



Key account management in China: Insights from a Chinese supplier



William H. Murphy^{a,b,1}, Ning Li^{c,*}

^a Edwards School of Business, University of Saskatchewan, 25 Campus Drive, Saskatoon SKS7N 5A7, Canada

^b China Europe International Business School (CEIBS), Shanghai, China

^c Carey Business School, Johns Hopkins University, 100 International Drive, Baltimore, MD 21202, USA

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ABSTRACT

Although China is the epicenter of global sourcing and has a vastly different context than the West, almost no key account management (KAM) studies have taken the perspective of Chinese suppliers. Our exploratory multiple-method study uses data gathered from a major Chinese apparel supplier and two of their Western key accounts (KAs). Patterns in the data offer insights as to why Chinese suppliers embrace KAM, what KAM activities they engage in, and how they adapt to serve Western KAs. Comparing personnel attitudes (perceived supervisor effectiveness, job satisfaction, and commitment) to those of personnel from suppliers at two Western countries, it seems that comparatively less effective supervisors and stress may harm attitudes at Chinese firms. Overall, our study suggests that Chinese suppliers gain competitive advantage through active market intelligence gathering and adaptive practices. For Western KAs, adapting toward their Chinese counterparts' traditional guanxi tendencies should strengthen supply chain relationships.

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1. Introduction

Key account management (KAM) and global account management (GAM) have received extensive research attention, albeit it almost entirely focuses on Western suppliers and their key accounts (KAs). Global partnering between Western multinationals (MNCs) and suppliers has been on the rise over the past twenty years (Li et al., 2010) yet notably absent in these research streams are studies from the perspective of emerging markets' suppliers and the issues they face when working with Western KAs. In particular, despite the prominent role of Chinese suppliers in global supply chains, a gaping hole in the KAM and GAM literatures exists — we lack studies that ask Chinese suppliers about the actions they take, i.e., launching KAM initiatives, to meet performance expectations of Western KAs and how these actions are affecting their firms and employees.

There are two intertwined research directions that require our attention. First, there is the need to examine Chinese KAM in terms of why Chinese suppliers embrace KAM, what activities Chinese suppliers engage in when serving Western KAs, and how Chinese suppliers are adapting in terms of resource commitments and organizational changes to become relevant, integral partners with Western KAs. There is considerable literature on the related topics of major account

management, national account management, strategic account management, KAM, and GAM in Western countries (Guesalaga & Johnston, 2010). However, with the exception of Wong (1998), almost none has focused on the KAM activities of Chinese companies. China's stage of market development, culture, and speed of change create a context that is vastly different from the West. China's importance on the world stage, coupled with China's distinct context, makes it relevant to examine how Chinese companies engage KAM.

The second research direction concerns organizational behavior (OB) issues associated with Chinese firms rapidly transitioning to become preferred suppliers to Western KAs. Striving to meet Western KAs' demands, Chinese suppliers are making substantial changes to operations, with personnel forced to adapt to these changes. The scale of these transformations cannot be overstated, creating a whirlwind of pressures on workers. The fact is that Chinese firms may introduce considerable changes to create a best-practices KAM platform, but these actions will not lead to successful KAM outcomes unless Chinese firms are able to anticipate the effects of these radical changes on personnel attitudes and behaviors. Specifically, we bring three pivotal performance-related constructs from the organizational behavior (OB) literature to the Chinese context, i.e., supervisor effectiveness, job satisfaction, and organizational commitment. These long-studied constructs are a perfect starting point for examining personnel attitudes within the chaotic environment of Chinese suppliers adapting to meet Western KA demands. In fact, in these rapidly transitioning days of Chinese suppliers adopting KAM, basic issues of having effective supervision and personnel with job satisfaction and organizational commitment are among the most important factors affecting the success of Chinese KAM. For

* Corresponding author. Tel.: +1 410-234-9361.

E-mail addresses: wmurphy@edwards.usask.ca (W.H. Murphy), ningli@jhu.edu (N. Li).

¹ Tel.: +1 306 966 2769.

