scale limitations of traditional (solo adviser) models prevalent in financial advisory firms – measured by recurring revenue growth, retention and referrals.

2. Improve the quality and consistency of client service by instituting industry best practices, tiered servicing based on needs profiles (customer value), and instituting more specialist roles using
new team structures and work-flows – measured by recurring revenue, client retention and satisfaction.

3. Brand the firm beyond the individual partner advisers by giving clients regular access to all advisory team members and demonstrating the value of firm’s services beyond the individualized attention of senior advisers – measured by recurring revenue, client referrals and satisfaction.

4. Institute a consistent team structure for client service to de-emphasize the role of any one individual in serving clients and thus reduce the risk of key-person succession contingencies that are a growing concern as baby-boomer advisers reach retirement age – measured by recurring revenue and client retention.

5. Create multiple career paths for attracting talented new employees beyond the traditional approach focused on recruiting new solo advisers or getting experienced advisers to change firms – measured by recurring revenue and client retention.

These top motivations for initiating a new CRM strategy illustrate the elevated expectations and pressure to perform faced by many CRM teams. While team cohesiveness is not an expressed factor in DE, it is a unifying characteristic for the five dimensions we identified. In particular, a keen sense of cohesiveness within teams tends to support active engagement in implementation, orchestration of implementation efforts, and tenacity in follow-through. We highlight cohesiveness because it is not an obvious or trivial challenge in the context of CRM teams. Individual sales and service performers have traditionally been recruited based on characteristics that may impede cohesiveness, like individual competitiveness and entrepreneurial drive. Consequently, legacy team structures in our research were often a solo producer with a small support staff dedicated to facilitating the producers’ individual sales activities – like a pit crew providing fresh tires and fuel for the race driver’s car. The modern interdisciplinary CRM teams in our research work on a more complex and egalitarian set of organizing principals which are detailed in the second stage of the qualitative study. CRM teams are more analogous to traditional team-sports where specialists work together as a coalition of equals with a unifying
competitive philosophy, harmonized roles and an established playbook. In this sense, our research concerning DE points to another important phenomenon in modern marketing. Interdisciplinary CRM teams are an example of how a broader array of roles within a firm are being asked to take on customer-facing activities. And when customer interactions rely on seamless coordination, the stakes for maintaining team cohesiveness, openness, and collaboration become much higher.

2.6. Overview of research results – how DE was shown to address CRM strategy failure

We used separate studies to address three research questions related to the role of disciplined execution of strategy by CRM teams (outlined in the Section 2.4). The results of the studies provided well supported answers to these questions and are summarized here.

*What are the specific behaviors and practices that drive DE?* We used a two-stage qualitative study including 58 depth interviews with industry experts, firm leaders, and team-members to identify, elaborate, and validate the CRM team behaviors associated with the disciplined execution of strategy. In the first stage, we asked experts in the financial advisory industry to describe the root causes of CRM strategy failure. We learned that interdisciplinary CRM teams play a critical role in executing modern CRM strategies that call for combining flexible access to service with deep technical skills. Industry experts helped to identify five root deficits in CRM teams implementing strategy that lead to strategy failure. These deficits include a lack of [1] engagement, [2] acceptance, [3] orchestration, [4] focus, and [5] tenacity in strategy execution. The deficits define the dimensions of CRM team behaviors as the direct interventions that address CRM strategy failure. The five dimensions became the foundation for the independent measure of DE for Study 2 and include, [DE1] Engagement in the implementation process; [DE2] Acceptance of the new strategy or adjustment; [DE3] Orchestration and active communication during implementation efforts; [DE4] Commitment of needed time and resources to implementation; and [DE5] Tenacity in implementation to overcome obstacles.
Does DE have a meaningful impact on CRM results? We conducted a quasi-experiment employing archival data for the dependent variable and an independent, third-party expert assessment of DE to quantify the contribution of DE to CRM performance when CRM teams execute a new strategy. We found that in the average case for the sample the firms that elected to execute a new CRM strategy had an average annual increase in recurring revenue over the first three-years of execution that was 46% greater than a matched group of firms that did not execute the strategy during the same period. We then used a Bayesian multiple regression model to assess CRM performance for the teams that executed the strategy according to their level of DE. We found that average firms in the sample with a high level of DE (defined as a score of 6 on the seven-point scale used) had an average annual increase in recurring revenue 41% greater than similar firms with an average level of DE (defined as a score of 4 on the same scale). These results show that while the implementation of a CRM strategy improves CRM performance on average as expected (an annual increase of $59,700 in the average case), the improvement in DE-level from average to high more than doubles the overall gains associated with CRM strategy execution (an additional increase of $77,252). The magnitude of this effect provides empirical evidence that DE can have a profound influence on CRM performance and make the difference between a strategy being judged a failure or a success.

Can DE in CRM teams be measured and managed? Our final study used a survey and simple mediation model to assess the role of DE as a mediator between of the benefits of improving the level of CRM resources and structures in the firm and CRM performance. In this study, we used a measure of the level of DE based on direct responses from team members in order to determine if managers and teams can measure and potentially improve a CRM team’s level of DE. Our model was estimated using the data from the survey of team-members and provided strong statistical support for the mediating role of DE in generating performance returns from investments in CRM. The coefficient for DE’s impact on CRM team performance was ($\beta = .30, p < .001$) for Client retention goals and ($\beta = .19, p < .01$) for Revenue growth goals.
The outcomes of the three studies also provided positive and significant results addressing the four formal hypotheses for the dissertation. In the second study, the quasi-experiment showed that the group that implemented CRM strategy enhancements enjoyed an increase of 46% in recurring revenue compared to firms that did not (H₁). The second study also demonstrated that an increase from average to a high level of DE in firms that implement strategy enhancements more than doubles their gains in recurring revenue (H₂). Finally, we used a survey and mediation model to show that investments in CRM resources and structures by a firm have a positive and significant impact on CRM team DE (H₃). And, the level of DE in CRM teams plays a mediating role in enhancing the positive effects of investments in CRM resources and structures on the performance of CRM teams, measured by their ability to meet and exceed their most important goals (H₄).
CHAPTER THREE – A QUALITATIVE INVESTIGATION OF DISCIPLINED EXECUTION

3.1. Introduction to the first study using qualitative interviewing

A fundamental precept of strategic marketing is that firm leaders carefully select strategies in their efforts to create sustainable advantage (Day 1994; Hunt 1993). I seek to define and evaluate “disciplined execution of strategy” as a phenomenon in strategic marketing that is instrumental in determining the outcomes of a strategy but that is wholly separate from its selection. I define disciplined execution of strategy (DE hereon) as “the degree to which interdisciplinary teams tasked with implementing a selected marketing strategy demonstrate specific behaviors that lead to greater success in achieving the goals of the strategy.”

Firms adopt new CRM strategies to promote growth in recurring revenues from ongoing customer relationships. The emphasis on growth implies that a new CRM strategy must improve the ability to retain current customers, but also increase the scale of the relationship with them. Consequently, teams face multi-faceted implementation challenges that require adjustments to current practices that support long-standing client relationships while integrating new facets of relationship-building associated with new strategies. I believe that teams that exhibit cognitive and behavioral characteristics critical to disciplined execution may manage better the complex task of introducing of new CRM strategies while managing the impact on clients. However, a major gap in the current literature in CRM and marketing strategy is that they do not provide a foundation for studying disciplined execution.

I address this gap in my dissertation. As a first step, I conducted a qualitative study to gather better insights into the concept of disciplined execution of a strategy. I performed this study with two stakeholders—industry experts and CRM team-members who implement CRM strategies in the US financial advisory industry. The inductive approach to interviewing experts and practitioners provides a rich and well-validated picture of CRM strategy implementation that I apply to the two subsequent studies using quantitative approaches to understand disciplined execution and its value in enhancing the outcome.
of strategy. The first stage of this qualitative research uncovers the primary motivations for firms to introduce new CRM strategies, the obstacles to successful CRM strategy implementation, and the five dimensions of disciplined execution associated with addressing these obstacles. Our basic research thesis is that addressing recognized pitfalls in CRM strategy implementation is a sound way to improve the disappointing track record of CRM implementation. In doing so, this research addresses basic questions in marketing strategy research that have been emphasized for years by scholars studying CRM (Ramaswami et al. 2009; Kozlenkova et al. 2014; Piercy 1998). Piercy (1998, p. 226) wrote, “A processual view suggests that effective strategy implementation rests not simply on techniques of action planning, budgeting, and resource allocation, as well as administrative systems design; it rests on the underlying beliefs and attitudes of organizational participants, and over and above this on the dominating management interests and culture in the organization.”

The second stage of qualitative research addresses the need to provide validation for the expert point of view concerning the dimensions of DE from the perspective of actual practitioners, and to identify the specific cognitive and behavioral characteristics of teams associated with the successful implementation of CRM strategies. I use the results of the first stage to guide these interviews with CRM team-members. The interviews contribute to our understanding of the specific attitudes and practices of team-members who have the direct responsibility for implementing new CRM strategies. The use of an extensive program of open-ended depth interviewing provides a rich picture of how multi-disciplinary CRM teams wrestle with the challenges of implementing new CRM strategies and avoid the pitfalls that often lead to disappointing results. Gavetti (2012) articulated a behavioral theory of strategy that deals with the cognitive and behavioral characteristics of top management teams that are responsible for selecting and initiating new strategies. This theory points to the importance of shaping the opportunity space defined by strategy to fit real-world challenges. He states, “This paper first identifies focal behavioral failures which are argued revolve around the dimensions of [1] rationality (the ability to identify opportunities), [2] plasticity (the ability to act on opportunities), and [3] shaping ability (the ability to legitimize
opportunities and therefore “shape” or “construct” the opportunity space) (Gavetti 2012, p. 269).” The second stage of qualitative research on DE explores how CRM teams respond to this shaping of the opportunity to bring it into reality.

3.2. Research method

3.2.1. Sample

This study is based on 58 individual depth interviews, 46 with experienced financial advisory team members and 12 with industry subject matter experts, conducted between January 3 and April 25, 2015. All interviews were led by the author and approximately half were joined by experts in adviser practice management as listeners from a leading investment management firm that contributed to the sample. Prior to contacting advisers, we conducted the expert interviews with a combination of consultants, private equity investors, journalists and senior researchers who work in the financial advisory industry to understand the broader industry context. We also reviewed industry research reports exploring issues associated with advisory teams and CRM strategies. The reports included the TD Ameritrade Institutional 2011 Adviser Index Study (TD Ameritrade Institutional, Omaha, NE), Moss Adams/InvestmentNews 2011 Adviser Compensation & Staffing Study (InvestmentNews, New York, NY), Russell Investments 2012 Financial Advisers’ Outlook Study (Russell Investments, Seattle, WA), and the FP Transitions 2012 whitepaper “The Lifestyle Retirement Plan” (FP Transitions, Lake Oswego, OR). The contents of these reports were included in the qualitative database used for the analysis.
<table>
<thead>
<tr>
<th>Subject matter expert</th>
<th>Professional role</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Leadership consultant</td>
<td>Des Moines, IA</td>
</tr>
<tr>
<td>2.</td>
<td>Practice management consultant</td>
<td>Seattle, WA</td>
</tr>
<tr>
<td>3.</td>
<td>Practice management consultant</td>
<td>Portland, OR</td>
</tr>
<tr>
<td>4.</td>
<td>Leadership consultant</td>
<td>Milwaukee, WI</td>
</tr>
<tr>
<td>5.</td>
<td>Practice management consultant</td>
<td>Seattle, WA</td>
</tr>
<tr>
<td>6.</td>
<td>Financial journalist</td>
<td>New York, NY</td>
</tr>
<tr>
<td>7.</td>
<td>Private equity investor</td>
<td>Chicago, IL</td>
</tr>
<tr>
<td>8.</td>
<td>Practice management consultant</td>
<td>Dallas, TX</td>
</tr>
<tr>
<td>9.</td>
<td>Practice management consultant</td>
<td>Boston, MA</td>
</tr>
<tr>
<td>10.</td>
<td>Practice management consultant</td>
<td>Boston, MA</td>
</tr>
<tr>
<td>11.</td>
<td>Practice management consultant</td>
<td>Portland, OR</td>
</tr>
<tr>
<td>12.</td>
<td>Research director</td>
<td>Washington, DC</td>
</tr>
</tbody>
</table>

**Figure 9: Sample characteristics of subject matter experts in Stage one**

The interviews with team-members used a discussion guide with 14 questions (provided below) to uncover their approach to a range of different business challenges with a focus on understanding how they approach implementing new CRM strategies. We used the expert interviews and industry reports to identify some of the special challenges faced by teams in CRM implementation and to shape the language and focus of the questionnaire for teams. By consulting industry experts and existing research from established industry organizations, the study reflects a broader and more balanced view of CRM teams than the interviews alone could provide.

With help from the partner firms, we identified and contacted 19 experts to complete 12 interviews, and 76 financial advisory team members to complete 46 interviews, for response rates of 63.2% and 60.5%, respectively. The response rate for all interviews is 61.1%. All invitations and scheduling messages were delivered via a combination of emails and telephone calls.
<table>
<thead>
<tr>
<th>Focal firm</th>
<th>Roles interviewed*</th>
<th>Location</th>
<th>Employees (2014)</th>
<th>Recurring revenue (2014)</th>
</tr>
</thead>
</table>
| A          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Portfolio manager | Boston, MA | 22 | $7.2 mil |
| B          | 1. Relationship manager  
          2. Marketing manager  
          3. Customer service associate  
          4. Portfolio manager | Boston, MA | 15 | $4.3 mil |
| C          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Portfolio manager  
          5. Transaction specialist | Cambridge, MA | 21 | $8.1 mil |
| D          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Insurance manager | Des Moines, IA | 4 | $1.0 mil |
| E          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Portfolio manager  
          5. Supervising partner+ | Long Beach, CA | 45 | $13.9 mil |
| F          | 1. Relationship manager  
          2. Investments manager  
          3. Insurance manager  
          4. Customer service associate | Ames, IA | 4.5 | $1.1 mil |
| G          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Supervising partner+  
          5. Portfolio manager | Tulsa, OK | 17 | $5.0 mil |
| H          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Portfolio manager  
          5. Transaction specialist | San Francisco, CA | 23 | $9 mil |
| I          | 1. Relationship manager  
          2. Planning manager  
          3. Customer service associate  
          4. Portfolio manager | Des Moines, IA | 13 | $3.3 mil |
5. Transaction specialist
1. Relationship manager
2. Planning manager
3. Customer service associate
4. Portfolio manager
5. Transaction specialist

Cincinnati, OH
35
$10.2 mil

* The most senior executive (managing partner or CEO) from each firm was also interviewed and + indicates a team-member who is also the managing partner or CEO of the firm

Figure 10: Sample characteristics of team-members in Stage two

3.2.2. Data collection and analysis

We completed all interviews by telephone except four. One interview with a team-member and three with subject matter experts were completed in person. Where practical, we asked respondents for permission to record the audio content of interviews and transcribed the interview for use in analysis. For interviews where we could not record or where the respondent refused to be recorded, we used the detailed written notes and research memos from the interviewer and observers. In most cases without audio transcripts, there were two or three observers taking notes and all available notes were used.

Figure 11: Qualitative analysis process for Stage two
Since there are no prior studies investigating the phenomenon of disciplined execution of marketing strategy, we used exploratory interviewing and coding techniques similar to those employed in grounded theory research. This is a methodology specifically suited to theory development and generating original insight in cases where a phenomenon is studied for the first time. The open and qualitative nature of the grounded theory method allowed us to consider both the cognitive and behavioral challenges inherent in strategy implementation, and more importantly, how these two distinct aspects of the process interact. By employing a disciplined and iterative approach in the data collection and the qualitative analysis, the study examines both the structure of CRM teams and the dynamic characteristics of team interactions through the perception of participants with a stake in its success. While the fundamental research approach is qualitative in nature, the findings are a product of rigorous fieldwork and qualitative data analysis as prescribed by grounded theory method (Suddaby 2006). We followed a methodology similar to the grounded theory approach promoted by Glaser and Strauss (Charmaz 2006; Glaser and Strauss 1967), which entails five steps: [1] collect and analyze data *simultaneously*, constructing analytical codes and categories from the data itself and not in relation to preconceived or logically deduced hypotheses; [2] engage in constant comparisons to establish new distinctions between phenomena and new insights concerning their impact on categories; [3] engage in disciplined field memo-writing to capture specific properties of interactions and relationships when they are revealed throughout the interviewing; [4] sample based on theoretical needs and saturation, not the goal of capturing a representative picture of a population; and [5] complete a thorough literature review only after completing independent and fully grounded analysis.

Some informants did not approve recording of their interviews. Of the 46 team-members and firm leaders interviewed, 35 (76%) agreed to recording. The transcripts and the detailed notes of the interviewer and all observers were loaded into the computer-assisted qualitative data analysis software (CAQDAS) NVivo 11 for analysis. The CAQDAS was used to capture all coding decisions, to record
research memos with notes and observations of the coders, and to complete post-hoc analyses assessing commonalities and discrimination between the codes and the coders’ decisions.

3.2.3. Checks for reliability and validity

To increase the external face validity of our analysis, the preliminary results of the research were presented by the author at two industry meetings – one with 26 experienced financial advisers in Edinburgh, Scotland in May of 2013 and at a separate meeting of 11 senior financial services executives in Windsor, Connecticut in November of 2013. Preliminary summaries of results were also sent to the advisers and experts interviewed. The comments and feedback received were incorporated in the analysis.

We used five raters to assess the axial coding of the interview results and notes. The lead investigator who led the interviews and the partner firm executive who participated in the most interviews completed the initial coding for all the results from the interviews. The two initial coders then completed an axial coding step where they grouped the related initial codes to create a smaller number of thematic codes related to team practices and structures. Two additional company executives who participated in interviews and one industry expert familiar with the study were asked to use the axial codes to categorize a random sample of references drawn from the interview database. We applied several types of checks of reliability and validity of the qualitative analysis used to generate the findings of the study. We included the Sørensen's coefficients calculated in NVivo, also called the coefficient of community, to look for the use of overlapping keywords in the references assigned to initial codes. We then compared these measures of commonality to the codes used by judges (Looman and Campbell 1960). The testing was based on axial codes and Sørensen’s formula examining the presence and absence of data as described here.

\[ QS = \frac{2C}{A+B} = \frac{2|A \cap B|}{|A| + |B|} \]

where \( A \) and \( B \) are the number of keywords in references assigned to initial codes \( A \) and \( B \), respectively, and \( C \) is the number of keywords shared by the two samples of references. \( QS \) is the quotient of similarity and ranges between 0 and 1 (Looman and Campbell 1960). We compared the
combinations of initial codes with the twenty highest Sørensen coefficients (with QS of 0.69 to 0.46) and found that 19 of the 20 combinations or 95% were assigned to the same axial code used by judges.

We employed Fleiss' Kappa for $m$ raters as a measure of inter-rater reliability similar to Cohen’s Kappa but appropriate for comparing more than two raters (Fleiss 1971; Landis and Koch 1977). The inter-rater analysis is based on five independent judges familiar with the overall research effort assigning 26 items to a choice of five categories. The analysis yielded a highly significant Fleiss Kappa value of 0.802 with $z = 15.9$ and p-value = 0.00, at the top end of the “Substantial Agreement” range according to Landis and Koch (1977).

