



# Drivers and performance implications of international key account management capability



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## ABSTRACT

Key account management plays a pivotal role for managers and practitioners in the maintenance of successful customer–supplier relationships. Yet, little is known conceptually or empirically about how suppliers can move beyond market scanning and develop international key account management capabilities in international customer–supplier relationships.

Drawing from the dynamic capability literature, we develop and test a model of antecedents and performance implications of suppliers' international key account management capabilities. In addition, the moderating effects of cultural distance and supplier information technology advancement are examined.

An analysis of 246 Taiwanese electronics suppliers reveals that market scanning and trust are recognized as critical to the development of suppliers' international key account management capabilities. Moreover, these key account management capabilities can facilitate suppliers' market performance. Importantly, cultural distance and suppliers' IT advancement moderate the impact of market scanning on the development of key account management in international exchange relationships.

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## 1. Introduction

Driven by globalization-related competitive pressures, many multinational enterprises (MNEs) outsource some of their value-adding activities, including manufacturing and innovation functions, to external suppliers. As more economic activities are taking place through alliances and outsourcing, managing interorganizational relationships is becoming vitally important (Mayer & Salomon, 2006). Also, many MNEs have centralized procurement and expect from their suppliers similarly coordinated selling activities such as uniform pricing, logistics, and service on a global basis (Birkinshaw, Toulan, & Arnold, 2001). In response to increasing demands from international customers, many suppliers

are rethinking how they manage their relationships with significant customers and how they can design their internal organization in order to be optimally responsive on a global basis. Many supplying firms have developed international key account management programs as a tool to manage their international customers. For example, Unilever has developed specific key account programs to serve global customers such as Wal-Mart wherever they go in the world. According to Birkinshaw et al. (2001), international key account management (IKAM hereafter) is defined as organizational processes in companies by which the worldwide activities for serving multinational customers are coordinated centrally by one person or team within the supplying company (Homburg, Workman, & Jensen, 2002; Shi, Zou, White, McNally, & Cavusgil, 2005; Song & Thieme, 2009; Swoboda, Schlüter, Olejnik, & Morschett, 2012).

Despite the importance of IKAM in practice, academic research on this area is still rather patchy. Although some prior studies have focused on this issue, the existing literature has several shortcomings. First, the research is fragmented, and a coherent and accepted theoretically integrative framework that helps to

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understand IKAM strategies and the contingent conditions that impact on their effectiveness is yet to emerge (Gao & Shi, 2011; Shi, White, Zou, & Cavusgil, 2010). Second, while some anecdotal evidence exists, the IKAM literature has primarily been conceptual and descriptive. So far, with notable exception of Gao and Shi (2011), relatively little empirical research in the international business domain has engaged in hypothesis testing to explain how IKAM capability may be conceptualized and to examine its effect on firm performance (Workman, Homburg, & Jensen, 2003). Third, most of the previous work has focused on US and European firms' perspectives. We add to the existing knowledge by providing an external generalization through an Asian-Pacific perspective.

These underdeveloped IKAM studies in the field of international business led us to ask the following questions: What are the drivers of IKAM capability at the suppliers' end? To what extent do they affect the suppliers' IKAM capability and in turn market performance. Given the state of knowledge about IKAM, we focus on developing a conceptual framework based on dynamic capability theory (Teece & Pisano, 1994; Teece, 2007). This framework integrates drivers and performance outcomes of IKAM capability in international customer–supplier relationships. To identify the key drivers of dynamic IKAM capability, we look at the sensing dimension of dynamic capability in the context of the decision-making process suppliers use when cooperating with international buyers (Helfat et al., 2007; Teece, Pisano, & Shuen, 1997). We also view the coordination and reconfiguration aspects of the suppliers' IKAM process as dynamic capabilities (Shi, 2005; Shi, Zou, & Cavusgil, 2004; Teece et al., 1997).

The empirical context of this study is the specific cross-border relationship between Taiwanese suppliers and their international original equipment manufacturer (OEM) buyers. This was a deliberate choice as we wanted to examine key account management as a strategic dimension in the management of cross-border relationships. Taiwanese suppliers tend to have less bargaining power than their international OEM customers. In this asymmetric relationship, the development of IKAM capability plays a crucial role in driving the supplier's competitive position. In the conceptual framework we include two moderators – cultural distance and the information technology (IT) capability of the supplier – of the link between IKAM orientation, resource dependence and trust (as antecedents/drivers) and the IKAM capability of the supplier.