<table>
<thead>
<tr>
<th>Kappa range</th>
<th>Level of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;0</td>
<td>Poor</td>
</tr>
<tr>
<td>0.01 – 0.20</td>
<td>Slight</td>
</tr>
<tr>
<td>0.21 – 0.40</td>
<td>Fair</td>
</tr>
<tr>
<td>0.41 – 0.60</td>
<td>Moderate</td>
</tr>
<tr>
<td>0.61 – 0.80</td>
<td>Substantial</td>
</tr>
<tr>
<td>0.81 – 1.00</td>
<td>Almost perfect</td>
</tr>
</tbody>
</table>

*Interpretation of Fleiss’ Kappa from Landis and Koch (1977)*

**Figure 12: Scale for interpreting Kappa values**

We used the proportional reduction in loss (PRL) function per Rust and Cooil (1994) as an additional measure of inter-rater reliability. It is constructed to be comparable to Cronbach’s Alpha for scale reliability by applying a method similar to the proportional reduction in error approach to comparing model fit (Rust and Cooil 1994). Using the proportion of inter-judge agreement and the number of judges, PRL provides a value between 0 and 1. With 5 raters and 92 percent agreement, the PRL is 1.00. Rust and Cooil (1994) recommend using similar criteria in the interpretation of PRL as those applied to Cronbach’s Alpha.
3.3. Results and discussion of the analysis of interviews

3.3.1. Experts’ conception of strategy implementation failure from the first stage

The interviews with subject matter experts in the financial advisory industry in the first stage yielded several important findings. The primary goal was to identify the causes of strategy failure and how high-performing firms overcome these pitfalls in executing CRM strategy. I define strategy failure as an instance where the implementation of a CRM strategy does not meet the specific goals identified for the strategy. I asked experts what the top motivations are for implementing CRM strategies and what goals are associated with CRM strategies. The following list provides the top five motivations for CRM strategy implementation in order of how often each was mentioned.

1. Overcome growth and scale limitations of solo models
2. Improve quality and consistency of client service
3. Brand the firm beyond the individual advisers
4. Manage key-person and succession risks
5. Create career paths for attracting a better range of talent

Figure 13: Top motivations for firm leaders to adopt new CRM strategies

Virtually all the experts and firm leaders indicated that improving growth and scale was a primary goal and most mentioned improving the level of client service. The last two goals – managing key person risks and creating career paths – were mentioned only by the experts and the most advanced firms that had been using CRM team strategies the longest. This is evidence that as financial advisory practices gain experience with CRM teams, they enjoy not only improved basic results, but also a greater range of benefits – a theme that was confirmed throughout the research. In short, firm who delay efforts to deploy CRM team strategies find themselves at a competitive disadvantage.

The interviews with experts were centered on discovering the causes of strategy failure. The most common obstacle to success mentioned by all twelve informants was a lack of involvement of all CRM team members in translating a new strategy into a more detailed plan for the team’s implementation.
When strategies are created by senior partners and “thrown over the cubicle wall” to a team for implementation, the plan for execution is often unrealistic or lacks the detail needed to be practical, according to a senior practice management consultant. He noted that the strategy must be “translated” into a series of business rules and processes that are clear and repeatable. A private equity investor whose company invests in financial advisory firms and helps the firms to increase their enterprise value by accelerating growth, noted that growth strategies are predicated on making advisory teams more efficient so that each team can provide service to a larger number of clients without adding resources. This shift requires that team members give up certain practices and procedures in favor of new processes that support the strategy. Without early and full involvement in the planning for implementation, team-members are reluctant to give up their usual activities, making the strategy implementation additive to the team’s work load as opposed to supporting higher efficiency. Thus, a lack of engagement by client-facing team-members in initial implementation planning reduces the likelihood that they will embrace the strategy, incorporate it in their routine team communications, allocate resources to it, and stay with it over the long haul. See the following exhibit.

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Verbatim quotes from expert interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Team-members lack engagement in implementation planning</td>
<td>- “This is the biggest cause of failure. Traditional advisory practices are top-down oriented and partners just don’t involve all team members in planning.”&lt;br&gt;- “When team members get marching orders without being consulted on how to make it work, a new strategy is bound to face major problems.”&lt;br&gt;- “Sometimes strategies look good on paper, but partners don’t know what they don’t know. Team-members need to be there from the beginning.”</td>
</tr>
<tr>
<td>2. Strategy is not accepted or fully adopted by team-members</td>
<td>- “When a strategy means major changes to someone’s job, they can get very resistant – particularly the really experienced people on the team”&lt;br&gt;- “Some team-members see themselves as ‘defenders of the clients’ and can be very cynical about a new strategy until they’re onboard with how it works.”&lt;br&gt;- “Long-term team-members – especially RMs – tend to pick and choose among elements of a new strategy depending on the client. They want to avoid conflicts.”</td>
</tr>
<tr>
<td>3. Poor orchestration of strategy execution among team-members</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>▪ “Unless team-members are talking to each other, new processes or procedures are uneven and tend to fall apart.”</td>
<td></td>
</tr>
<tr>
<td>▪ “When you change things, it only takes having one junior team-member out of the loop for a client miscommunication to crop up and hurt the strategy.”</td>
<td></td>
</tr>
<tr>
<td>▪ “Unless team-members feel their input and suggestions are taken seriously and used, they stop communicating.”</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Lack of commitment of time and resources to implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ “If a new strategy just looks like something extra piled onto the team, they’ll protect their time to avoid falling behind on the goals and measures they know.”</td>
</tr>
<tr>
<td>▪ “The number one complaint from teams when new strategies are introduced is that they just don’t have the time and capacity.”</td>
</tr>
<tr>
<td>▪ “It takes consistent communication from leaders on priorities for teams for them to be comfortable committing scarce resources to a new strategy.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Lack of tenacity in working through early implementation problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ “Customer service teams hate anything that makes a problem for a client and new strategies can cause late delivery and other surprises and disappointments.”</td>
</tr>
<tr>
<td>▪ “If front-line employees are not sure how strongly a new strategy is supported by leaders, they will give up if they face too many implementation problems.”</td>
</tr>
<tr>
<td>▪ “It’s easier to blame a new strategy for customer problems than to accept the blame for the team when things go wrong.”</td>
</tr>
</tbody>
</table>

**Figure 14: Five primary obstacles to CRM strategy implementation**

The five dimensions of disciplined execution of CRM strategy directly address the five primary causes of failure. The interviews with expert informants indicated the five causes of CRM strategy failure tend to come up in a sequence beginning with engagement in planning for implementation. Since each obstacle tends to increase the chance the next will arise, the experts emphasized that all the pitfalls need to be addressed though the team’s implementation efforts. The following exhibit illustrates how addressing each obstacle helps to prevent subsequent implementation challenges.
3.4. Team-members’ concepts of CRM strategy implementation from the second stage

The discussion guide used in the second stage of interviews with team members was designed to expand on the five categories of behaviors that address implementation obstacles from the first stage and explore the specific behavior of teams that lead to success. The questions we used with team-members and firm leaders in the second stage is provided here.

1. Please describe the details of your role, work-processes, incentives, and contributions to serving client?
2. What are the specific challenges you face in your role when you are delivering client service?
3. Please describe the last time your team was asked to execute a new CRM strategy or make an adjustment to an existing strategy?
4. What do you perceive as potential areas of friction in working with your team-members in the implementation of a new CRM strategy?
5. Please describe how you plan for and then establish specific implementation steps to integrate a new CRM strategy in team work-flows. Is this important to success? Why or why not?
6. How do you and your team-members evaluate a new CRM strategy and determine whether you will accept it? Is this important to success? Why or why not?
7. How do you and your team-members communicate and collaborate about the implementation of a new CRM strategy? Is this important to success? Why or why not?
8. How do you and your team-members determine the amount of time and resources you commit to the implementation of new CRM strategy? Is this important to success? Why or why not?
9. How do you and your team-members determine how to solve persistent challenges in the implementation of a new CRM strategy? Is this important to success? Why or why not?

Figure 15: Chain of DE behaviors in CRM teams
10. When changes to the work-flow are needed, how are changes to the service model communicated and accomplished among team-members in the practice? How are changes to the service model communicated to clients?

11. What are the most important measures of success for you and your team? Why?

12. What are the most important resources or tools that your team relies on for your success in serving clients? Why?

13. What additional areas of resources or support would benefit you most in implementing CRM strategies? Why?

14. Are there any additional factors important to success in implementing CRM strategies that we have not discussed? What are they and why are they important?

**Figure 16: Outline of discussion guide for team-member interviews**

Team-members identified a wide variety of specific behaviors and attitudes as they described their experience implementing CRM strategies. The interviewer (principle investigator) and an executive from the partner firm who observed the most interviews completed the initial coding and axial of all transcripts and notes from the interviews. The initial codes used in interpreting the results align with the questions used in the interviews with team members and firm leaders. The two primary coders also created new codes as needed during the coding process. The initial coding step yielded 41 codes. In the second stage, called axial coding, the coders categorized the initial codes according to their common themes. Of the 41 initial codes, 34 were categorized into ten axial codes associated with team goals, CRM resources and strategies, and the five dimensions of DE. Finally, the axial codes were then assigned to three primary areas of the conceptual model of DE – [1] antecedents of CRM strategy implementation, [2] dimensions of DE, and [3] outcomes of CRM strategy implementation.
<table>
<thead>
<tr>
<th>Initial codes</th>
<th>Axial codes</th>
<th>Primary codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>la1. Retain clients</td>
<td>la. Top team goals</td>
<td>I. Measures of success (outcomes)</td>
</tr>
<tr>
<td>la2. Grow revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>la3. Improve client loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>la4. Increase referrals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lb1. Serve more clients</td>
<td>lb. Top firm goals</td>
<td></td>
</tr>
<tr>
<td>lb2. Improve scale, growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lb3. Brand the firm by services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lb4. Consistency of service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lb5. Recruit top talent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lb6. Plan for succession, key person risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIa1. Appropriate teams and roles</td>
<td>IIa. Structure supporting CRM</td>
<td>II. Factors supporting CRM implementations (antecedents)</td>
</tr>
<tr>
<td>IIa2. Compensation and incentive plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIb1. Provide needed training</td>
<td>IIb. Resources supporting CRM</td>
<td></td>
</tr>
<tr>
<td>IIb2. Provide up-to-date technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIb3. Maintain data quality management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIc1. New segmentation approach, tiering</td>
<td>IIc. CRM strategies selected</td>
<td></td>
</tr>
<tr>
<td>IIc2. New technology, automation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIa1. Weren’t included in implementation plan</td>
<td>IIIa. Challenges to engagement in implementation</td>
<td></td>
</tr>
<tr>
<td>IIIa2. Not asked for input, advice</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIa3. No interest or buy-in was generated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIa4. Current process issues were ignored</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIb1. Among the last to use strategy</td>
<td>IIIb. Challenges to acceptance of strategy</td>
<td></td>
</tr>
<tr>
<td>IIIb2. Team avoided discussing it</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIb3. Some team members resisted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIc1. No time to discuss new strategy</td>
<td>IIIc. Challenges to team collaboration</td>
<td>III. Dimensions of disciplined execution in CRM teams (drivers)</td>
</tr>
<tr>
<td>IIIc2. My feedback wasn’t used</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIc3. Didn’t receive feedback from others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIc4. Didn’t discuss it with the team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIId1. Wasn’t considered a priority</td>
<td>IIId. Challenges to focus and prioritization</td>
<td></td>
</tr>
<tr>
<td>IIId2. No time to commit to strategy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIId3. Mixed signals from leaders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIe1. Too busy to address the issues</td>
<td>IIIe. Challenges to tenacity</td>
<td></td>
</tr>
<tr>
<td>IIIe2. Other team members gave up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IIIe3. Too many unresolved issues</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 17: Coding scheme for team-member interviews

The interviews with team-members were designed to identify the cognitive and behavioral aspects of teams in coping with implementation challenges. The results of the interviews were used to create the survey instruments used in the final study. The following table provides both positive and negative
examples of how the attitudes and behaviors mentioned by team-members addressed CRM implementation obstacles.

<table>
<thead>
<tr>
<th>Dimension of DE</th>
<th>Verbatim quotes from team-members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Engagement in implementation planning</td>
<td>“We were surprised and a little upset when we were just handed the new process for managing client emails. We knew it wouldn’t work. They should have asked us.” “I was on the implementation planning task force so I passed along the comments from the whole team to the steering committee. That way at least our issues were on the table.”</td>
</tr>
<tr>
<td>2. Acceptance of strategy by team-members</td>
<td>“I think it’s easy for the partners to see a new tool and think it will save money or time. We knew right away we just couldn’t use that new quarterly report with our clients. No way.” “I always have doubts about changing the primary client contact. It raises concerns. But I was way more comfortable when I worked it out with my team. It is a better way now.”</td>
</tr>
<tr>
<td>3. Orchestration of implementation among team-members</td>
<td>“We knew that [name of the relationship manager] was not OK with the new process. And when I raised the issue, he shut down the conversation immediately and changed the subject.” “The new onboarding process seemed like over-kill slowed us down a lot. It took us a few meetings but we worked out how to do it right without wasting the client’s time.”</td>
</tr>
<tr>
<td>4. Commitment of needed time and resources to implementation</td>
<td>“I just didn’t have the time for the whole new prospecting approach – especially with the size of my book-of-business.” “We had to try it a few times before the client transition process worked right. If we hadn’t used all those team meetings to do complete look-backs, it’d never have worked.”</td>
</tr>
<tr>
<td>5. Tenacity to work through implementation problems</td>
<td>“How many clients do we put at risk before we give up on something that isn’t working? Honestly, it’s not worth the effort if it doesn’t pay off right away.” “It was way easier to commit time and effort to getting the bugs out of the contact management system after we had a few wins. We had to get invested first to see the payback.”</td>
</tr>
</tbody>
</table>

Figure 18: Addressing implementation challenges in CRM teams

3.5. Factors affecting the use of CRM teams

When we asked the experts in the first stage and the principals, presidents and owners of the ten focal firms in the second stage about the primary goals for adopting CRM strategies, their answers were very consistent. All mentioned some combination of five key motivations. The order of the list below is
relevant in that it reflects how often each goal was mentioned. Virtually all the experts and firm leaders indicated that improving growth and scale was a primary goal and most mentioned improving the level of client service. The last two goals – managing key person risks and creating career paths – were mentioned only by the experts and the most advanced firms that had been using CRM team strategies the longest. This is evidence that as financial advisory practices gain experience with CRM teams, they enjoy not only improved basic results, but also a greater range of benefits – a theme that was confirmed throughout the research. In short, firm who delay efforts to deploy CRM team strategies find themselves at a competitive disadvantage.

The interviews showed that the basic mechanics of CRM teams rely on long-standing principles of the behavior theory of the firm (Cyert and March 1963; March and Simon 1958; Weick 1979). CRM team strategies enable financial advisory business to use specialization, process management, technology and collective discipline to drive greater consistency, scale and innovation. Informants from both stages of interviews indicated that traditional solo sales production models and incentives (sometimes labeled “eat-what-you-kill” models) can be powerful motivators for entrepreneurial individuals, but they lack the scalability and flexibility of well-managed teams of specialists who share a common mission and tactical plan and can leverage the advantages of multiple disciplines and skills present in a cohesive team. For example, the sales and service team members who are skilled at building relationships can be consistent points of contact for clients, but also have ready access to co-located team-members with technical expertise like investment analysts, portfolio managers, and tax accountants, to answer complex questions and participate in reviews when needed. Likewise, sales and service team-members are far more likely to anticipate needs and avoid client conflicts when they are engaged in the technical processes and can influence the planning and delivery of appropriate investment products. According to respondents, another benefit is that clients get to know all team members and thus form a broader relationship with the firm that does not rely on a single advisor. The increased efficiency and flexibility also enables the adoption CRM strategies that call for of a portfolio of service packages tailored to different types of client
needs. The CRM team strategies increase the routinization and predictability of service delivery and lead to improvements in scale and service consistency. Team members also consistently mentioned that traditional solo sales models tend to restrict career opportunities to a limited subset of candidates who are geared to a commission-based sales career. Several pointed out that CRM team strategies call for a range of different focuses and skills that appeal to a broader talent pool. This change improves employee retention by making talent recruitment far less hit-or-miss for advisory firms that traditionally face a high drop-out rate for solo producers, according to both expert informants and team members. Long-term benefits also accrue to firms using CRM team strategies. Since CRM team strategies are not predicated on a client’s relationships with an individual advisor, respondents also indicated that CRM team strategies provide greater flexibility for firms coping with the retirement of their legacy solo advisors. Based on these findings, we concluded that studying team structures was a more promising direction for research centered on CRM implementation.

3.5.1. Challenges in initiating CRM team strategies

I asked firm leaders who painted a positive picture of CRM team strategy implementation, “If these strategies are so great, why isn’t every firm using them?” Senior leaders replied that initiating CRM team structures and strategies for the first time requires significant time, effort and investment from senior leaders. Every firm interviewed described some form of a “leap of faith” where the owners made decisions and investments that they knew would not have a short-term pay-off. These leaps were not trivial, but felt very risky and disruptive to senior leaders who spent their careers in a mature and conservative industry. Changing the service model of a financial advisory practice can have far-reaching impacts on client relationships and firm culture that go beyond the shift to teams, according to senior leaders and team members. Like all entrepreneurs, financial advisory owners must accept the costs, risks and personal challenges associated with making significant changes to a business and, then must have the tenacity to see them through implementation. In particular, relationship managers said that when their firms initiated a new CRM team strategy, they required difficult transitions including renegotiating some
long-time client relationships and repackaging the firm’s services to prospects. The full pay-back from developing teams requires sustained effort through the rough spots.

The second impediment to adopting CRM team strategies is the history and resulting culture of the financial services industries. Some of the most successful financial advisers leading these firms built their careers on the solo model and its individualistic “eat-what-you-kill” philosophy. They believed strongly that the entrepreneurial drive to earn more and the competitive instincts of advisers are the most powerful levers in promoting self-sufficiency, long-term success and growth throughout the career. The philosophy behind the most successful teams is more akin to the institutional thinking Fortune 500 firms (Cyert and March 1963; March and Simon 1958). To support growth, the largest focal firms used specialists extensively in teams to create consistency, efficiency, and scale that an equal number of generalists could not produce. This philosophical shift is just as difficult as the financial and managerial challenges of adopting a new strategy and the structure needed to support it.

According to the experts and firm owners, the benefits of making the leap are substantial, though. Solo-oriented practices used teams to convert an individual adviser’s reputation into a sustainable brand that can live on after retirement. They improved fee efficiency by directing tasks to the lowest cost capabilities, and using team-level and firm-level incentives to promote collaboration and innovation that have a direct impact on enterprise value. And according to two industry white papers obtained in the first stage of qualitative research, the two business operating factors tied most directly to the enterprise value of financial advisory firms are [1] growth rate in recurring revenue and [2] fee-efficiency measured as the cost of generating every $10,000 of fees (approximately $1 million in assets under advisement). Consequently, the disciplined execution of CRM strategies is an important driver of firm value.
3.6. Conclusions

To ensure the research draws an accurate picture of the functioning of CRM teams in defining DE, I used the service blueprint method to map the work-flows for three of the focal firms in the study. I then provided drafts of the blueprints to the senior leaders and team-members at those firms and requested feedback to improve the clarity and accuracy of the blueprints. The three service blueprints for the fastest growing financial advisory firms among all those in the study are provided here.

Figure 19: Service Blueprint for Focal Firm C

Figure 20: Service Blueprint for Focal Firm F
By documenting and confirming the work-flows of CRM teams, the analysis revealed several corroborating insights concerning the mechanisms at work in DE. First, since CRM team work-flows depend upon repeatable routines for handling a complex array of client interactions and tasks, full engagement in implementation (DE dimension I) across all multi-disciplinary roles and acceptance of CRM strategies and adjustments (DE dimension II) are both essential to ensure that all team roles are able to incorporate new approaches that come with the strategy without disrupting client services in the short term. Similarly, in the long term the success of CRM teams comes from the sustained effort of team members to find and refine the most efficient and effective processes to meet clients’ needs. Consequently, new strategies require team-members to communicate and collaborate (DE dimension III) and commit the necessary time and effort (DE dimension IV) to incorporating elements of a new strategy into their work-flows. Lastly, the qualitative research was consistent in emphasizing the importance of sustained effort and tenacity over time (DE dimension V) to address the many different challenges and unanticipated contingencies that may arise when serving a variety of different clients with a diverse range of needs.
The five team dimensions that comprised by DE contribute to marketing strategy literature by improving our understanding of marketing orientation in teams, particularly related to the dimension of cross-functional coordination – one of the foundations of marketing orientation (Kohli and Jaworski 1990; Menon et al. 1999; Narver and Slater 1990; Payne and Frow 2005). The DE behaviors address the interface between marketing, product, sales and service and the integration of efforts across the firm to execute complex strategies like CRM (Barney 1991; Cron et al. 2014; Wernerfelt 1984). We believe interdisciplinary teams are a strong analogue for studying the cross-functional nature of marketing strategy implementation. We found the natural tensions that emerge in interdisciplinary teams are similar to the friction that can occur between company functions (Kohli and Jaworski 1990; Krasnikov et al. 2009; Venkatesan et al. 2007). Marketing strategy in the customer relationship management domain often relies on efforts that may have conflicting goals, like customer segmentation and selectivity to increase client-level profitability versus standardization efforts aimed at gaining efficiencies through scale and scope economies (Payne and Frow 2005). Similar conflicts between varying perspectives and priorities are present in interdisciplinary teams tasked with implementing strategy and can influence their interactions and overall efforts. We believe this kind of misalignment and tension may help explain the poor track record of CRM implementation efforts among practitioners (Bohling et al. 2006; Rigby et al. 2002; Venkatesan et al. 2007) and the reason that DE has strong effects on CRM outcomes.

### 3.6.1 Implications for practice

The qualitative interviewing uncovered several tools and techniques used by teams with success in implementing CRM strategies. Each tool was designed by a financial advisory firm to address a specific challenge or opportunity associated with executing CRM strategies.

The first tool was developed as part of the on-boarding process for new clients. They found that clients used this team introduction piece as a guide throughout their relationship with the firm, but relied on it often in the earliest stages. By enumerating the roles team-members in new CRM processes, it clarifies service expectations, highlights the advantages of the team approach, and serves as a personal
introduction of every associate who works with the client. In particular, the introductory piece allows the client to know whom to contact in a new CRM processes so they reach the right team member for any question or need that they may have, increasing their confidence level and helping to establish knowledge of team members and rapport.

![CRM Team Introduction Tool](image)

### Clarifies the roles and value of CRM team-members

**Figure 22: CRM team introduction tool to facilitate new roles**

Focused weekly team meetings serve as a touchpoint for CRM strategy implementation efforts throughout the week. To be effective, these meetings have mandatory attendance and are considered inviolable time for the CRM teams who use them. The meetings are kept short and often are held as standing meeting where very item on the agenda is assigned to an owner so all information is ready to discuss. Team members are conditioned to keep all discussions action-oriented since these meetings are for working through implementation problems and for debating the new strategies or approaches.
A leadership pipeline tool was developed by one of the most advanced firms to ensure they were developing the talent needed to support rapid growth and structures associated with new strategies. By tracking both the progress and interests of the firm’s talented associates, partners were able to make better decisions about education and development programs, appointments, promotions, and efforts to close knowledge and leadership gaps that arise when firms introduce new strategies.

The leaders of financial advisory practices thinking about implementing new CRM strategies should consider some key challenges identified in this research. The first is answering the question “What do our current clients need and want most in working with us?” Answering this question before CRM strategy implementation allows leaders to anticipate potential challenges associated with getting legacy client to accept and become comfortable with new service approaches.

A second task in implementing new CRM strategies is engaging all associates in efforts to define and formalize new roles, work-flows and tools that will be used in execution. One excellent tool in mapping detailed roles and work-flows is a service blueprint which provides a snapshot of the client experience according to the roles and tasks needed to deliver it. The three firms that received the service blueprints

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**Figure 23: Format for CRM team meetings**

A leadership pipeline tool was developed by one of the most advanced firms to ensure they were developing the talent needed to support rapid growth and structures associated with new strategies. By tracking both the progress and interests of the firm’s talented associates, partners were able to make better decisions about education and development programs, appointments, promotions, and efforts to close knowledge and leadership gaps that arise when firms introduce new strategies.

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A second task in implementing new CRM strategies is engaging all associates in efforts to define and formalize new roles, work-flows and tools that will be used in execution. One excellent tool in mapping detailed roles and work-flows is a service blueprint which provides a snapshot of the client experience according to the roles and tasks needed to deliver it. The three firms that received the service blueprints
from this study reported that they used them to discuss potential improvements to their approaches and to
clarify roles when onboarding new associates.

3.7. Directions for future research

This qualitative study was undertaken in two stages to help define the relationships and variables to
test in the two quantitative studies as follow-up to this inductive research. These two studies are covered
in chapters four and five. The first is a quasi-experiment to estimate the economic impact attributable to
DE compared to the impact of strategy selection. This study provides empirical evidence of the magnitude
of DE’s influence on CRM results. The second study is a survey and mediation model intended to test
whether DE mediates the relationship between CRM resource investments and CRM team results. I
believe these two studies are logical and necessary steps in investigating and validating DE as a
phenomenon in marketing strategy.

Marketing strategy scholars should consider using this research to explore the time-bound quality of
marketing capabilities. Disciplined execution defines a series of cognitive and behavioral characteristics
of multi-disciplinary teams implementing strategy. It can be argued that these DE team characteristics are
present and may also have an impact on routine, day-to-day marketing implementation after new
strategies have been assimilated into a firm’s ongoing processes. This impact would be less episodic or
event-driven and therefore should be studied over a far longer period to understand the time-oriented
nature of its effects. Finally, marketing scholars should consider apply the basic concept of DE to broader
contexts, like inter-departmental collaboration that extends beyond the interactions of unified CRM
teams. In larger firms, CRM strategies span the entire enterprise and the lessons from DE may need to be
updated and expanded to understand CRM implementation on a larger scale.
4.1. Introduction of study two – quantifying the impact of disciplined execution

Strong relationship marketing capabilities have been recognized as important differentiators by marketing strategy scholars. Yet assessments from industry and academia agree customer relationship management (CRM) initiatives still have high failure rates. Behavioral research using the resource-based theory (RBT) has examined marketing capabilities from many perspectives, but the role of specialized teams in executing CRM strategies remains unstudied. We explore the role disciplined execution in CRM teams by isolating the effect of different levels of discipline in the execution of new strategies by multi-CRM teams. We provide a detailed definition and construct for measuring disciplined execution as well as research propositions concerning its impact on firm performance. We then test these propositions using a unique dataset and a quasi-experimental approach in collaboration with two leading financial services firms. Our analysis quantifies the impact of disciplined execution on recurring revenue – a focused measure of CRM performance. This research was particularly useful to the practitioner partners that have experienced low success rates for collaborative sales and marketing initiatives like CRM and continue to struggle to understand why efforts falls short of expectations.

This study is the result of a collaborative effort between the authors and two large financial services firms searching for answers to an expensive and persistent problem in practice (Foss et al. 2008). The direct experiences of the firms involved in this research, industry studies and scholarly research concerning customer relationship management (CRM) all agree that initial CRM implementation efforts often fall significantly short of expectations. Foss et al. (2008, p. 68) state, “Despite the enormous growth in the acquisition of CRM systems in the last ten years and widely accepted conceptual underpinnings of a CRM strategy, critics point to the high failure rate of CRM implementations as evidenced by commercial market research studies. According to a Gartner Group survey, about 70% of CRM projects
resulted in either losses or no bottom-line improvement in performance.” A compilation of published industry reports provides a similar view of the effectiveness of CRM efforts in practice (Foss et al. 2008).

Table 1: Industry research on CRM implementation failure rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry Research Source</th>
<th>Failure rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>Gartner Group</td>
<td>50.0%</td>
</tr>
<tr>
<td>2002</td>
<td>Selling Power – Chief Sales Officer Forum</td>
<td>69.3</td>
</tr>
<tr>
<td>2006</td>
<td>AMR Research</td>
<td>31.0</td>
</tr>
<tr>
<td>2007</td>
<td>Economist Intelligence Unit</td>
<td>56.0</td>
</tr>
<tr>
<td>2009</td>
<td>Forrester Research</td>
<td>47.0</td>
</tr>
</tbody>
</table>

Mean 50.7%
Median 50.0%

We hypothesize and show that the ability to produce results in multi-disciplinary initiatives like CRM implementations is tied closely to the level of discipline applied to combining sales and marketing efforts to execute new strategies. We adopt a resourced-based view of marketing and sales capability development to define disciplined execution and provide a framework for measuring it and applying it to subsequent CRM efforts (Kozlenkova et al. 2014).

The resource-based theory of the firm (RBT) has been an important foundation of marketing scholarship for more than 30 years (Barney 1991; Barney et al. 2011; Slotegraaf et al. 2003; Vorhies and Morgan 2005; Wernerfelt 1984). Yet despite the extensive use of RBT in marketing, Kozlenkova et al. (2014) argue the process by which marketing resources are built, fine-tuned and sustained over time remains largely unexplored and empirical research tends to focus only on the “valuable” (V) dimension of the four criteria for sustainable advantage (i.e. valuable, rare, imperfectly imitable and organizationally exploitable or VRIO). This perspective reinforces the argument that RBT characterizes resources and capabilities as conferring advantage in a fixed manner (Barney and Clark 2007). They go on to point out
that even so-called dynamic capabilities are characterized as static in this sense. We endeavor to define the concept of disciplined execution of multi-disciplinary strategies and show the influence of disciplined execution in delivering a sustainable advantage through a more effective combining of marketing and sales talent and resources. The mechanisms by which organizations develop advantage through operating discipline are often social and tacit in nature and embedded in the cultural fabric of the firm (March and Simon 1958; Weick 1979). These mechanisms that create and reinforce discipline are also dependent upon the network of strong and weak ties within the firm, which are difficult for competitors to observe, characterize and imitate (Granovetter 1985; Granovetter 1973). Consequently, exploring the role of disciplined execution provides needed insight into the potential sources of sustainable advantage conferred by the imperfect imitability (I) and organizational (O) dimensions of marketing resources in the VRIO framework. We use a quasi-experiment to quantify the magnitude of impact attributable to disciplined execution and thus separate the contribution made by deciding to enact a strategy from that of the level of discipline in its implementation. By demonstrating firm-level variability in discipline and the attendant impact on relationship marketing results, we shed light on an important source of competitive marketing dynamics within a mature industry – the financial advisory industry. The two-part experimental approach first compares financial advisory firms that have elected to adopt new relationship marketing and sales strategies to a control group that made no changes to strategy to discern the effect of new strategy enactment in the context. We then apply a measure of disciplined execution to the treatment group to discern the effects of different levels of execution discipline on results they experience from applying new relationship marketing strategies. We use the change in annual recurring revenue over the treatment period reported in the accounting records of the focal firms as the dependent variable since this is a direct measure of the effectiveness of the relationship marketing and sales process. Recurring revenue only includes regular fee income from long-term customer relationships and excludes transaction-based revenue, like sales commissions or other one-time payments to the firm. The two-part analysis first shows that when new sales and marketing strategies are introduced through a focused effort of training and coaching called “practice management,” financial advisory firms demonstrated an improvement in
recurring revenue compared firms in a control group. In the second part of the experiment, we show that a change from an average level of discipline in execution of new marketing and sales strategies to a high level of discipline produces a large incremental increase in recurring revenue. This suggests that much of the benefit of introducing such strategies depends on the level of discipline in these multi-disciplinary teams. The magnitude of the contribution from disciplined execution persuaded the corporate participants in the research to alter their practice management curriculum to emphasis the five drivers of disciplined execution identified in the study.

Our research contributes to practice in two ways. We identify and provide proof-points for the behaviors that lead to disciplined execution in multi-disciplinary sales and marketing teams. The five cognitive and behavioral dimensions of disciplined execution have been incorporated in the practice management training programs of two major financial services firms supporting more than 45,000 financial advisory practices in the U.S. Second, we demonstrate the magnitude of influence that disciplined execution within multi-disciplinary teams has on relationship marketing implementation. This insight provides direction concerning how to reconfigure the deployment of training and other resources in the implementation of new CRM programs. Both corporate partners in the study noted that their future initiatives supporting relationship marketing will allocate far more time, effort and other resources to testing, training and communicating based on the needs of multi-disciplinary sales and marketing teams.

We contribute to scholarship in three ways. First, we provide a definition and measurement of disciplined execution of marketing and sales strategies by enumerating the behavioral foundations of multi-disciplinary sales and marketing execution. Second, we use a unique dataset and a quasi-experimental design to model the impact of disciplined execution on a direct measure of the success of relationship sales and marketing efforts – recurring (or fee-based) revenue for financial advisory firms. By measuring the influence of disciplined execution, we disentangle the level of discipline in execution from the impact of simply electing to execute a strategy. This adds a critical element to our understanding of the mechanisms through which firms build and sustain marketing capabilities by quantifying the effects
of different aspects of efforts to improve marketing and sales capabilities. Finally, we use our initial insights into the role of disciplined execution to propose additional research to explore the micro-foundations and mechanisms responsible for the development of marketing and sales resources in the firm. The next sections develop a theoretical framework and research propositions, describe the context for the study, methodology and results, and finally discuss the contributions to practice and scholarship as well as suggestions for future studies.

4.2. Theoretical framework and hypotheses

Kozlenkova et al. (2014) explore the evolution of RBT in marketing, pointing to a six-fold increase in the use of RBT in marketing studies the last ten years. They evaluate RBT research in marketing in light of the Value, Rarity, Imperfect imitability and Organization (VRIO) framework for judging whether a marketing resource confers sustainable marketplace advantage (Barney and Hesterly 2012). In describing gaps in RBT-based research in marketing, Kozlenkova et al (2014) assert, “First, existing VRIO arguments are expressed mostly by citing past empirical research (Morgan et al. 2009), less frequently with the researcher’s own arguments (Evanschitzky et al. 2007), and almost never through an actual measurement of VRIO. Second, the ‘O’ (organization) dimension of the VRIO framework is widely neglected.” We endeavor to address these gaps in theory concerning marketing resources by using an empirical approach to formulate and test new propositions concerning the role of disciplined execution in determining the impact of marketing capabilities (Ramaswami et al. 2009). By defining disciplined execution in relationship marketing strategies and evaluating its impact on a direct measure of relationship marketing results, we provide insight into the inimitable and organizational dimensions of sustainable advantage in marketing.
4.2.1. Definition of disciplined execution of marketing strategy (DE)

Despite the literal interpretation of the word “disciplined,” disciplined execution is not always the result of managerial will in the form of intentional planning, organizational controls and structured enforcement. Nelson and Winter (1982) describe routines as a form of discipline that act like the organization’s genetic code and can be the result of the collective work experiences of individuals who form practical bonds and develop repeatable processes and methods based on tacit rules and mutual understanding (Deming 1993; Deming 1986). Deming describes another route to disciplined execution that is somewhat more mechanistic and intentional. He characterizes management’s primary role as leading a program of systematic experimentation where predictions about how work processes can be
improved are tested and refined. Deming observes that this role as primary predictor and tester of new approaches is not embraced by the majority of senior managers in practice. In fact, he refers to this lack of engagement in disciplined experimentation as a fundamental, and fatal, flaw in American managerial practice (Deming 1986). Industry experts interviewed for our study indicate that each practice has its own culture and approach to teamwork. Consequently, some are more regimented and authority-driven in their approach to firm management while others are less formal and more flexible. But both types of culture are capable of disciplined execution. Regardless of the development path, our analysis provides evidence that disciplined execution is a critical factor in determining the competitiveness of the advisory firms we studied and warrants greater focus in marketing scholarship.

These organizational factors, behaviors and mechanisms that lead to disciplined execution of marketing and sales strategies remain largely unexplored in marketing scholarship, though (Morgan 2012; Strahle et al. 1996; Vorhies et al. 2011). Studies that address the concept of execution have tended to embed execution in more generalized conceptions of marketing strategy and implementation. For example, in their exploration of how market orientation and marketing capabilities are combined to influence performance, Morgan et al. (2009) include execution speed as one of four items in a construct for marketing implementation capabilities that also includes allocating resources, organizing programs, and translating strategies which are required antecedents to execution in practice. In Morgan (2012), “marketing strategy implementation capabilities” are similarly constituted by two broad organizational components, program alignment and resource deployment. Vorhies et al. (2011) use the distinction between exploration and exploitation to characterize “marketing exploitation capabilities” as a combination of re-examining existing information, adapting existing ideas, incrementally improving procedures, and improving efficiency. These conceptualizations of execution reinforce the assertion by Strahle, Spiro & Acito (1996, p. 1) that marketing scholarship remains essentially silent in providing behavioral definitions of discipline in execution.
In their seminal article defining the CRM domain, Payne and Frow (2005, p. 174) state, “We do not attempt to build such a research agenda in the current work, however, we emphasize the importance of CRM implementation and related people issues as an area in which further research is urgently needed.” Marketing scholars have addressed some issues in the implementation in CRM efforts, but not the specific cognitive and behavioral elements of execution or the influence of disciplined execution on the firm’s results (Raman et al. 2006; Zablah et al. 2004). For example, Zablah et al. (2004) propose a broad-based model examining gaps between processes, technologies and skills, but their analysis was focused on assessing barriers to CRM technology assimilation. Raman et al. (2006) distinguish between CRM technology and CRM implementation in applying the Resource-Advantage (R-A) theory to show the value of CRM as an “advantage-producing resource.” But, they do so by assessing the importance of company-wide concepts like “organizational learning,” “business-process orientation” and “customer-centricity” using a qualitative approach to analyzing open-ended comments and linking them to a retrospective judgment of the value CRM to the firm. Raman et al. (2006, p. 50) conclude by calling for a more longitudinal approach, “A novel way of investigating barriers to implementation would be to undertake longitudinal studies where selected firms are followed through the entire CRM process, from
identifying the need through adoption and implementation.” Studies in the management information systems area also make contributions to our understanding CRM execution (Ettl et al. 2005; Nguyen et al. 2007; Wehmeyer 2005). Like Zablah et al. (2004), these studies focus on information technology architecture, specific applications and issues related to technology adoption though, and do not examine the cognitive or behavioral dimensions of multi-disciplinary teams charged with CRM execution.

One natural objection to the study of disciplined execution may be that the concept appears simplistic and obvious since discipline should be a natural consequence of basic organizational and management efforts. However, both our interviews and our experimental data provide ample evidence that it is far from a given in practice. We found substantial variation in the level of disciplined execution of relationship marketing and sales strategies. We believe this variation is due to three failure modes for marketing strategy and five basic impediments to CRM team implementation discussed in prior chapters. Our measure reflects the idea that these impediments can be addressed through a combination of five cognitive and behavioral factors in CRM teams, including [DE1] engagement in the implementation process; [DE2] acceptance of the new strategy or adjustment; [DE3] orchestration and active communication during implementation efforts; [DE4] commitment of needed time and resources to implementation; and [DE5] tenacity in implementation to overcome obstacles.