We specifically focus on IT advancement in supply chain technologies as a key IT capability for suppliers in international exchange relationships (Wu, Yenyurt, Kim, & Cavusgil, 2006). IT advancement refers to the extent to which the supplier adopts the most advanced supply chain technologies in dealing with the key customer (Wu et al., 2006). We view supply chain technologies as applications that are implemented in order to effectuate integrated supply chain management processes within or across organizational boundaries (Autry, Grawe, Daugherty, & Richey, 2010; Richey, Tokman, & Dalela, 2010). Various types of supply chain technologies have been identified as such applications, including electronic data interchange (EDI), enterprise resource planning (ERP), customer relationship management (CRM), sales forecasting tools and supply chain management systems (SCMs) (Autry et al., 2010). Given the importance of cultural characteristics and the emerging adoption of advanced IT in international exchange relationships (Bstieler & Hemmert, 2008; Erumban & de Jong, 2006), we deem it important to explore the moderating effects of these two variables.

The proposed contributions to the extant knowledge on IKAM are as follows: First, drawing from the idea of dynamic capability, we develop and conceptualize IKAM capability, which is defined as complex bundles of skills and accumulated knowledge that are exercised through organizational processes that enable suppliers

to address rapidly changing international customers' needs (Shi et al., 2005). Moreover, using a unique survey-based dataset, a model of drivers and performance outcomes of IKAM capability in international exchange relationships is proposed and empirically tested. Hence, we conceptualize IKAM as organizational capability and empirically examine its drivers and performance implications. Second, there is a lack of empirical research examining how IKAM can be developed in the international context. By examining the moderating effects of cultural distance and suppliers' IT advancement in supply chain technologies on the impacts different antecedents have on IKAM capability, this research helps us to understand the circumstances under which IKAM capability can develop.

## 2. Conceptual framework

### 2.1. IKAM capability: Coordination and reconfiguration

According to Shi and Wu (2011), prior academic work on global account management (GAM) or IKAM draws greatly on different theoretical lenses, including relationship marketing (Birkinshaw et al., 2001), global marketing strategy (Shi et al., 2010), the resource-based view and the dynamic capabilities view (Shi & Wu, 2011; Shi et al., 2005). There is an emerging trend of adopting resource-based and dynamic capabilities perspectives to identify organizational processes that suppliers can employ to address their global customers' fast-changing needs and create a competitive advantage for themselves in global markets. Teece et al. (1997) conceptualized dynamic capability as the “ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments”. Researchers have argued that these critical resources and capabilities can span the firm's boundaries and be embedded within interorganizational processes and activities (Dyer & Singh, 1998). In this study, we focus on IKAM capability, which is defined as complex bundles of skills and accumulated knowledge that are exercised through organizational processes and enable suppliers to address international customers' rapidly changing needs (Shi et al., 2005). It has been argued that the ability to create and deliver superior customer value through efficient and fast-responding processes can contribute to a firm's financial performance (Day, 1994; Fang & Zou, 2009). The dynamic capability perspective argues that organizational capabilities must be understood mainly in terms of organizational processes (Eisenhardt & Martin, 2000; Teece et al., 1997; Zhou & Li, 2010). From this viewpoint, organizational capabilities are processes that are embedded in firms. According to Eisenhardt and Martin (2000), dynamic capability is a set of specific and identifiable organizational processes set up in response to market changes. Thus, a firm should search for and select opportunities through its decision-making process, and coordinate and reconfigure its resources through its implementation process (Helfat et al., 2007; Teece et al., 1997).

Based on the aforementioned review of the IKAM and dynamic capabilities literature (Teece et al., 1997), we focus on two specific organizational processes that are critically important to a supplier's effective management of its key international customers: coordination and reconfiguration. We select these two particular capabilities because prior researchers have identified them as fundamental to suppliers' decision making and task accomplishment in serving international key customers (Shi, 2005; Shi et al., 2004). Coordination is considered an important aspect of IKAM. According to Shi (2005) and her colleagues, IKAM coordination in international exchange relationships includes interorganizational and cross-country coordination. Interorganizational coordination requires communication and joint action not only between the cross-functional operations of the supplier and

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