4.2.2. Hypotheses

We first hypothesize that simply enacting new marketing and sales strategies should have some positive effect on firm performance regardless of the level of disciplined execution, so we test the proposition:

\[ H_1: \text{Financial advisory firms that actively engage in new relationship marketing and sales strategies will produce a positive and significant increase in annual recurring revenue compared to a control group that does not implement new strategies in the same period.} \]
We isolate the impact of simply enacting new relationship marketing strategies by comparing the annual recurring revenue of firms that receive practice management training to that of similar firms in a control group that receives no training during the same period. In our context of financial advisory industry, we predict firms that receive focused training and coaching from practice management experts should receive some benefits from these efforts. But these benefits will be magnified by increased execution discipline. More importantly, the disciplined execution creates a defensible advantage, even compared to other firms that undergo the same training. We conceptualize disciplined execution as the combination of specific cognitive and behavioral dimensions of collaborative teams implementing marketing and sales strategies. These factors are not easily observed or copied by competitors because they are individual and group behaviors supported by the organizational structure and culture of each firm (March and Simon 1958). Consequently, measuring the influence of disciplined execution provides fresh insight into the sources of inimitability and organizational leverage used to create sustainable advantage through relationship marketing. Specifically, we posit that the level of discipline in the execution of relationship marketing strategies has a profound influence on the success of these efforts. Therefore, we predict:

\[ H_2: \text{An increase in the measured discipline of the execution of relationship marketing strategies has a positive and significant relationship with increases in annual recurring revenue as a direct measure of the impact of relationship marketing.} \]

We use change in annual recurring revenue since it is a direct measure of the success of relationship marketing and sales efforts. It includes the asset-based fees from long-term client relationships and excludes any additional sources of revenue for the firm, like commissions or other transaction-based income. Financial advisory firms have a variety of client types that generate revenue though, from those with very large assets to those with relatively modest wealth. Consequently, firms function with a wide range of numbers of client households. In the samples for our two studies, the number of households served by focal firms ranges from 77 to 908. Since all clients require advice and guidance, regardless of
their asset level, disciplined execution can benefit firms implementing small account strategies as well as those serving very large asset accounts. Therefore, we predict:

\[ H_3: \text{The impact of disciplined execution on annual recurring revenue is robust across different sizes of the firm’s client-base.} \]

Finally, since we define disciplined execution as cognitive and behavioral dimensions associated with teams, we believe the size of the firm’s employee base will have an impact on the influence of disciplined execution. Therefore, we predict:

\[ H_4: \text{The magnitude of impact from disciplined execution on annual recurring revenue increases with the size of the firm’s employee base.} \]

4.3. Research methods

The context for this study is the U.S. financial advisory industry and the unit of analysis is the financial advisory practice. We define a financial advisory firm (firm hereafter) as a discrete business entity in an individual location that serves a common set of clients. A firm may contain one or several licensed advisors and a staff of varying sizes to support them. Financial advisors operate in six distinct channels – registered investment advisors (RIA) and independent broker/dealer channels operate more autonomous practices, while wire-houses, and regional, insurance and banks broker/dealers tend to be part of proprietary distribution systems associated with a specific firm and product set.

We also believe the financial advisory industry offers an excellent opportunity to study the impact of disciplined execution in collaborative sales and marketing teams implementing customer relationship strategies. Financial advisory practices have substantial autonomy is developing approaches to serve their clients. Consequently, they represent a wide range of marketing and sales team configurations and operating philosophies. Also, since advisors must conform to strict regulatory prescriptions about how advice is delivered and the suitability of products, practices are required to align sales and marketing
approaches to provide consistent messages and direction based on sound defensible principles. This combination of industry conditions creates a wide variety of approaches within different practices with an industry-wide requirement for delivering basic service levels. This makes the advisory industry a robust laboratory for studying the performance effects of disciplined execution.

4.3.1. Sample and procedure

This study relies on extensive prior qualitative research completed in the first stage of Study one. To develop our measurement, we used insights from financial advisory industry experts to understand the common characteristics of CRM teams and most important factors in determining which teams achieve high levels of disciplined execution.

We used a subset of this expert group as well as four of the Field Consultants who acted as the independent raters of teams to pre-test the instrument used to collect the data for the model.

We use the data collected from 30 practices during a series of training programs delivered by the practice management group of a major U.S. asset management company between 2005 and 2012. The asset management firm distributes individual investment products (including mutual funds, managed accounts and model portfolios) exclusively through licensed financial advisors and provides the practice management program as a service to advisers using the products. The training curriculum guides advisers through the implementation of two new relationship marketing strategies – one for managing small accounts more efficiently and one for providing a higher level of value to clients with complex needs. Depending on the development level of each advisory practice, they can be in practice management from 1 to 3 years. The measure of change in annual recurring revenue is an average for the years each firm is in the training program. The independent assessments of disciplined execution were provided by the Field Consultants (FC) working for the asset management firm who support the advisory firms in the training program. We solicited ratings from the appropriate FCs after the focal teams completed the training program. We surveyed the Field Consultants (FC) of the asset management firm that provided the practice
management program using the questionnaire below. The FCs assist teams enrolled in the practice management program during and after the program.

<table>
<thead>
<tr>
<th>Measurement items:</th>
<th>Among the lowest</th>
<th>Average</th>
<th>Among the highest</th>
<th>Component loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Engagement level in the practice management program</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td>.955</td>
</tr>
<tr>
<td>2. Full acceptance of recommended strategy and processes</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td>.946</td>
</tr>
<tr>
<td>3. Orchestration of team efforts in adjusting roles and work processes</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td>.968</td>
</tr>
<tr>
<td>4. Committing needed time and resources in adapting work processes</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td>.953</td>
</tr>
<tr>
<td>5. Tenacity and long-term commitment to implementing the strategy</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td></td>
<td></td>
<td>.947</td>
</tr>
</tbody>
</table>

For ABC Advisory Inc.:

Based on your observations and experience working with this firm, use the scale provided to compare them to other financial advisory firms you have assisted in the practice management program.

[Cronbach’s alpha = 0.97, Eigenvalue = 4.5, construct accounts for 91% of variation]

Figure 26: Measurement scale for third-party assessment of DE

To compare firms that went through training to a control group, we use a dataset with the financial results from 23 comparable financial advisory firms that did not receive practice management training. To provide a valid control comparison, we compare the 19 firms in the treatment group that participated in a one-year program in 2011 to the performance of the control group in the same year. The dataset for control firms was provided by a large broker/dealer organization that participated in the research process. Exhibit 3 provides an overview of the quasi-experimental design of the study.

This quasi-experimental framework provides an excellent opportunity to leverage the role of practice management groups (PMG) in introducing updated CRM strategies to advisory firms. The Field Consultant (FC) has the role of monitoring and gauging the level of adoption of a prescribed strategy. These Field Consultants provide the independent measure of disciplined execution for the quasi-experiment.
The practice management program that acts as the experimental treatment in this study consists of experienced consultants providing training and assistance to help focal firms to segment client accounts according to value and needs, create a tiered servicing approach with an enhanced key-account offering, and create a more simple and consistent servicing approach for basic needs. The effects of the treatment are shown in the diagram below.

![Diagram showing changes before and after the experimental treatment.](image)

**KEY:** *RM = relationship manager, PS = planning specialist, CSA = client service associate*

**Figure 27:** Experimental treatment: An enhanced strategy from practice management program

### 4.3.2. Measurement

The data used to construct the dependent variables in the control comparison and DE-level modes are based on archival data provided by two partner firms which agreed to share expurgated data in support of the study in exchange for participation and access to the results. We collected the data by providing a preformatted Excel worksheet to each partner showing the fields we wished to populate with advisory firm data. The partner providing access to the practice management subjects (treatment group) provided data first. We used a blind coding scheme to collect the third-party responses for ratings of DE-level from the Field Consultants working with the practice management program. Once we collected all the data for the treatment group, we provided the second partner – a national wire-house brokerage serving advisory firms – with the same Excel worksheet template plus a specification detailing the characteristics of the treatment group. The wire-house partner then sampled firms that did not go through any practice
management interventions from its client database to match the treatment group specification. The following exhibit details the provenance and definitions of the variables used in the quasi-experiment.

<table>
<thead>
<tr>
<th>Variable name</th>
<th>Definition</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in recurring revenue (dependent variable)</td>
<td>Annual revenue earned by the advisory firm through recurring fees – typically based on assets under management. Recurring revenue does not include one-time fees, commissions or other income. <em>See the appendix for example of an advisory firm fee schedule.</em></td>
<td>Data for the 30 firms that received training (19 with FC ratings in the Disciplined Execution model) came from the practice management group. Data for the 23 firms in control group come from a leading broker/dealer serving similar advisory firms.</td>
</tr>
<tr>
<td>Disciplined execution (independent variable and primary predictor)</td>
<td>Five-item scale measuring the third-party assessment of the discipline of a financial advisory practice applied to the execution of new customer relationship management methods in a practice management program.</td>
<td>Survey of 30 Field Consultants (FC) supporting the practice management program conducted in April of 2014. Received 19 usable responses for DE.</td>
</tr>
<tr>
<td>Treatment indicator (dummy variable in control comparison)</td>
<td>Dichotomous variable indicating the advisor practices in the treatment group.</td>
<td>N/A</td>
</tr>
<tr>
<td>Year-range indicators (dummy variables in disciplined execution analysis)</td>
<td>Dichotomous variables indicating the year-range during which data are taken in treatment group</td>
<td>Same as recurring revenue</td>
</tr>
<tr>
<td>Number of full-time equivalent (FTE) employees (covariate)</td>
<td>Number of employees working for the advisory practice in the final year of measurement – number can be factional representing part-time employees.</td>
<td>Same as recurring revenue</td>
</tr>
<tr>
<td>Households served (HH) (covariate)</td>
<td>Number client households served by the advisory firm in the final year of measurement.</td>
<td>Same as recurring revenue</td>
</tr>
</tbody>
</table>

**Figure 28: Data provenance and definitions for variables in Study 2 quasi-experiment**

Practice management training is a common phenomenon in services settings that require highly skilled technical professionals. Technical experts like physicians, dentists, attorneys, or the portfolio managers and analysts in the financial advisory industry are highly educated but often do not have business management experience or formal business training. When these professional services firms grow, the technical experts can find themselves managing very substantial business enterprises. For example, the three largest focal firms participating in the second stage of qualitative research each
generate more than $10 million in annual recurring revenue meaning they manage approximately $1 billion in assets for about 500 client households. See the appendix for a complete profile of the focal firms in Study 1. The following is a description of services from an industry-leading practice management provider that has been providing this kind of training in the advisory industry for many years.

Our Practice Management program helps deliver the five fundamentals of a future-ready firm. Our approach is supported by a team of practice management consultants, exclusive research, diagnostic tools, in-person workshops, and actionable guides, as well as access to third-party experts. The Five Fundamentals provide a solid foundation for helping firms grow and transform their business to be Future-Ready:

Figure 29: Description of program management service from a provider

The training model used as the treatment in the Study 2 quasi-experiment corresponds to the category of fundamental areas of management described above as, “client-focus.”

4.3.3. The use of Bayesian inference

Bayesian methods provide an alternative to frequentist-based null-hypothesis testing that allows researchers to generate distributions for parameters and evaluate the sensitivity of analyses across varying levels of parameters. The Bayesian paradigm also permits updates of parameter values and their associated distributions as new data become available. When faced with relatively small datasets, like those used in this study, this feature of Bayesian methods is particularly useful. Even though we collect data covering a period of years, we were able to update the analysis and provide insight and guidance to our business partners at each stage and update our insights as more data became available. This addressed
one important perennial disconnection in collaborations between academics and practitioner by providing value early in the process. We use very broad normal distributions as priors for regression coefficients, with zero as the mean and standard deviation of 100, which is very large compared to the data’s original scale. We do the same for the prior used for the intercept. For the dependent variable, we use a uniform distribution extending from zero to an extremely large value far beyond the data’s actual scale. We standardized all the variables for the purposes of our analysis and then transformed the model results back to the original scale for interpretation and reporting (Kruschke et al. 2012).

We employed the Markov Chain Monte Carlo (MCMC) method to approximate the posterior distributions of all parameters by drawing very large representative random samples of the parameter values of interest in the two models. Using the very large sample of representative parameter draws, we compute the credible sets for parameter distributions and describe their posterior distributions, including shapes. This in turn permits comparing values of different parameters in the two models (Kruschke et al. 2012).

We use R statistical software and the JAGS (Just Another Gibbs Sampler) package to carry out all calculations related to the two Bayesian multiple linear regression models defined as follows:

\[
p(y|x_1, x_2, x_3, \beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \sigma) = \mathcal{N}(b_0 + b_1 x_1 + b_2 x_2 + \ldots + b_5 x_5, \sigma),
\]

where \( y \) is the change in annual recurring revenue for the year 2011, \( b_1 \) is the number of full-time equivalent employees (FTE), \( b_2 \) is the number of client households served (HH), and \( b_3 \) is the dummy variable indicating the treatment and control groups.

**Figure 30: Theorized equation for the Control group comparison:**

\[
p(y|x_1, x_2, x_3, \beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \sigma) = \mathcal{N}(b_0 + b_1 x_1 + b_2 x_2 + \ldots + b_5 x_5, \sigma),
\]

where \( y \) is the change in annual recurring revenue for the training period, \( b_1 \) is the number of full-time equivalent employees (FTE), \( b_2 \) is the number of client households served (HH), and \( b_3 \) is the measure of
disciplined execution (DE), $b_4$ is the interaction of FTE and DE (DEFTE), and $b_5$ is a dummy variable representing the time period during which the firm received training (YR).

**Figure 31: Theorized equation for the DE-level comparison**

We used vague priors for the parameters associated with DE and DEFTE in the initial disciplined execution model to limit the influence of the choice of prior distributions on the posterior used for sampling. We used transformation to standardize the data prior to analysis, and so used normal priors. For the residual parameter of the model, we used a uniform prior with range of zero to 10, which is also very low in influence. In order to interpret the model, we retransformed the model parameters back to their original scale after modelling was complete. For each model, we initialized three chains at the mean values of the parameters and used 1,000 steps for tuning and 1,000 steps for burn-in and ran the full modeling process from beginning to end four different times and compared parameter values, plots and diagnostics from each run. All four runs were essentially consistent with very small differences.

In our model comparing firms that implement new CRM strategies to a control group, we use a Bayesian approach to estimate parameters in a multiple regression that includes the number of full-time equivalent employees (FTE) and number of client households (HH) as covariates and a dummy variable for treatment to predict the change in annual recurring revenue. In our model to evaluate the impact of disciplined execution, we use a five-item, seven-point scale to solicit a third-party assessment of DE. We then use a multiple regression to model the impact of different levels of disciplined execution on growth in annual recurring revenue of the firms. Estimation is again carried out from a Bayesian perspective. Since recurring revenue is generated by long-term, fee-based client relationships, it is a direct measure of the effectiveness of relationship marketing efforts. The overall average rating of disciplined execution (DE) was 4.1, with the maximum of 6 and minimum of 2. The Cronbach’s Alpha for the five-item measure of disciplined execution is 0.975, the component loadings for all items are between 0.946 and 0.968, and the construct accounts for 91% of the variation in the data. The correlation matrices for the
measure of DE, and for the posterior values from the control group model and the DE-level model (both using a Gibbs sampler with 250,000 step) are provided below.

We also employed three variables from the dataset, full-time equivalent employees (FTE), number of households served (HH), and the time period of training as controls and covariates for the analysis. We used a dummy variable to control for the timing of the training and operating results in relationship to two years of high volatility in the capital markets – 2008 and 2009. Of the 30 firms in the treatment group, 10 went through training during the 2008-2009 period of volatility and twenty did not. The mean number of FTEs for practices in the sample is 8.5, the mean number of HHs is 349 and the mean change in annual recurring revenue for the sample is $191,339.66.

4.3.4. Reliability and validity checks

We completed a series of diagnostic steps, including inspection of correlation matrices and scatterplots of posterior values, which produced no major causes for concern about autocorrelation, collinearity of variables or non-normal residual structures in the results of the models. We used the final iterations of each model for the purpose of reporting results and retained all the steps in the sampling process which totaled 250,000.

Since the measure of disciplined execution is provided by a third-party with active knowledge of the practices, the analysis and resulting models do not rely on self-reporting to assess disciplined execution. We consider this empirically grounded approach to measuring the impact of disciplined execution unbiased with regard to self-reporting and common method variance – two recurring concerns about behavioral methods used in RBT-based studies in marketing.
Table 2: Correlation matrix for Control comparison (Model #1)

<table>
<thead>
<tr>
<th></th>
<th>zsigma</th>
<th>zb0</th>
<th>zFTE</th>
<th>zHH</th>
<th>zTreat</th>
<th>sigma</th>
<th>b0</th>
<th>FTE</th>
<th>HH</th>
<th>Treat</th>
</tr>
</thead>
<tbody>
<tr>
<td>zsigma</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>zb0</td>
<td>0.005</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>zFTE</td>
<td>-0.004</td>
<td>0.002</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>zHH</td>
<td>0.002</td>
<td>-0.004</td>
<td>-0.607</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>zTreat</td>
<td>-0.001</td>
<td>0.001</td>
<td>-0.011</td>
<td>-0.271</td>
<td>1.000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>sigma</td>
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<td>0.005</td>
<td>-0.004</td>
<td>0.002</td>
<td>-0.001</td>
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<tr>
<td>b0</td>
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<td>-0.175</td>
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<tr>
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<td>0.002</td>
<td>1.000</td>
<td>-0.607</td>
<td>-0.011</td>
<td>-0.004</td>
<td>-0.422</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HH</td>
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<td>-0.004</td>
<td>-0.607</td>
<td>1.000</td>
<td>-0.271</td>
<td>0.002</td>
<td>-0.253</td>
<td>-0.607</td>
<td>1.000</td>
<td></td>
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<tr>
<td>Treat</td>
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<td>0.001</td>
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<td>-0.271</td>
<td>1.000</td>
<td>-0.001</td>
<td>-0.175</td>
<td>-0.011</td>
<td>-0.271</td>
<td>1.000</td>
</tr>
<tr>
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<td>0.022</td>
<td>-0.004</td>
<td>-0.004</td>
<td>-0.831</td>
<td>0.736</td>
<td>0.022</td>
<td>0.093</td>
</tr>
</tbody>
</table>

We preferred Bayesian analysis for this study because it provides complete posterior distributions across the multiple parameter space for our models. These full posterior distributions provide flexibility in the uses if the model and its outputs, permitting both rigorous examination for the theoretical needs of the academic research and valid “what-if” and predictive uses that appeal to the executives of the practitioner partner firms who supplied the samples, archival data, and extraordinary access to informants.
Table 3: Correlation matrix for DE-level comparison (Model #2)

<table>
<thead>
<tr>
<th></th>
<th>zsigma</th>
<th>zb0</th>
<th>zFTE</th>
<th>zHH</th>
<th>zDE</th>
<th>zDEFT</th>
<th>zYR</th>
<th>sigma</th>
<th>b0</th>
<th>FTE</th>
<th>HH</th>
<th>DE</th>
<th>DEFTE</th>
<th>YR</th>
</tr>
</thead>
<tbody>
<tr>
<td>zsigma</td>
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<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>zb0</td>
<td>0.003</td>
<td>1.000</td>
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<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>zFTE</td>
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<td>1.000</td>
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<td></td>
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</tr>
<tr>
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<td>1.000</td>
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<tr>
<td>zDE</td>
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<td>0.653</td>
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<tr>
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<td>1.000</td>
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<td></td>
</tr>
<tr>
<td>zYR</td>
<td>0.006</td>
<td>0.003</td>
<td>0.369</td>
<td>-0.230</td>
<td>0.138</td>
<td>-0.220</td>
<td>1.000</td>
<td></td>
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<tr>
<td>sigma</td>
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<td>0.007</td>
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<td>-0.006</td>
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<td>b0</td>
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<td>0.180</td>
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<td>-0.400</td>
<td>-0.872</td>
<td>0.794</td>
<td>-0.318</td>
<td>-0.003</td>
<td>1.000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FTE</td>
<td>0.007</td>
<td>0.003</td>
<td>1.000</td>
<td>-0.160</td>
<td>0.653</td>
<td>-0.934</td>
<td>0.369</td>
<td>0.007</td>
<td>-0.695</td>
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<tr>
<td>HH</td>
<td>-0.003</td>
<td>-0.004</td>
<td>-0.160</td>
<td>1.000</td>
<td>0.165</td>
<td>-0.124</td>
<td>-0.230</td>
<td>-0.003</td>
<td>-0.400</td>
<td>-0.160</td>
<td>1.000</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>DE</td>
<td>0.003</td>
<td>0.004</td>
<td>0.653</td>
<td>0.165</td>
<td>1.000</td>
<td>-0.765</td>
<td>0.138</td>
<td>0.003</td>
<td>-0.872</td>
<td>0.653</td>
<td>0.165</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEFTE</td>
<td>-0.006</td>
<td>-0.002</td>
<td>-0.934</td>
<td>-0.124</td>
<td>-0.765</td>
<td>1.000</td>
<td>-0.220</td>
<td>-0.006</td>
<td>0.794</td>
<td>-0.934</td>
<td>-0.124</td>
<td>-0.765</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>YR</td>
<td>0.006</td>
<td>0.003</td>
<td>0.369</td>
<td>-0.230</td>
<td>0.138</td>
<td>-0.220</td>
<td>1.000</td>
<td>0.006</td>
<td>-0.318</td>
<td>0.369</td>
<td>-0.230</td>
<td>0.123</td>
<td>-0.220</td>
<td>1.000</td>
</tr>
<tr>
<td>Rsq</td>
<td>-0.004</td>
<td>0.001</td>
<td>-0.108</td>
<td>-0.075</td>
<td>-0.127</td>
<td>0.320</td>
<td>0.090</td>
<td>-0.004</td>
<td>-0.030</td>
<td>-0.108</td>
<td>-0.075</td>
<td>-0.127</td>
<td>0.320</td>
<td>0.090</td>
</tr>
</tbody>
</table>

A frequentist multi-variate regression approach – like the bootstrap model we ran to provide a methodological comparison to the results of the Bayesian multiple regression, provides only a point estimate (whether one uses least squares or maximum likelihood) without the added value of the full distributions of posteriors in k-dimensional space. To use frequentist hypothesis testing for decision-making, one must select sampling distributions to determine p-values and confidence intervals knowing that these test outcomes are likely to change depending on the sample space (Cowles 2013; Gelman 2004; Li et al. 2008).
### Table 4: Correlation matrix for DE scale development

<table>
<thead>
<tr>
<th></th>
<th>Engage</th>
<th>Accept</th>
<th>Coordinate</th>
<th>Focus</th>
<th>Tenacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engage</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accept</td>
<td>.89**</td>
<td>.91**</td>
<td>.92**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Coordinate</td>
<td>.91**</td>
<td>.92**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>.87**</td>
<td>.86**</td>
<td>.90**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tenacity</td>
<td>.88**</td>
<td>.84**</td>
<td>.88**</td>
<td>.91**</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

4.4. Results of the quasi-experiment

The results of the analysis provide strong empirical evidence of the positive effects of disciplined execution of a strategy above and beyond the traditional assumed impact of selecting and implementing a new strategy without regard to the level of execution discipline. By modeling and quantifying the difference in improvements in annual recurring revenues among financial advisory practices with varying levels of discipline, we provide a measure of direct impact on relationship marketing results. I display the results of the MCMC modeling using posterior distributions that allow me to apply a variety of “what-if” queries to the results – a significant advantage of Bayesian analysis. As described before, we use two separate models with the sample firms to evaluate the CRM performance associated with selecting a specific CRM strategy compared to not selecting it, and to compare CRM performance at different levels of disciplined execution. Both models produced robust explanatory power, with a mean $R^2$ for Model 1 (control group comparison) of 0.89 and mean $R^2$ for Model 2 (disciplined execution comparison) of 0.90.
4.4.1. Comparison of treatment and control firms

Table 5: Results of Control group comparison (Model #1)

<table>
<thead>
<tr>
<th>DEPENDENT VARIABLE (CHANGE IN ANNUAL RECURRING REVENUE)</th>
<th>Control group</th>
<th>Treatment group</th>
<th>Difference w/ treatment</th>
<th>Percent difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper bound of 95% credible set in posterior distributions</td>
<td>$475,406</td>
<td>$650,406</td>
<td>$175,000</td>
<td>37%</td>
</tr>
<tr>
<td>Mean values in posterior distributions</td>
<td>$131,177</td>
<td>$190,877</td>
<td>$59,700</td>
<td>46%</td>
</tr>
<tr>
<td>Lower bound of 95% credible set in posterior distributions</td>
<td>$-207,936</td>
<td>$-260,836</td>
<td>$-52,900</td>
<td>-25%</td>
</tr>
</tbody>
</table>

The analysis based on the control group comparison shows that the average increase in annual recurring revenue for the sample is $160,620. Firms in the treatment group that received practice management training have an increase in annual recurring revenue of $190,877 compare to an increase of $131,177 for the control group, a difference of $59,700 or 46% attributable to the training. Even though the credible sets for the treatment group and the resulting differences to the control are very favorable, it is concerning that this model produced wide credible sets that include negative values in the lower bounds. I believe this is attributable to the small sample size available. The credible set for the posterior values of the beta-coefficient of the treatments is entirely in the positive range and the mean values for the posteriors are encouraging evidence of the effects of the treatment. See the posterior distributions below. Future research should include both larger datasets and longer periods of measurement to address this concern.
Model #1: $b_1 = FTE \mid b_2 = HH \mid b_3 = Treatment$

![Figure 32: Posterior distributions for Control comparison (Model #1)](image)

4.4.2. Effects of the level of disciplined execution on recurring revenue

Table 6: Results of DE-level comparison (Model #2)

<table>
<thead>
<tr>
<th>DEPENDENT VARIABLE (CHANGE IN ANNUAL RECURRING REVENUE)</th>
<th>Base case (average firm)</th>
<th>+2 DE in base case</th>
<th>Gain (loss) w/+2 DE</th>
<th>Percent gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper bound of 95% credible set values in posterior distributions</td>
<td>$1,445,007</td>
<td>$1,691,376</td>
<td>$246,369</td>
<td>17%</td>
</tr>
<tr>
<td>Mean values in posterior distributions</td>
<td>$189,921</td>
<td>$267,173</td>
<td>$77,252</td>
<td>41%</td>
</tr>
<tr>
<td>Lower bound of 95% credible set values in posterior distributions</td>
<td>$-1,057,471</td>
<td>$-1,147,534</td>
<td>$-90,063</td>
<td>-9%</td>
</tr>
</tbody>
</table>

The model measuring the effect of varying levels of disciplined execution for 19 of the firms that went through practice management shows the effects of DE on CRM performance are similar in magnitude as the different from adopting the CRM strategy. The average change in annual recurring revenue for the sample is $191,340. The model shows that the average size firm with a mean rating for disciplined execution of 4.1 (on a scale of 7) has a change in annual recurring revenue of $189,921. The
same size firm with a disciplined execution score of 6 is modeled to have an increase in recurring revenue of $267,173, a difference of $77,252 or 41%. Consequently, both H1 and H2 are supported. A firm of average size in the two studies would create a benefit of $59,700 in change in annual recurring revenue, on average, by adopting the relationship sales and marketing strategies taught in the practice management curriculum, according to Model 1. This alone was a very valuable proof point for the practice management team of the asset management firm. The same size firm that also increases its level of disciplined execution from average (4.1) to high (6) would produce an additional $77,252 in change in annual recurring revenue, according to Model 2. Consequently, the results of the two models show that more than half (56.5%) the overall gain available to an average-size financial advisory firm for the sample by both adopting new CRM strategies and increasing its discipline in execution (from $131,177 to $267,173) is attributable to disciplined execution. Again, the credible sets for the DE-level results are very favorable. But this model produced even wider credible sets due to an available sample even smaller than the control group comparison. The credible set for the posterior values of the beta-coefficient of the DE-level and for its interaction with firm size are both entirely in the positive range and the mean values for the posteriors are also encouraging evidence of the effects of DE on performance. See the posterior distributions below. Once again, future research is needed to provide larger datasets and longer periods of measurement to address support this data.
Model #2: $b_1 = FTE \mid b_2 = HH \mid b_3 = Time\ period \mid b_4 = DE \mid b_5 = DEFTE$

Figure 33: Posterior distributions for DE-level (Model #2)

The analysis demonstrates that increasing disciplined execution has a profound and positive influence on firm performance. Since practices rarely have to make capital investments to increase disciplined execution, these gains are substantial increases in performance based on changes in behavior of the sales and marketing teams. This is particularly important for practitioners who struggle to explain and address the cause of weaker than expected results from CRM initiatives. By offering a behavioral definition and measure of disciplined execution of these efforts, we can provide guidance for improving the success of all collaborative marketing and sales strategies.

We assessed multiple versions of both models using interaction terms between the independent variables and covariates to gauge their relationship and influence. We find that the distribution of parameters for client households (HH) and for the interaction of disciplined execution (DE) and households (DEHH) show they are likely to be near zero. For HH, the range of values for the parameter is $73.2\% < 0 < 26.8\%$ and for DEHH, the range is $48.2\% < 0 < 51.8\%$ in the model with all variable and
interactions. Consequently, we find strong support for H₃ that the number of client households is not a strong determinant of the effects of disciplined execution. The interaction term for the number of full-time equivalent employees (DEFTE) and DE is positive and significant in all the versions of the model we tested. In the final model for disciplined execution, the parameter for DEFTE has a mean value of 13,800, with a 95% credible set of 7,810 – 19,900, with a full distribution of 0% < 0 < 100%. Therefore, we also find strong support for H₄ since the effect of disciplined execution increases with FTEs.

![Figure 34: Comparing recurring revenue by DE-level and firm-size](image)

The five cognitive and behavioral dimensions of DE tested were identified as the way CRM teams overcome the most common causes of failure for CRM strategy implementation, according to industry experts. These team-level dimensions include engagement in planning for implementation, acceptance of the strategy, coordination of implementation, focus of resources, and tenacity in addressing challenges, and were shown to lead to superior results when implementing new strategies. The theory of disciplined execution posits that by increasing team-level coordination and moderating individual-level variations in the implementation of a strategy, a team can reduce the overall cognitive load compared to freer, less disciplined, and more improvisational responses to new strategies. This increase in discipline provides each team member with
a more stable and consistent baseline on which to make comparisons of the impacts of potential adjustments that come with the implementation of a new strategy. The team’s shared view of its implementation process, the overall acceptance of the strategy, and the prioritization of its time and resources supports greater staying power in addressing implementation setbacks and delivering the intended benefits of the new strategy while minimizing its potential disruption to customer relationships. These micro-foundations of strategy implementation are shown to have a significant impact on CRM performance in firms, measured by increases in recurring revenue. The two corporate partners working with the authors on this research altered their practice management curricula to reflect the importance of team dynamics in implementing new relationship sales and marketing strategies. For example, one practice management team created a new module concerning how to standardize certain work-flows in advisory teams to increase consistency and efficiency. The other added multiple exercises for team-building. Both practice partner firms also indicated they have changed their perspective on how to allocate resources with their own internal implementation initiatives based on the importance of disciplined execution.

4.6. Implications for theory and practice

After reviewing the basic theory about disciplined execution with multiple experts and firm leaders prior to testing, several expressed doubt concerning how much variation would be found in DE levels among experienced practitioners. They reasoned that experienced practitioners are required to prove themselves time and again over years professional practice, and therefore would all exhibit good levels of disciplined execution. Several also said that even if a measurement discerned meaningful differences in DE between firms, the differences would reflect style rather than substance and would not be associated with varying levels of performance. I believe these inaccurate predictions by successful practitioners about the effects of DE provide an important insight into why it is an important phenomenon to study. Disciplined execution is not determined by knowledge or experience level and is not associated with a particular professional background or functional role. DE reflects the degree to which a team of people –
representing different backgrounds, types of training, experiences, and orientations – work together to understand, preserve, and deliver a strategic intention while adapting the details of a strategy to their immediate customer and competitive realities. This is a new and novel dimension of strategy that is not captured by traditional conceptualizations of marketing strategy (Varadarajan 2010; Varadarajan 2014; Kozlenkova et al. 2014) juxtapositions like exploitation versus exploration, service efficiency versus customer intimacy, or mass market versus niche market dimensions. DE is a novel and distinctive dimension of marketing strategy that provides the bridge between the selection of a new strategy by the senior management team and the ongoing execution of that strategy in conjunction with the other marketing strategies already at work for the firm. Consequently, the way CRM team teams work together to encounter, process, respond to, and execute this kind of strategy is more influential to its success than the collective knowledge and experience level of the team members.

Indeed, CRM strategies like the tiered servicing strategy used as the treatment in this quasi-experiment are intended to prescribe the way teams can better balance the dual demands for efficiency and customization to service more clients with even better service levels.

Varadarajan (2010) argues that marketing scholarship should be primarily concerned with understanding what aspects of marketing efforts are most responsible for differences in a firm’s performance. He defines marketing strategy an integrated pattern of decisions and activities in the chosen markets and market segments, and the allocation of marketing resources among those activities and opportunities (Varadarajan 2015). But even recently, scholars have pointed out that strategy scholarship still lacks consistent empirical evidence supporting the impact of marketing resources on performance. The DE quasi-experiment focuses on this gap and provides compelling evidence of the impact of DE on performance at the firm level. The introduce of a new strategy and the subsequent discipline in its execution help us to map the integrated pattern of decisions and actions that have been theorized by prior research on CRM (Gavetti 2005; Piercy 1998; Ramaswami et al. 2009).
4.7. Conclusions and directions for future research

The purpose of this study was to provide clear empirical evidence of the impact of disciplined execution of CRM strategy above and beyond the impact of selecting the strategy. Numerous marketing strategy scholars writing about the influence of execution on strategy outcomes (Piercy and Bohling) and the importance of behavior aspects of strategy (Kozlenkova and ???) have made direct calls for more and better empirical evidence of the effects of marketing resources, like capabilities. This study addresses these gaps and provides new insight into a persistent practitioner in understanding the high failure rate of CRM implementations. Nevertheless, additional studies of the effects of DE that focus on different types of strategy and diverse contexts are needed to evaluate this new dimension of marketing strategy.

While this analysis provides strong empirical evidence that increasing discipline in execution has a profound and positive influence on firm performance. For a practice with average dimensions in the sample increasing from average to high is worth $77,252 in additional annual recurring revenue. This effect is robust across different sizes of client groups and is enhanced as the size the employee base of the firm grows. The exhibit showing the change in recurring revenue across firm-size and discipline levels and highlights the effects of execution on performance. Where high discipline levels show gains across firm size, low levels have significantly negative impacts on both large and small firms. The two models used in our study provide support for all four research propositions concerning the influence of disciplined execution on the performance of relationship marketing programs. They provide evidence that even firms that receive the exact same training in implementing relationship sales and marketing strategies can have divergent results based on their level of disciplined execution. Furthermore, the advantage attributable to disciplined execution should prove sustainable since it is based on inimitability and organization factors related to the cognitive and behavioral dimensions of teams. These findings make an importance and unique contribution to theory by showing a new path through which firms build
sustainable advantage by providing evidence of how inimitability and organizational factors influence the sustainability of relationship marketing resources.

4.7.1. Limitations and future research

This research benefits from a deep and well validated investigation of the mechanisms of a single type of sales organization. While this provides valuable detail about the capabilities that drive competitiveness, it limits generalizability. The Bayesian multiple regression uses performance data and an independent assessment of routine discipline to evaluate the effects of disciplined execution, the model relies on observations from only 19 of the 30 practices that received practice management and can be improved by a larger sample and quantitative analysis exploring additional factors that may have an impact on disciplined execution, like technological intensity, and product lifecycle. Generalizability can be tested by studying the use of adaptive and operational routines in other technically skilled sales and service contexts. For instance, a study of sales organizations in value-added reselling (VAR) in the computer software and hardware industries could provide a view of the theoretical propositions in a business-to-business context with greater technological dependence and shorter product lifecycles.

Future studies of disciplined execution in relationship sales and marketing should focus on the causes of friction in multi-disciplinary teams that can lead to a breakdown of discipline. Such research could also identify the antecedents of greater cohesion and effectiveness in sales and marketing teams. These cognitive and behavioral underpinning will help explain why certain teams are more engaged, committed, thorough, responsive and resilient in executing relationship marketing and sales strategies.
CHAPTER FIVE: THE MEDIATING ROLE OF
DISCIPLINED EXECUTION IN CRM TEAM PERFORMANCE

5.1. Introduction to Study three – survey testing the mediation effects of DE

In this study, I seek to show that the central concept of the study, “disciplined execution of customer relationship management (CRM) team strategies” (DE), is an intangible marketing capability that has a significant influence on CRM team performance measured by growth in recurring revenue. I define DE as the degree to which interdisciplinary teams implementing new strategies demonstrate cognitive and behavioral characteristics that lead to success in meeting the goals for the strategy. Based on insights from CRM team-members (see Chapter 3), I have identified the characteristics or dimensions of DE as [1] engagement in defining the implementation approach, [2] acceptance and buy-in of the new strategy, [3] orchestration of implementation among team-members, [4] commitment of time and resources to implementation, and [5] tenacity in supporting the strategy despite implementation challenges. These team characteristics address the friction in interdisciplinary teams when diverse team-members with differing backgrounds, training, and incentives attempt to interpret and implement new strategies.

Since CRM strategies emphasize growth, they encompass the simultaneous challenge of retaining all valuable current client relationships while acquiring and cultivating equally valuable new relationships (Parvatiyar and Sheth 2001; Payne and Frow 2005; Piercy 1998). This tension in balancing the need to serve existing clients and the drive to prospect for new ones is additive to the natural tensions among interdisciplinary team members who represent varying skills and backgrounds (Foss 2011; Frow et al. 2011). Despite the popularity of CRM as a strategy, researchers in industry and academe have reported a high rate of implementations that fall short of expectations (Bohling et al. 2006). In this study, I seek to show that disciplined execution of strategy (DE) is a critical marketing capability supporting the CRM strategy process that may help to explain success in implementing CRM strategies goals (Bohling et al. 2006; Day 2011; Jaworski and Kohli 1993). The basic premise of this study is that DE acts as a mediator between top a management team’s investments in resources and structures to support CRM strategies and
the performance of CRM teams. I argue that addressing causes of strategy failure is as important to CRM success as selecting appropriate strategies and that effective implementation of marketing strategy is a significant mediator in fulfilling the original strategy intentions of TMTs and meeting goals that are set.

To evaluate DE as a mediator, I use the CRM team as the unit of study and evaluate the relationship between the team’s level of DE and the CRM resources and structures available to the team. Marketing strategy theory utilizing RBT suggests adding CRM resources should increase the effectiveness of CRM teams. I also evaluate the relationship between the team’s level of DE and its CRM performance compared to goals. I hypothesize that higher levels of DE are associated with improvements in CRM performance and that DE mediates the positive effects of resources on performance. A survey is used to ask team-members to assess the resources their firm provides to support CRM teams, the level of DE for their own team, and their team’s progress in meeting goals. Consequently this study provides a deeper look at the cognitive and behavioral components of DE by using more detailed measures of the phenomenon with CRM team-members (Gavetti 2005). This perspective complements the qualitative and experimental studies described earlier by providing a more complete map of the role of DE as a marketing capability that interacts with and supports other resources. In the resource-based view or resource-based theory (RBT) of the firm, capabilities are essential resources used in a firm’s efforts to create sustainable competitive advantages (Barney et al. 2011; Slotegraaf et al. 2003; Ramaswami et al. 2009). Strategy scholars theorize that resources only contribute to sustainable advantage when they satisfy four criteria – (1) they must be valuable; (2) they must be rare; (3) they must be difficult to imitate; and (4) the firm’s organization must enable the use of the resource (Vorhies and Morgan 2005; Kozlenkova et al. 2014). Ramaswami et al. (2009, p. 99) define capabilities as “complex bundles of skills and accumulated knowledge, exercised through organizational processes that create positional or competitive advantages for the firm which are not easily imitable by competitors (Ramaswami et al. 2009).” I build on this important foundational research by exploring the micro-foundations of marketing capabilities (Gavetti 2005; Gavetti 2012). Foss (2011) and others have argued that prior efforts to uncover the mechanisms of
strategic management capabilities have focused solely on individual psychological factors and have not examined the equally significant role of interactions among individuals and teams (Kozlenkova et al. 2014). I expand on this under-theorized role of teams and interpersonal tensions in determining strategy outcomes. In particular, I focus on marketing capabilities where sales, service and marketing team-members converge to create customer-facing strategies in relationship marketing contexts. In this way, I present DE as a missing link in understanding how marketing functions that encompass different disciplinary specialties translate strategic choices into sustainable advantages (Bohling et al. 2006; Varadarajan 2010).

5.2. Theoretical framework and hypotheses

I build on the two prior studies by testing a more detailed measure of DE and applying it to a mediation model to evaluate the role of DE in determining the results of CRM strategies. The model tests the hypothesis that DE mediates the positive impact of investments in CRM resources on CRM performance. It is a basic axiom in strategy scholarship that the intentional commitment of additional time, attention, or tangible resources to a particular strategic initiative should lead to performance improvements. This study examines the mechanisms at the individual and team level that act as a transmission to convert resource investments into tangible performance. I seek to show that DE mediates the effects of targeted investments in CRM strategies on CRM performance, and that investments in resources reinforce DE in CRM teams, and in turn DE amplifies the benefits of resources.

The diagram below builds on Ramaswami et al. (2009) to depict the theorized role for DE. The ability of TMTs to select strategies to exploit customer relationships is an intangible capability identified in numerous prior studies (Gavetti 2012; Slotegraaf et al. 2003; Varadarajan et al. 1999; Varadarajan 2010). This senior management capability depends on other marketing capabilities that enables the CRM process and contribute to the firm’s performance. My premise is that DE acts as a cognitive and behavioral
capability that interacts with and supports important marketing capabilities that build sustainable advantage.

**Figure 35: Theorized role of DE in CRM performance (Ramaswami et al. 2009)**

Piercy (1998, p. 226) stated that “effective strategy implementation rest not simply on techniques of action planning, budgeting, and resource allocation, as well as administrative systems design; it rests on the underlying beliefs and attitudes of organizational participants” and suggests that the failure to understand these underlying micro-foundations has led to “the loss of formal organizational position of the marketing function, and even more significantly to the management belief in marketing as a strategic force.” By establishing the role of DE as a mediator between CRM resource investments and CRM performance, this model confirms and responds to Piercy’s theoretical concerns about gaps in the understanding of CRM implementation.
This study seeks to evaluate the following hypothesis using a two-stage ordinary least squares model to test the mediating effects of DE in translating CRM resources into realized performance improvements, thus addressing the pattern of disappointing results in CRM implementations.

**H₁a**: An increase in a firm’s investments in CRM resources improves the level of disciplined execution of CRM strategies.

**H₁b**: An increase in a firm’s investments in CRM structures improves the level of disciplined execution of CRM strategies.

**H₂**: As the level of disciplined execution improves, the positive effects of investments in CRM resources and structures on CRM performance are enhanced.

**H₃a**: The experience level of the CRM team-member does not have a statistically significant influence on the team’s level of DE or CRM performance.

**H₃b**: The size of the team’s book-of-business does not have a statistically significant influence on the team’s level of DE or CRM performance.

**Figure 37: Research hypotheses**

Hypotheses H₁a and H₁b posit that when the firm invests in CRM resources and structures, this will provide evidence of the leadership team’s support for and attention to the execution of CRM strategies. I argue that both the availability of resources and the evidence of senior management support will help to increase a CRM teams discipline level (Payne and Frow 2005; Piercy 1998).
Hypothesis H2 argues that increases in discipline will, in turn, enhance the positive impact of the firm’s investments in CRM resources and structures by multiplying their effects and providing more immediate returns.

Finally, Hypotheses H3a and H3b posits that neither the level of team-member experience nor the size of the team’s book-of-business should impact the team’s discipline level or performance. This hypothesis is taken directly from the interviewing stage of the research which indicated that gains due to discipline are separate and distinct from other potential causes since the effects of DE are behavioral and not predicated on the availability of potentially confounding factors like experience or scale.

I argue that DE is a novel and convincing explanation for the high rate of disappointing results from CRM implementations reported by practitioners. If this is true, DE should improve the results of CRM strategy execution – which is the basic definition of DE – but should also enhance the effects of CRM resources and structures making the performance of CRM tasks more consistent and efficient (Slotegraaf et al. 2003; Wernerfelt 1984; Zahra and George 2002). In this way, the research provides a useful foundation for additional exploration and measurement of the micro-foundational mechanisms through which marketing resources interact and provide mutual reinforcement that lead to improvements in resources over time (Ramaswami et al. 2009; Vorhies and Morgan 2005). As mentioned in Chapter 2, Kozlenkova et al. (2014) and other marketing strategy scholars have highlighted the limited theorizing and the lack of investigation of the interactions between intangible resources like strategy selection, customer relationship building, and DE. They also point to a lack of attention to organizational factors, like the team behaviors in DE and their impact in cultivating strategic advantage; and the lack of empirical evidence quantifying the value of intangible marketing resources, like marketing strategy selection, DE, and relationship management capabilities.
5.2.1. Identifying relevant dimensions to measure DE

Experts in the use of CRM strategies in the financial advisory industry identified five major causes of CRM strategy failure in CRM teams. These five obstacles included a lack of engagement in implementation planning, uneven acceptance of the new strategy among team-members, poor orchestration of strategy execution efforts within teams, inconsistent commitment of time and resources to implementation, and a lack of tenacity in working through early implementation problems. The five dimensions of DE address these causes of failure directly. CRM team-members then provided the detailed elements of these dimensions of DE by describing the attitudes and behaviors they perceived as most important in executing new CRM strategies. Together, experts and team-members painted a detailed picture of the chain of implementation behaviors that leads to success.

Figure 38: Chain of DE behaviors leading to success in CRM teams

Team-members described a wide variety of specific aspects of their experiences implementing CRM strategies that fit into more than 40 categories. They identified 31 attitudes and behaviors we categorized as dimensions of DE, 19 of which were fit to a measurement of DE through data reduction.
### Engagement

| My team members are involved in determining the most effective way to implement the new approach |
| My team members are expected to make suggestions about how best to implement the new approach |
| My team members are encouraged to share their insights about implementation efforts |
| My team members are passionate about implementing the new approach |
| My team members efforts make me more committed to the new approach |
| My team members sometimes need others to tell them how best to implement the new approach |
| My team members are not asked to participate in troubleshooting the implementation of new approach |

### Acceptance

| My team members are among the first to use it |
| My team members help me to adopt it |
| My team members talk about its merits with me |
| My team members are committed to get the most out of it |
| My team members think of it as an option that they may or may not use |
| My team members resist using it until others have proven its value |

### Orchestration

| My team members pay close attention to my feedback about implementation |
| My team members are able to act upon the inputs they receive from me |
| I am satisfied with the responsiveness my team members show to my feedback |
| My team members take time to respond to my feedback on implementation |
| Sometimes my team members ignore the feedback they receive from me |
| My team members rarely make adjustments to implementation efforts based on my feedback |

### Focus

| My team members make implementing the novel approach a high priority |
| My team members commit a good deal of time to working on the implementation of the new approach |
| My team members apply all available resources and tools to making the new approach successful |
| Other challenges and requirement of their job sometimes distract my team members from implementing the new approach |
| Sometimes my team members are not sure how much time or effort to commit to the new approach |
| My team members are often unsure about how to prioritize the implementation of the new approach |

### Tenacity
My team members stick with it completely
My team members are unwilling to give up on it
My team members work through the problems they come across
My team members take it as a personal challenge to make it successful
My team members are never quite sure if they should stick with it
My team members wait to see if my I stick with it

**Figure 39: Measurement items for DE – initial and final**

5.2.2. Identifying relevant items to measure antecedents and outcomes for DE

I theorize that DE mediates the positive effects of investments in CRM resources and CRM structures on CRM team performance. These investments by top-management teams are strategic antecedents to DE in that they are intended to support the execution of CRM strategies. CRM team-members were asked to identify the kinds of firm-level supports and resources that were most important to the success of their teams. The resources mentioned fell into two categories, *organizational structure* intended to support CRM teams – like team configuration and compensation schemes – and *CRM resources* intended to provide support – like specialized technology and access to training and professional development for CRM team-members. Team-members identified ten structures and resources that support their implementation efforts. Of these 10, the data reduction process reduced the items to three for CRM resources and to two items for CRM structures, as follows.

**CRM resources**

<table>
<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invests in effective CRM technology (contact management and customer database systems)</td>
</tr>
<tr>
<td>Provides useful training for me regarding my job serving our customers</td>
</tr>
<tr>
<td>Communicates their commitment to implementing our CRM strategies</td>
</tr>
<tr>
<td>Ensures the accuracy and availability of our CRM databases and systems</td>
</tr>
<tr>
<td>Sends mixed signals on our direction concerning CRM strategies</td>
</tr>
</tbody>
</table>

**CRM structures**

<table>
<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has created an organizational structure that supports our CRM strategies</td>
</tr>
<tr>
<td>Looks for ways to remove barriers to effective implementation of CRM strategies</td>
</tr>
</tbody>
</table>

*Items eliminated in data reduction process are shaded =>*

---

#### CRM resources

- Invests in effective CRM technology (contact management and customer database systems)
- Provides useful training for me regarding my job serving our customers
- Communicates their commitment to implementing our CRM strategies
- Ensures the accuracy and availability of our CRM databases and systems
- Sends mixed signals on our direction concerning CRM strategies

#### CRM structures

- Has created an organizational structure that supports our CRM strategies
- Looks for ways to remove barriers to effective implementation of CRM strategies
Makes it clear how each part of the company contributes to building strong customer relationships

Has organized our company around products and functions rather than around customers and relationships

Has not made it clear how my team is should contribute to our CRM strategies

*Items eliminated in data reduction process are shaded =>

Figure 40: Measurement items for DE antecedents – Initial and final

The items mentioned by team-members as most helpful support are highly consistent with firm-level factors highlighted in prior scholarly research concerning strategy CRM execution (Piercy 1998; Bohling et al. 2006; Foss et al. 2008; Kransikov et al. 2009). Krasnikov et al. (2009, p. 62) write, “It is necessary to examine which firm-level and adoption-level factors influence the relationship between CRM and firm performance. Providing insights into factors that moderate the relationship between CRM and firm performance will enable managers and researchers to understand the contextual influences on the relationship between CRM implementation and firm performance.” They go on to say that technology and training play a key role in CRM implementation by linking front-office and back-office functions intended to support CRM performance. Similarly, Piercy (1998) points out that resources like technology and specialized expertise in staff areas may remain “latent” without the requisite training and managerial experience to exploit them.

Since the unifying purpose of this study is to evaluate DE as a mediator in strategy success, it was essential to select outcome variables that align with the most common team performance goals. CRM team-members were asked to describe the quantifiable goals they watched most closely when monitoring their performance. The team-member interviews pointed to eight recurring goals, of which six were retained after data reduction – three for measuring retention success and three for measuring growth success.

*Retention measures*

Client retention rate for the team’s clients
Customer satisfaction level for the team’s clients
Net Promoter Score (NPS) for the team’s clients
Profitability of the team’s clients

**Growth measures**

Total revenue growth for all the team’s clients
New client referrals generated by the team’s clients
Number of client households served by your team
Average revenue per client for the team’s clients

*Items eliminated in data reduction process are shaded =>*

**Figure 41: Measurement items for DE outcomes – Initial and final**

These outcomes identified by team members are consistent with the goals highlighted in earlier expert interviews and with the finding of prior CRM strategy scholarship (Parvatiyar and Sheth 2001). The two most important motivations for senior executives to execute CRM strategies according to experts are to overcome the growth and scale limitations of solo practices and to improve the quality and consistency of customer service.

5.3. Research methods

The context for this study is the U.S. financial advisory industry and the unit of analysis is the CRM team, with each respondent representing a different team. We define a CRM team as a discrete group of individuals working in a common location and serving a common set of financial advisory households. Financial advisory firms operate in six distinct channels – registered investment advisors (RIA) and independent broker/dealer channels operate more autonomous practices, while wire-houses, and regional, insurance and banks broker/dealers tend to be part of proprietary distribution systems associated with a specific firm and product set. This study only included RIA and independent channel advisory firms. Independent financial advisory firms offer an excellent laboratory for studying the impact of disciplined execution of CRM strategies in teams since they have the greatest latitude in adopting and implementing CRM strategies. These teams have autonomy is developing localized approaches to serving clients
ensuring diversity that is not found in other contexts like retailing and franchising. Consequently, they employ a wide range of marketing and sales team configurations and operating philosophies. Their need to conform to strict regulatory regimes concerning the suitability of products means that few of these firms try to differentiate on products, but instead emphasize service processes and customer care. This combination of conditions creates a variety of approaches among teams executing similar strategies and makes the advisory industry a robust environment for studying the role of disciplined execution.

5.3.1. Sample and procedure

The sampling frame developed for this study was carefully compiled to be representative of the CRM team community in the US financial advisory industry. The sample came from a combination of the focal firms participating in the initial qualitative interviewing and from client lists provided by two large product-provider firms serving the US financial advisory industry. All prospective respondents invited to participate in the survey research were confirmed to be part of a CRM team and to have more than one full year working with their respective team and firm. Seven of the respondents represent focal firms from the accompanying qualitative study.

A portion of the sample responses were received from August 2016 to April 2017 using the Qualtrics web-based survey engine. I supplemented web-based responses with telephone-based interviewing. I completed the pre-test and non-response check data collection with both in-person and telephone interviews. Of the 301 qualified CRM team-members who received invitations to participate, I received 91 complete surveys for a response rate of 30.2%. Due to the intimate nature of interviews and surveys concerning teamwork and relationships between team-members I favored in-person and telephone invitations and reminders for survey participation whenever possible. Initially, I completed a larger and more broad survey data collection that included multiple team members from the same teams. Unfortunately, I was unable to get a cooperation rate at the team level to create a large enough database for a hierarchical approach to modeling the team-level responses as well as the team-member responses.
Consequently, I completed a second data collection to provide a larger enough sample of single representatives at the team level.

Table 7: Sample description (each respondent represents a different team and firm)

<table>
<thead>
<tr>
<th>Respondent roles</th>
<th>Mean industry experience*</th>
<th>Number of respondents</th>
<th>Percent of total n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client service specialist</td>
<td>6 – 10 years (4.2)</td>
<td>39</td>
<td>42.9%</td>
</tr>
<tr>
<td>Client relationship manager</td>
<td>11 – 25 years (5.5)</td>
<td>21</td>
<td>23.1</td>
</tr>
<tr>
<td>Financial planning specialist</td>
<td>11 – 25 years (5.1)</td>
<td>11</td>
<td>12.1</td>
</tr>
<tr>
<td>Marketing specialist</td>
<td>6 – 10 years (4.0)</td>
<td>11</td>
<td>12.1</td>
</tr>
<tr>
<td>Other roles</td>
<td>6 – 10 years (4.6)</td>
<td>9</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6 – 10 years (4.6)</strong></td>
<td><strong>91</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

*Cohort scale: 1 = <1 year; 2 = 1-2 years; 3 = 3-5 years; 4 = 6-10 years; 5 = 11-25 years; 6 = >25 years

5.3.2. Measurement

I used multi-item scales to construct the variables for CRM resources, CRM structure, Disciplined execution, Client retention, and asset growth. Through the interviews and subsequent discussions with industry researchers. I used insights from the qualitative study to create all the scales used in the survey. I retained from two to five items for each measure used as a predictor following unidimensionality and reliability checks. The measures of client retention and growth used a combination of the two most commonly cited team measures for each dimension of CRM performance. For the measure of client retention, I used scales measuring a team’s success in meeting goals for annual client-level retention and client satisfaction. For growth, I used scales measuring a team’s success in meeting goals for recurring revenue production and new client referrals. The scales asked respondents to compare their team’s results to goal-expectations in the prior year’s performance measures. The scale is provided in the following exhibit. I believe these are theoretically appropriate dependent variables given the definition of the research question for the dissertation as a whole and for this study. By measuring the degree to which the
respondent’s team meets its CRM performance goals, I directly address the issue of performance compared to expectations when a CRM strategy is implemented by a team.

<table>
<thead>
<tr>
<th>ENGAGEMENT ITEMS (5)</th>
<th>Completely disagree</th>
<th>Neither agree nor disagree</th>
<th>Completely agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE1: My team members are directly involved in determining the most effective way to implement the new approach</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE2: My team members are expected to make suggestions about how best to implement the new approach</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE3: My team members are encouraged to share their insights about implementation efforts</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
</tr>
<tr>
<td>DE4: My team members are passionate about implementing the new approach</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE5: My team members' efforts make me more committed to the new approach</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE6: My team members are among the first to use it</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE7: My team members help me to adopt it</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE8: My team members talk about its merits with me</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<tr>
<td>DE9: My team members are committed to get the most out of it</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tbody>
<tr>
<td>DE10: My team members pay close attention to my feedback about implementation</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
<td>☐ ☐ ☐ ☐ ☐ ☐ ☐</td>
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<td>Item</td>
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<td>Scale</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<td>DE11</td>
<td>My team members are able to act upon the inputs they receive from me</td>
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<tr>
<td>DE12</td>
<td>I am satisfied with the responsiveness my team members show to my feedback</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>DE13</td>
<td>My team members take time to respond to my feedback on implementation</td>
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**FOCUS ITEMS (3)**

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<tr>
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<th>2</th>
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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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</thead>
<tbody>
<tr>
<td>DE14</td>
<td>My team members make implementing the new approach a high priority</td>
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<tr>
<td>DE15</td>
<td>My team members commit a good deal of time to working on the implementation of the new approach</td>
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<tr>
<td>DE16</td>
<td>My team members apply all available resources and tools to making the new approach successful</td>
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**TENACITY ITEMS (3)**

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<tr>
<th>Item</th>
<th>Description</th>
<th>Scale</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE17</td>
<td>My team members stick with it completely</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DE18</td>
<td>My team members are unwilling to give up on it</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DE19</td>
<td>My team members work through the problems they come across</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

When we decide to implement a new CRM strategy:

**Figure 42: Construct for measuring DE in CRM teams**

5.3.3. Measurement validity

To investigate nonresponse bias, I used a more intense protocol of follow-up emails and calls to assemble a nonresponse sample of 21 respondents for six key survey questions after the initial data collection. The results for all questions show equal variance assumptions can be accepted according to Levene’s test of difference in variance with no significant differences in means according to the two-
tailed t-tests for independent samples. The F-values for the Levene’s test did not exceed 2.11 with no t-values exceeding 1.34.

For the key informant check, I confirmed that all survey respondents were active members of CRM teams and that their teams implemented a CRM strategy or adjustment to strategy in the prior 12-month period. This is a critical step since the unit of analysis for the study is the financial advisory CRM team, with each informant representing his or her team. I ensured I had knowledgeable respondents to the survey by excluding any who were inactive in the career or who had less than three years of experience in the industry. I conducted 46 depth interviews by telephone and in-person with CRM team members prior to the survey. I compared the related responses in the survey to the detailed answers received in the qualitative research and found them to be very consistent.

I completed separate checks for common method bias, non-response bias, and key-informant knowledge validity. I used a partial correlation procedure with a marker variable to test for common method bias. The marker variable with no theoretical relationship to the dependent variable is “tenure with firm,” which has no significant correlations with any variables of interest and $r_{xy} = 0.022$ ($p = 0.58$), with DE. I created a partial correlation matrix controlling for the marker variable and found that the same significant correlations in the original correlation matrix for the analysis remained significant, providing evidence that common method bias has minimal confounding influence.

Per Cohen et al. (2003), this type of hierarchical OLS approach to modeling effects in the behavioral sciences represents only a partial causal approach to evaluating sets of predictors. Because I do not specify and test a fully recursive causal path model, this simplified approach to modeling the effects of a mediator relies on the soundness of the theoretical belief that CRM resources and structure precede DE and performance causally and are not the result of reciprocal causation (Cohen et al. 2003). I note that given the goals of this analysis, which is to evaluate the mediating effects of DE at the point in time when
a new strategy has been selected and is being implemented by the team, this is a highly defensible assumption for the purposes of the test.

**Table 8: Correlation matrix for Mediation model**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asset growth</td>
<td>4.87</td>
<td>1.33</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Client retention</td>
<td>5.19</td>
<td>1.15</td>
<td>0.263**</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Disciplined execution</td>
<td>4.50</td>
<td>1.16</td>
<td>0.149*</td>
<td>0.183**</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. CRM resources</td>
<td>5.02</td>
<td>1.28</td>
<td>0.121</td>
<td>0.121</td>
<td>0.244**</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. CRM structure</td>
<td>4.59</td>
<td>1.30</td>
<td>0.093</td>
<td>0.004</td>
<td>0.258**</td>
<td>0.394**</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>6. Resp. experience</td>
<td>5.43</td>
<td>1.48</td>
<td>0.004</td>
<td>0.105</td>
<td>-0.014</td>
<td>0.002</td>
<td>-0.092</td>
<td>---</td>
</tr>
<tr>
<td>7. Number of households</td>
<td>4.22</td>
<td>1.68</td>
<td>0.220**</td>
<td>0.077</td>
<td>0.159*</td>
<td>0.170*</td>
<td>0.138*</td>
<td>-0.155*</td>
</tr>
</tbody>
</table>

KEY: * correlation significant at p < .05; ** p < .01 (two-tailed)

I used several checks of consistency and unidimensionality for each of the multi-item measures used in the study. I used descriptive statistics, reliability of scales, and exploratory factor analysis, in the process of scale reduction and validation. The items for the construct for both types of CRM antecedents (resources and structure) produced factor loadings of .70 or greater. The loadings for all DE items were greater than .61 and none of the cross-loading is higher than .24. The scale reliability measures were also strong for the constructs in the model – the Cronbach’s alphas were 0.87 for DE, 0.77 for CRM resources, and 0.72 for CRM structures.

In his seminal writings on the construction and validity of scales, Churchill (1979) endorses the use of Cronbach’s alpha in constructing scales, but cautions that a greater number of items in a scale may result in inflated alpha values (Churchill and Peter 1984). Since the DE scale contains 19 items, more investigation of the validity and appropriateness of the construct was needed. I followed Churchill’s (1979) protocol for checking scale reliability, as well as convergent and discriminatory validity. The five dimensions of DE developed from expert interviews were reviewed and critiqued at an industry meeting of strategy and research directors after the interviews were conducts. Participants reviewed the
dimensions and provided feedback concerning clarity and relevance. These five dimensions were then used as the foundation for detailed interviewing with CRM Team members who were asked to provide specific examples of behaviors. These were captured as potential items and reviewed in-person with members of three of the focal teams to check for clarity, wording, appropriateness, and face validity. The resulting 31 items were used in a pre-test with twenty members of the sample population, where respondents offered comments and suggestions that were incorporated in the final survey instrument. These items were then used in the survey resulting in a final sample of 91 team-members, each from a different team. I believe this thorough set of steps exhausts the domain of interest for this measurement (team-based implementation behaviors) and permits the use of the items generated in a more data-oriented scale development process using survey data (Churchill 1979).

![Figure 43: Suggested procedure for developing better measures (Churchill 1979)](image)

The results of the exploratory factor analysis using principal components analysis in SPSS are provided below. All 11 of the negatively worded items of the original 31 were eliminating because they failed to converge in the exploratory factor analysis step. One additional item was dropped (“Take it as a
personal challenge” in the Tenacity dimension) because of a high correlation to another item (“It is a high priority” in the Focus dimension), making the item redundant. These steps reduced the items by 12, from 31 to 19 to be included in the construct. The 19 proposed items for the DE scale had factor loadings between 0.614 and 0.881. Gorsuch (1983) recommends a minimum sample of $n = 100$ for conducting confirmatory factor analysis (CFA) with 20 variables or less ($k \leq 20$). Since a CFA for this study required more than 20 initial items with a sample of 91, CFA is not valid check.

Table 9: Exploratory factor analysis for DE team measures

<table>
<thead>
<tr>
<th>Components</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DE1</td>
<td>.614</td>
<td>.102</td>
<td>.018</td>
<td>.242</td>
<td>.028</td>
</tr>
<tr>
<td>DE2</td>
<td>.738</td>
<td>.125</td>
<td>.039</td>
<td>.199</td>
<td>.097</td>
</tr>
<tr>
<td>DE3</td>
<td>.745</td>
<td>.106</td>
<td>.056</td>
<td>.027</td>
<td>.145</td>
</tr>
<tr>
<td>DE4</td>
<td>.816</td>
<td>.116</td>
<td>.094</td>
<td>.057</td>
<td>.085</td>
</tr>
<tr>
<td>DE5</td>
<td>.789</td>
<td>.091</td>
<td>.149</td>
<td>.069</td>
<td>.134</td>
</tr>
<tr>
<td>DE6</td>
<td>.774</td>
<td>.002</td>
<td>.108</td>
<td>.112</td>
<td>.220</td>
</tr>
<tr>
<td>DE7</td>
<td>.618</td>
<td>.115</td>
<td>.129</td>
<td>.122</td>
<td>.127</td>
</tr>
<tr>
<td>DE8</td>
<td>.881</td>
<td>.168</td>
<td>.197</td>
<td>.217</td>
<td>.288</td>
</tr>
<tr>
<td>DE9</td>
<td>.711</td>
<td>.016</td>
<td>.074</td>
<td>.046</td>
<td>.215</td>
</tr>
<tr>
<td>DE10</td>
<td>.888</td>
<td>.071</td>
<td>.129</td>
<td>.129</td>
<td>.194</td>
</tr>
<tr>
<td>DE11</td>
<td>.644</td>
<td>.177</td>
<td>.078</td>
<td>.172</td>
<td>.218</td>
</tr>
<tr>
<td>DE12</td>
<td>.701</td>
<td>.125</td>
<td>.117</td>
<td>.213</td>
<td>.121</td>
</tr>
<tr>
<td>DE13</td>
<td>.845</td>
<td>.106</td>
<td>.061</td>
<td>.127</td>
<td>.145</td>
</tr>
<tr>
<td>DE14</td>
<td>.706</td>
<td>.187</td>
<td>.194</td>
<td>.057</td>
<td>.225</td>
</tr>
<tr>
<td>DE15</td>
<td>.780</td>
<td>.121</td>
<td>.249</td>
<td>.069</td>
<td>.184</td>
</tr>
<tr>
<td>DE16</td>
<td>.881</td>
<td>.192</td>
<td>.198</td>
<td>.242</td>
<td>.078</td>
</tr>
<tr>
<td>DE17</td>
<td>.777</td>
<td>.025</td>
<td>.219</td>
<td>.199</td>
<td>.128</td>
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<tr>
<td>DE18</td>
<td>.857</td>
<td>.125</td>
<td>.119</td>
<td>.013</td>
<td>.165</td>
</tr>
<tr>
<td>DE19</td>
<td>.710</td>
<td>.016</td>
<td>.264</td>
<td>.147</td>
<td>.025</td>
</tr>
<tr>
<td>DE</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
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<td>.069</td>
<td>.859</td>
<td>.086</td>
</tr>
<tr>
<td>A22</td>
<td>.137</td>
<td>.099</td>
<td>.090</td>
<td>.859</td>
<td>.079</td>
</tr>
<tr>
<td>A23</td>
<td>.243</td>
<td>.112</td>
<td>.065</td>
<td>.771</td>
<td>.146</td>
</tr>
<tr>
<td>Retention</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C11</td>
<td>.083</td>
<td>.216</td>
<td>.286</td>
<td>.092</td>
<td>.742</td>
</tr>
<tr>
<td>C12</td>
<td>.197</td>
<td>.179</td>
<td>.000</td>
<td>.655</td>
<td>.822</td>
</tr>
<tr>
<td>C13</td>
<td>.112</td>
<td>.046</td>
<td>.219</td>
<td>.116</td>
<td>.758</td>
</tr>
<tr>
<td>Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R21</td>
<td>.029</td>
<td>.170</td>
<td>.095</td>
<td>.190</td>
<td>.041</td>
</tr>
<tr>
<td>R22</td>
<td>.106</td>
<td>.114</td>
<td>.813</td>
<td>.118</td>
<td>.184</td>
</tr>
<tr>
<td>R23</td>
<td>.100</td>
<td>.219</td>
<td>.853</td>
<td>.614</td>
<td>.042</td>
</tr>
<tr>
<td>Structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S11</td>
<td>.072</td>
<td>.782</td>
<td>.127</td>
<td>.065</td>
<td>.186</td>
</tr>
<tr>
<td>S12</td>
<td>.100</td>
<td>.084</td>
<td>.139</td>
<td>.073</td>
<td>.391</td>
</tr>
</tbody>
</table>
5.4. Results of analysis

To address the primary question about whether DE acts as a mediator for the effects of CRM resources on CRM performance, the two-step hierarchical ordinary-least squares model provided strong support for the hypotheses. Step one assesses the impact of CRM resources and CRM structure on DE. Step two measures the impact of the antecedents with and without the mediating predictor and compares the results of the different models to determine the effects. I then look for significant changes in the F-scores and predictor coefficients when the mediator is introduced.

Table 10: Effects of the antecedents on DE-level

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Main effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient (t-value)</td>
</tr>
<tr>
<td>Number of households (control)</td>
<td>0.02 (0.31)</td>
</tr>
<tr>
<td>Respondent experience (control)</td>
<td>0.01 (0.07)</td>
</tr>
<tr>
<td>CRM resources</td>
<td>H3a: (+) 0.21** (2.67)</td>
</tr>
<tr>
<td>CRM structure</td>
<td>H3b: (+) 0.17** (2.22)</td>
</tr>
<tr>
<td>F-value for model</td>
<td>4.77***</td>
</tr>
</tbody>
</table>

KEY: * p < .05; ** p < .01; *** p < .001, (all one-tailed tests); N = 209; all standardized coefficients

Table 11: Effects of DE-level as a mediator of performance

<table>
<thead>
<tr>
<th>Dependent valuables =&gt;</th>
<th>Controls only</th>
<th>Antecedents and controls</th>
<th>Antecedents, controls, and mediator</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient (t-value)</td>
<td>Coefficient (t-value)</td>
<td>Coefficient (t-value)</td>
</tr>
<tr>
<td>Number of households (control)</td>
<td>0.08 (1.55)</td>
<td>0.06 (0.78)</td>
<td>0.03 (0.48)</td>
</tr>
<tr>
<td>Respondent experience (control)</td>
<td>0.06 (0.88)</td>
<td>0.05 (0.62)</td>
<td>0.04 (0.52)</td>
</tr>
<tr>
<td>CRM resources (antecedent)</td>
<td>0.20 (1.95)</td>
<td>0.16 (2.38)</td>
<td>0.18 (1.73)</td>
</tr>
<tr>
<td>CRM structure (antecedent)</td>
<td>0.02 (0.12)</td>
<td>0.18 (1.51)</td>
<td>0.01 (0.07)</td>
</tr>
<tr>
<td>Disciplined execution (mediator)</td>
<td>0.30 (4.48)</td>
<td>0.30 (4.48)</td>
<td>0.09 (0.04)</td>
</tr>
<tr>
<td>R^2 (adj)</td>
<td>0.01 (0.00)</td>
<td>0.18 (0.14)</td>
<td>0.26 (0.21)</td>
</tr>
<tr>
<td>F-value for model</td>
<td>1.15</td>
<td>3.84</td>
<td>5.96***</td>
</tr>
<tr>
<td>Change in R^2</td>
<td>0.05</td>
<td>0.14</td>
<td>0.08</td>
</tr>
<tr>
<td>Change in F</td>
<td>5.33***</td>
<td>1.79</td>
<td>19.03***</td>
</tr>
</tbody>
</table>

KEY: * p < .05; ** p < .01; *** p < .001, (all one-tailed tests); N = 209; all standardized coefficients
5.4.1. Mediation results

The hypothesis tests are conducted using a two-step hierarchical OLS (ordinary least squares) model. Predictor variables are included in the model and their main effects are estimated in the first step to test the hypotheses concerning the main effects of CRM resources and structure on DE (H\textsubscript{3a} and H\textsubscript{3b}). The model shows that as CRM resources (\(\beta = 0.21, p < 0.01\)) or CRM structure (\(\beta = 0.17, p < 0.01\)) increase, DE increases, thus supporting H\textsubscript{3a} and H\textsubscript{3b}. The results for the mediating effects in the second step support the positive impact of DE on both measures of CRM team performance, with a DE effect on Client retention of (\(\beta = 0.30, p < 0.001\)) and a DE effect on Revenue growth of (\(\beta = 0.19, p < 0.01\)). Comparing the model with antecedents and controls only to the model including antecedents, controls, and mediators in the second step shows that both the change in \(R^2\) and the change in \(F\)-values are significant and positive for both customer retention and revenue growth performance measures. Consequently, the model using data from the survey of team-members also supports both H\textsubscript{4a} and H\textsubscript{4b}, confirming the influence of DE on CRM team performance and its role as a mediator for TMT strategy and resource choices. These results help to solidify the argument that DE is an intangible capability that varies from team to team and helps to provide a credible explanation for the inconsistency in CRM implementations meeting the performance expectations of executives who select the strategies and the investments in resources to support those strategies.

5.4.2. Evaluations of hypotheses

The hypothesis tests are conducted using a two-step hierarchical OLS (ordinary least squares) model. Predictor variables are included in the model and their main effects are estimated in the first step to test the hypotheses concerning the main effects of CRM resources and structure on DE (H\textsubscript{3a} and H\textsubscript{3b}). The model shows that as CRM resources (\(\beta = 0.21, p < 0.01\)) or CRM structure (\(\beta = 0.17, p < 0.01\)) increase, DE increases, thus supporting H\textsubscript{3a} and H\textsubscript{3b}. The results for the mediating effects in the second step support the positive impact of DE on both measures of CRM team performance, with a DE effect on Client
retention of ($\beta = 0.30, p < 0.001$) and a DE effect on Revenue growth of ($\beta = 0.19, p < 0.01$). Comparing the model with antecedents and controls only to the model including antecedents, controls, and mediators in the second step shows that both the change in $R^2$ and the change in $F$-values are significant and positive for both customer retention and revenue growth performance measures. Consequently, the model using data from the survey of team-members also supports both $H_{4a}$ and $H_{4b}$ confirming the influence of DE on CRM team performance and its role as a mediator for TMT strategy and resource choices. These results help to solidify the argument that DE is an intangible capability that varies from team to team and helps to provide a credible explanation for the inconsistency in CRM implementations meeting the performance expectations of executives who select the strategies and the investments in resources to support those strategies.

![Diagram](image)

**Figure 44: Results of mediation tests from team-member survey**

Since the goal in this study is to evaluate DE at the team level and to measure its influence on performance, it is important to note the potential impact and confounding issues presented by using responses from an individual team member. I used the respondent’s level of experience as a covariate to determine if the respondent’s characteristics might influence the relationship between DE and the antecedents or the results and found that experience was not a significant predictor in either step of the modeling process. I was also concerned that the effects of DE might depend on the size of the business being served by the team. I used number of client households served as a covariate to evaluate the possible influence of firm size and found it also was not a significant predictor in either step.
5.4.3. Discussion of results

Interpreting results for Hypotheses 1a and 1b: As anticipated, while resources and structure are both significant predictors of disciplined execution, resources are slightly more influential. This is consistent with the expectation created by the qualitative interviews that appropriate training, technology, and incentives are the key input that senior leaders need to provide to teams. While structures—team configuration and addressing barriers—should be influential, the ten teams interviewed were consistent in saying that resources are more closely linked to strong results in their experience. The team structure acts as a layer of insulation to the effects of firm wide structure, making the availability of CRM resources far more noticeable as a factor in the team’s ongoing performance. This is an important theoretical insight in that the financial advisory industry, like many other similar sales-based businesses, has historically relied heavily on individual level incentives to drive performance and team-level factors are shown to work differently. This finding suggests that structures, like team configuration, are important but are trumped by appropriate resources that support team functioning.

5.3.2. Interpreting the impact on different performance measures

The effects of DE on retention measures also helped to confirm theory, as they were stronger than the effects on revenue growth measures. Given the annuitization effects of recurring revenue in the business model of financial advisory firms, these businesses are uniquely focused on client retention. Practitioner studies including those provided to us by industry experts in the first stage of the qualitative research show that the cost of serving clients declines quickly over time. This is even reflected in some pricing models for advisory firms—see the example of a pricing schedule in the appendix. Consequently, client relationships increase in profitability above and beyond the growth in the asset base. In other words, even if a client does not have an increase in their base of asset on which recurring fees are calculated, the profitability of the client increases due to a decrease in the cost to serve the client. This makes retention a
particularly important profit lever for these businesses and explains their focus on retaining clients. When existing clients also have increases in their asset base with the team, this creates a multiplying effect.

5.4.4. Implications for theory and practice

The results of the survey and mediation model reinforce the story told by the qualitative research, particularly regarding the importance of CRM team cognitive and behavioral characteristics. The survey shows that DE varies considerably across CRM teams, is influenced by the firm’s investments in CRM resources and structures, and is a significant predictor of CRM performance. While the qualitative research provides a rich description and detailed elaboration of how CRM teams function and DE plays a role, it cannot provide convincing evidence of its significance. The survey provides corroboration concerning how DE helps to explain a perennial disconnection between the popularity of CRM strategies and their highly variable performance in implementation. By showing that DE plays an important role in determining the effectiveness of CRM resource investments, scholars and firm managers have a new way to address uncertainty in the execution of CRM strategies. And by providing a deep exploration of CRM implementation in teams, this research responds to an array of strategy scholars who have expressed concerns about the broad conceptualizations and minimal empirical evidence supporting the impact of marketing capabilities (Kozlenkova et al. 2014; Varadarajan 2010). Krasnikov et al. (2009) and others have emphasized the importance of client relationships to a firm’s profitability. This study describes the characteristics of DE for CRM teams in detail so firms can measure, train and provide incentives to teams that will lead to improvements in CRM outcomes. This is a particularly promising opportunity since DE shows significant impact on both retention and growth goals.

Finally, DE shows potential as a new way to provide richer and more detailed explanations of how capabilities are created and how they interact – a clear gap in RBT-oriented strategy research (Kozlenkova et al. 2014).
5.5. Conclusion and future directions

In writing about marketing implementation, Piercy (1998, p. 226) writes, “A processual view suggests that effective strategy implementation rests not simply on techniques of action planning, budgeting, and resource allocation, as well as administrative systems design; it rests on the underlying beliefs and attitudes of organizational participants, and over and above this on the dominating management interests and culture in the organization.” He goes on to say that our failure to acknowledge this in research and practice has led to “the loss of formal organizational position of the marketing function, and even more significantly to the management belief in marketing as a strategic force” (Piercy 1998, p. 226). By establishing the position of DE as a marketing capability that mediates the relationships between both strategy selection and CRM resources investments, we provide evidence supporting Piercy’s insights concerning implementation. But more importantly for practitioners, our final study’s model of the role of DE gives managers the confidence to apply a detailed set of DE dimensions and specific underlying team cognitions and behaviors that can directly influence the performance of CRM teams through training, leads measurement, and efforts to transform the culture to be both “customer focused” and “implementation focused.” When marketing leaders encounter challenges to their impact and resistance to investments in improved resources and skills, research establishing clear links to performance is particularly important. The alternative is giving in to skepticism and the dark of side of CRM implementation, where teams face the three modes of CRM strategy failure without the support, knowledge, or skills needed to turn a strategy into successful implementation. The early results from the focal firms from the qualitative stage who have subsequently adopted DE practices indicates they are already benefiting from the insights.

5.5.1. Limitations and future research

The study has two important limitations that should be addressed in future studies. While I believe this study captures the role of DE in CRM teams and helps to establish an initial definition and measures
for a new phenomenon, future research should endeavor to measure DE over a longer period of time. The research for this study is cross-sectional in nature and provides an additional lens on the role DE in combination with its two companion studies. A time-series treatment of DE would create a more complete picture of the phenomenon and how it changes over time.

Second, I collected archival performance data from twelve of the 91 teams represented in the survey, but could not get a large enough sample of teams providing archival data to use actual recurring revenue as a dependent variable in the model. Future studies will benefit from using an exogenous outcome variable, as I did in the quasi-experiment covered in Chapter 4. Nevertheless, the dependent variable used in this study is an appropriate and highly valid measure given the study’s goal to explain performance shortfalls relative to expectations.
6.1. The importance of DE research in critical areas of strategy theory

6.1.1. The role of DE in RBT-based scholarship

The resource-based theory of the firm (RBT) is an important and growing foundation for scholarly research in marketing strategy. Kozlenkova et al. (2014, p. 1) argued, “In the past decade, the applications of resource-based logic in marketing have grown exponentially; in the 1990s, only 19 articles in marketing explicitly referenced the RBT or RBV, but in the 2000s, that number increased to 104. In just 2010–12, more than 50 published conceptual and empirical marketing articles drew on RBT. This upward trend indicates the growing importance of RBT to marketing.” The three studies in this dissertation seek to propose, define, and measure a new theoretical construct in marketing strategy called the “disciplined execution of CRM strategy” or DE. I propose DE as a marketing capability that responds to numerous calls for greater depth, specificity, and empirical support in characterizing the role capabilities play in strategy implementation and the creation of competitive advantage (Bohling et al. 2006; Boulding et al. 2005; Foss 2011; Kozlenkova et al. 2014; Krasnikov et al. 2009; Ramaswami et al. 2009).

RBT identifies capabilities as the cognitive assets and related patterns of behavior within a firm that enable and define the quality of its tangible business processes (Barney and Clark 2007). CRM is a commonly adopted marketing process with a mixed record of producing results consistent with strategic intentions (Boulding et al. 2005; Krasnikov et al. 2009). As a theoretical construct, DE provides a higher level of resolution in the study of strategy execution, and thus contributes to a novel and credible explanation of why CRM implementations fall short of expectations. This higher level of resolution – or unpacking of microfoundations – for strategy implementation also addresses a more fundamental theoretical debate. Some management theorists have challenged the basic premises of RBT, even arguing RBT (alternatively referred to as the resource-based view or RBV) does not meet basic requirements to be
called a theory, but only approximates theory (Kuhn 1970; Popper 1968; Priem and Butler 2001; Weick 1979). For example, Priem and Butler (2001) argue that a basic tenet of RBT – that resources like capabilities are valuable when they lead to strategic advantage – is a tautology since strategic advantage is determined outside the theory and therefore the claim cannot be falsified. They point out that if valuable resources are defined as those that create and sustain strategic advantage and sustained strategic advantage is defined as the outcome of valuable resources, the claim cannot be tested. By adding DE to the theoretical framework supporting RBT, I provide what Priem and Butler (2001) call the “empirical” or testable content of a theory that they see as missing in much of RBT theory-building. I define the theoretical construct of DE as the cognitions and behaviors of CRM teams that balance the demands of implementing new CRM strategies with the need to protect existing customer relationships. I then use empirical techniques to parameterize and measure the theorized impact of DE on CRM strategy outcomes. Taken as a whole, the three studies on DE endeavor to put muscle on the bones of RBT by specifying behavioral microfoundations of a theorized intangible resources (March and Simon 1958; Nelson and Winter 1982).

6.1.2. The use of microfoundations in strategy scholarship

Foss (2011) defines microfoundations in strategy scholarship as the underpinnings or foundations of macro-constructs in strategic management (e.g. routines and capabilities) that are associated with individuals and their interactions (Abell et al. 2008; Gavetti 2005). The concept of microfoundations has been actively applied to economic and management research for some time, but is relatively new in marketing scholarship despite the heavy use of RBT in marketing strategy research. Gavetti (2005, p. 612) wrote “Research on capabilities needs microfoundations that capture more fully what we know about cognition and action within organizations.” In particular, Gavetti (2005) argued for the need to investigate how the interplay of cognitive and behavioral logics of action contribute to the creation and evolution of capabilities, as the DE research endeavors to do. Foss (2011) offered that the use of microfoundations in strategy research should be problem-driven and focused on how links between macro-variables are
mediated by micro-mechanisms that account for individual behaviors, psychological dimensions of strategic management, and individual interactions within teams (Abell et al. 2008). This problem-driven approach highlighted by Foss is the perspective taken by the three studies on DE in this dissertation that seek to uncover the drivers of CRM strategy success.

DE research addresses the need for greater specificity and credibility in the characterization of marketing capabilities by defining five behavioral dimensions and nineteen detailed descriptors of CRM teams that were observable by knowledgable third-parties (in the quasi-experiment) and by team-members through self-evaluation (in the survey), and thus were testable. The two empirical studies quantifying the impact of DE and evaluating its role as a mediator also used well-accepted and highly valid measures for the success of CRM strategy implementation – growth in recurring revenue generated by customer relationships and the most commonly adopted performance metrics for CRM teams – client retention, client satisfaction, revenue goal attainment, and client referrals. These studies are strong examples of how the broad conceptualizations of “strategy implementation” typical of RBT scholarship in general and CRM research in particular can be decomposed into more granular theoretical components whose relationship with outcomes (e.g. recurring revenue growth) are empirically falsifiable.

The extensive interviewing of CRM team-members provided evidence that the DE research avoids the tautological problem faced by some RBT-based efforts. According to several experienced relationship managers interviewed, the five dimensions of DE were neither self-evident nor tautological. These senior team-members predicted that DE should not have resulted in improved performance. In fact, they believed it was their duty to be highly selective in implementing new CRM strategies in order to protect long-standing relationships from being disrupted. Said one veteran Boston-area relationship manager:

“We (i.e. the firm’s relationship managers) cringe when we hear about a new “idea,”
“approach” or “improvement” coming down the track from some consultant or one of our product partners. They may mean well, but they just don’t know our clients. Our best clients like
us and trust us because of how we’ve treated them for years and years. So we need to think twice before we mess with that. Big clients hate surprises, and changes mean surprises.”

This is just one clear example of the kind of individual-level phenomenon that a microfoundational approach to capabilities can uncover that adds needed depth to our understanding of a macro-level phenomenon like strategy implementation.

6.1.3. The role of DE CRM strategy research

Ramaswami et al. (2009) also make a compelling argument for the need for more rigor in understanding the behavioral underpinnings of marketing capabilities. They argue, “While these efforts have slowly helped build a body of knowledge in this area (referring to studies of market-based capabilities or MBC), an important gap in the literature at this time is the absence of a comprehensive evaluation of MBCs and the pathways by which they add value to the firm (Srivastava et al. 1999; Varadarajan and Jayachandran 1999). Srivastava et al. (1999) provide an exhaustive, yet untested, conceptual framework based on the resource-based view of the firm that links MBCs with firm performance using the mediating concept of process performance.” Ramaswami et al. (2009) identify new product development, supply chain management and customer management as three critical processes and explore how seven intangible market-based capabilities influence the performance of these business processes. They show MBCs influence the performance of all three processes, but their model indicates a stronger relationship with performance for the MBCs associated with customer management. These three MBCs related to CRM are [1] “capability in focusing on high-value customers, [2] ”capability in responding to customer goals,” and [3] “capability in building customer relationship assets” (Ramaswami et al. 2009, p. 100). DE builds on this research by providing a deep exploration of a newly conceptualized form of marketing capability concerning how multi-disciplinary CRM team-members work together to execute marketing strategies. The five dimensions of DE interact with and underly other important MBC, particularly the three that Ramaswami et al. (2009) identify as drives of customer management processes.
Figure 45: Theorized role for DE in CRM performance (Ramaswami et al. 2009)

DE contributes to theory by providing a credible and unique explanation for the variability of CRM implementation results. We conceptualize that DE acts as a type of MBC that interacts with and supports others as depicted above in the exhibit based on Ramaswami et al. (2009). Evidence from the three DE studies suggests that DE is particularly influential in supporting the “Build the value of relationships” capability identified by Ramaswami et al. (2009) due to its role in moderating the disruption of new strategies on existing customers.

By necessity, the three studies of DE provide an exploration of many different facets of CRM team strategy implementation, and produced extensive documentation of sub-areas including CRM value propositions, team structures and work-flows, and incentive schemes. All these sub-areas were influential in shaping how teams implement strategy, but despite the heterogeneity of teams the DE practices remained consistent across team types. I hypothesize this consistency is due to the common set of implementation barriers shared by all firms regardless of the modest variations in their respective teams’
characteristics. I believe Payne and Frow’s (2005) decomposition of CRM strategy helps to clarify why implementation challenges remained so consistent. Payne and Frow (2005) examine three different perspectives on CRM, but like Ramaswami et al. (2009), they settle on a framework that emphasizes the need for cross-functional coordination and process-orientation to make CRM successful. They identify five key cross-functional CRM processes shown in this simplified graphic based on their work:

**Figure 46: Payne and Frow (2005, p. 171) A Conceptual Framework for CRM Strategy**

According to Payne and Frow (2005), the end-point processes for (1) strategy development, (2) value creation, and (5) performance assessment are each bisected into two counter-balancing parts focused on (a) the firm, and (b) its customers – a natural dichotomy for a phenomenon based on a “relationship” between the two. For example, (1) the strategy development process is split into (1a) business strategy concerned with business vision and competitive characteristics, and (1b) Customer strategy concerned with segmentation choice and levels of granularity. While a business vision and competitive position should drive strategy development and selection, Payne and Frow (2005) acknowledge the need to focus and limit strategy based on the characteristics of the firm’s valuable customers. But, the two processes most often associated with implementation challenges are not divided into business and customer parts. Instead, (3) multi-channel integration process, and (5) information management process are divided functionally, and do not by the two sides of the CRM “relationship.” I posit that the DE research provides insight and value by demonstrating the tension between the firm’s and customer’s interests is also present in these two operation-oriented processes of channel integration and information management, but perhaps more subtly. The tension between the need for rigorous implementation of the firm’s strategy and
the front-line associates’ instincts to mitigate the impact of change on existing customers is a source of CRM strategy failure identified in research that is addressed by DE team behaviors.

6.2. Addressing practitioner concerns about CRM strategy and marketing efficacy

Varadarajan (2010, p.133) argues the fundamental issue in marketing scholarship and the appropriate focus of marketing strategy scholars is determining, “What explains differences in the marketplace performance and financial performance of competing brands/product line/businesses?” He defines marketing strategy as, “an organization’s integrated pattern of decisions that specify its crucial choices concerning marketing activities to perform and the manner of performance of these activities in the chosen markets and market segments, and the allocation of marketing resources among markets, market segments and marketing activities” (Varadarajan 2015, p.89). Yet, a criticism of marketing strategy scholarship that relies on RBT that has been repeated by many scholars is the lack of empirical evidence supporting the impact of marketing resources on performance. The DE studies provide a multi-dimensional view of the impact of DE on performance at both the firm level (growth of recurring revenue) and the team level (client retention, satisfaction, revenue growth, and referrals). The three studies detail the integrated pattern of decisions and actions associated with successful CRM strategy implementation by teams. In this way, the dissertation research takes on some of the most demanding and critical challenges faced by marketing strategy researchers.

6.2.1. DE as a repeatable pattern of decisions and actions in implementation

The five dimensions of DE form a chain of behaviors that are interdependent and reinforcing, as described in the exhibit below. Without the opportunity for engagement in the planning of implementation, CRM team-members struggle to understand and accept new strategies. Without consistent acceptance of the strategy across all team-members, the team per force struggles with commitment to the strategy and collaboration in implementing it. Without communication of shared priority and orchestration of activities, team-members are naturally reluctant to commit time and other
resources to implementation of a strategy. And finally, without consistent resources, the ability to sustain effort and focus in addressing implementation challenges is very limited and new strategy can be left by the wayside. This pattern of challenges and behavioral responses addresses the first research question of the dissertation – “What are the specific structures and practices by which DE influences the results of CRM strategies?”

![Figure 47: Five dimensions of DE – cognitive and behavioral sequence](image)

In writing about marketing implementation, Piercy (1998, p. 226) writes, “A processual view suggests that effective strategy implementation rests not simply on techniques of action planning, budgeting, and resource allocation, as well as administrative systems design; it rests on the underlying beliefs and attitudes of organizational participants, and over and above this on the dominating management interests and culture in the organization.” He goes on to say that our failure to acknowledge this in research and practice has led to “the loss of formal organizational position of the marketing function, and even more significantly to the management belief in marketing as a strategic force” (Piercy 1998, p. 226). The second research question addresses this concern – “Does DE have a meaningful impact on the results of CRM strategy implementation efforts? By establishing the position of DE as a marketing capability that explains highly significant differences in performance (42% in the average case), and that mediates the relationships between both strategy selection and CRM resources investments, we provide evidence supporting Piercy’s insights concerning implementation and addressing his concerns about the marketing function’s position as a strategic force. But more importantly for practitioners, the final study’s model of
the role of DE gives managers the confidence to apply a detailed set of DE dimensions and specific underlying team cognitions and behaviors that can directly influence the performance of CRM teams through training, lead measurements, and efforts to transform the culture to be both “customer-focused” and “implementation-focused.” When marketing leaders encounter challenges to their impact and resistance to investments in improved resources and skills, research establishing clear links to performance is particularly important. The alternative is giving in to skepticism and the dark of side of CRM implementation, where teams face the three modes of CRM strategy failure without the support, knowledge, or skills needed to turn a strategy into successful implementation. The early results from the six focal firms from the qualitative stage who have subsequently adopted DE practices indicates they are already benefiting from the insights.

The three DE studies address the challenges outlined by highly cited articles concerning CRM implementation. The third research question addressed by the DE research, bears on its relevance to practice, thought – Can we measure and manage disciplined execution as a means of overcoming CRM strategy failure? Bohling et al. (2006, p. 190) stated the most common roadblocks to CRM implementation were the lack of necessary resources (19%), insufficient focus on change management (11%), and insufficient involvement of employees (9%). They wrote, “The latter two largely relate to an organization’s “soft” skills. Of the 15 CRM components or steps in implementation, which would best help their firm overcome the roadblocks the five most cited were change management (31%), process change (29%), senior executive and opinion leader buy-in (28%), prioritization of company initiatives (27%), and business case and ROI development (26%). Further investigating these roadblocks, identifying their antecedents, and developing ways to mitigate their deleterious impact on organizational practices is a key opportunity for future research.” The microfoundation focus of the DE studies addresses these “soft” skills, and roadblocks associated with change management and process change directly.
6.3. Future directions for DE research

Among the recommendations for pursuing research in the field of CRM, Boulding et al. (2005, p. 162) suggest, “Focus on the interaction among sub-processes or the interaction among processes, not total CRM systems,” as well as “Provide conclusive evidence with respect to the causal effects of CRM activities.” Boulding et al. (2005, p. 158) also stated, “Payne and Frow's (2005) framework is largely silent about how a particular context or process might interact with another process to produce differential results from CRM activities.” Consequently, Boulding et al. (2005, p. 158) recommend the following as one of the critical propositions that marketing scholars need to address with future research, “Holding fixed the level of CRM investment, the effectiveness of CRM activities depends on how CRM is integrated with the firm's (a) existing processes and (b) preexisting capabilities.” By studying the efforts of CRM teams in balancing new strategy implementation with existing client demands, the DE research has provided useful insights into how CRM strategy changes are integrated into existing processes, and evidence of the effects of CRM activities. But, I believe the present research points to a new level of insight and inquiry needed in understanding the mechanics of strategy implementation and the influence of DE. The present DE suggests four discrete steps in the CRM implementation process that require further investigate.

Figure 48: Proposed three stages in CRM strategy implementation

Stage one, the clear specification of exactly how a new strategy is to be implemented, is addressed by the *engagement* dimension of DE. The research shows that new strategies required translation into procedural steps in order to be implemented. This step of strategy specification needs much more thorough investigation. The DE dimensions of *acceptance* and *orchestration* are concerned with the second stage of implementation, enactment. Once the procedures of a new strategy are specified, teams
iterate to optimize implementation but must commit to one consistent approach to execution that defines the changes to all the roles on the team. Understanding this enactment stage of a strategy also calls for more exploration of how the cognitive “acceptance” and behavioral “collaboration” dimensions interact, evolve, and influence interim results. The final situating stage is associated with the *focus and tenacity* dimension of DE and involves the way the team fits the new strategy into the hierarchy of all the team’s strategies. Settling on the final implemented version of the new strategy in the enactment stage enables the team to prioritize it among all of its strategies, resources, and efforts in order to sustain execution. It is this situating step that allows new strategies to evolve into tacit, routinized capabilities that reduce cognitive loads and define core competences and the nature of the firm’s competitive profile.

In all, the marketing strategy construct for DE opens a new area for inquiry in marketing strategy research related to creating a deep understanding of strategy implementations and its influence on building valuable capabilities. Finally, the very nature of strategy implementation as an iterative and adaptive business process calls for a longitudinal exploration of CRM execution that can truly evaluate the process-based and time-bound nature of transforming a strategy into a valuable advantage. Cross-sectional designs are helpful in defining the elements of implementation and its challenges. But truly understanding strategy implementation will require rigorous measurement of phenomena and outcomes over longer periods of time, since episodic evidence suggests that valuable capabilities requires time and nurturing to emerge as sustainable advantage.

There are two additional areas of inquiry worthy of exploration, based on insightful feedback concerning the limitations of my initial focus on DE of CRM strategies in marketing. While there is virtually no scholarship concerning the team-level implementation of marketing strategies, there is a wealth of insight concerning the functioning of teams available in management and management information systems literature. These areas of research in related disciplines could provide an excellent source of comparisons, and opportunities for expansion of DE concepts. Lastly, strategy implementation scholarship in management is another important stream of research will strong links to DE. Some
management scholars – who are cited liberally in this dissertation – have endeavored to provide greater clarity in the understanding strategy implementation by exploring microfoundational sub-phenomena (Felin and Foss 2009; Foss 2010; Gavetti and Rivkin 2007). A broader exploration of strategy implementation research in management could also provide interesting comparisons with DE worthy of further investigation.

< END >
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APPENDIX: INSTITUTIONAL REVIEW BOARD APPROVAL

The full approval form issued June 17, 2016 from the Institutional Review Board of the Iowa State University Office of Responsible Research begins on the next page.
The project referenced above has been declared exempt from the requirements of the human subject protections regulations as described in 45 CFR 46.101(b) because it meets the following federal requirements for exemption:

- (2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey or interview procedures with adults or observation of public behavior where
  - Information obtained is recorded in such a manner that human subjects cannot be identified directly or through identifiers linked to the subjects; or
  - Any disclosure of the human subjects' responses outside the research could not reasonably place the subject at risk of criminal or civil liability or be damaging to their financial standing, employability, or reputation.

The determination of exemption means that:

- You do not need to submit an application for annual continuing review.

- You must carry out the research as described in the IRB application. Review by IRB staff is required prior to implementing modifications that may change the exempt status of the research. In general, review is required for any modifications to the research procedures (e.g., method of data collection, nature or scope of information to be collected, changes in confidentiality measures, etc.), modifications that result in the inclusion of participants from vulnerable populations, and/or any change that may increase the risk or discomfort to participants. Changes to key personnel must also be approved. The purpose of review is to determine if the project still meets the federal criteria for exemption.

Non-exempt research is subject to many regulatory requirements that must be addressed prior to implementation of the study. Conducting non-exempt research without IRB review and approval may constitute non-compliance with federal regulations and/or academic misconduct according to ISU policy.

Detailed information about requirements for submission of modifications can be found on the Exempt Study Modification Form. A Personnel Change Form may be submitted when the only modification involves changes in study staff. If it is determined that exemption is no longer warranted, then an Application for Approval of Research Involving Humans Form will need to be submitted and approved before proceeding with data collection.

Please note that you must submit all research involving human participants for review. Only the IRB or designees may make the determination of exemption, even if you conduct a study in the future that is exactly like this study.

Please be aware that approval from other entities may also be needed. For example, access to data from private records (e.g., student, medical, or employment records, etc.) that are protected by FERPA, HIPAA, or other confidentiality policies requires permission from the holders of those records. Similarly, for research conducted in institutions other than ISU (e.g., schools, other colleges or universities, medical facilities, companies, etc.), investigators must obtain permission from the institution(s) as required by their policies. An IRB determination of exemption in no way implies or guarantees that permission from these other entities will be granted.