Chinese suppliers to Western KAs, if personnel attitudes are less positive than those of personnel of suppliers in Western countries, then KAM programs at these Chinese suppliers would be disadvantaged.

As we moved forward with this exploratory research, we needed to consider the question of whether China has a context allowing the use of Western theories or whether the context is unique, making existing (Western) theories nonapplicable. Whetten (2009, p. 30) argues that “cross-national theory borrowing can be done in a context sensitive manner and that this practice can both stimulate novel insights into ‘local’ (e.g., Chinese) organizational practices and foster improvements in borrowed (i.e., Western based, ‘mainstream’) organizational theory.” Indeed, China’s management “has evolved substantially and rapidly over a short period of time in all its aspects” (Child, 2009, p. 69), mimicking Western practices in many ways while staying uniquely Chinese in other ways.

Adhering to Whetten’s (2009) view, we use a two-pronged research approach consisting of considerable qualitative and quantitative data gathering. The qualitative data collection step addresses our first research direction, i.e., why Chinese firms engage in KAM, what their KAM activities are, and how they are adapting to serve Western KAs. At this stage, we focus primarily on practical issues related to KAM in China and the insights generated are intended to facilitate future theoretical development. Specifically, we used surveys and conducted in-depth interviews with key personnel from a Chinese textile manufacturer whose Western KAs represent some of the largest brands in the world. We also conducted in-depth interviews with two of the Chinese supplier’s Western KAs.

The quantitative data gathering step is directed at understanding OB issues affecting KAM success. Here, we use core constructs associated with positive attitudes and good effort from personnel that are well-established in Western OB theories, i.e., perceived supervisor effectiveness, job satisfaction, and commitment. We collected data on these constructs from 158 employees of the Chinese supplier and 513 employees of a Western MNC located at subsidiaries in Canada and the USA, thereby providing insights as to whether our expectations for differences between employee attitudes at suppliers in an emerging market (China) and employee attitudes at suppliers in more mature Western markets were supported.

Our major contribution to the literature comes from the unique insights generated by examining KAM/GAM from a Chinese supplier’s viewpoint, along with the effects of radically adapting Chinese organizations on Chinese employee attitudes. Specifically, we provide practical insights including identifying the forces provoking the Chinese supplier to implement KAM operational initiatives, how the supplier has transformed to facilitate KAM success, and how resultant pressures on personnel (which affect employee attitudes) may be harming supplier performance. By examining Western OB constructs related to personnel attitudes and comparing cross-nationally scores from Chinese and Western suppliers, we successfully bring Western theories to the Chinese KAM context while explaining contextually why Chinese personnel have less positive attitudes than Western personnel.

2. Literature review

2.1. KAM issues in China

KAM is a system of KA-driven resources dedicated to achieving profitable growth by providing distinct resources to key, select customers. Engaging KAM effectively requires organizing around customers and shifting resources from product divisions or regional divisions to customer-focused business units (Homburg et al., 2000), establishing specialized KA managers and forming customer teams that are composed of people across functional groups (Millman, 1996; Wotruba & Castleberry, 1993), changes in reporting lines, and personnel with KAM skill sets, among others. Overall, there is the expectation that KAM benefits suppliers (Stevenson, 1981), with appropriate resource commitments and

effective pricing leading to profitability (Ryals, 2006) and with switching costs accruing to KAs (Sengupta et al., 1997). GAM research further suggests that considerable intelligence gathering on the “latent and expressed needs” of global KAs enables greater responsiveness and that GAM capability also requires extensive coordination and reconfiguration to serve global KAs (Shi et al., 2005).

Suggested earlier, the extensive KAM/GAM literature is almost universally focused on companies in mature Western countries rather than emerging markets such as China. When Chinese companies are included in research, the focus is typically on their upstream role as a supply chain member. Examples include the activities of Chinese suppliers within a Western company’s supply chain (Masson et al., 2007) and ethical issues faced by multinationals as they rely on Chinese supply chain members (Krueger, 2008). In a rare Chinese KAM discourse, Wong (1998) asserts that KAM success in China is contingent on relationship development, emphasizing the need to continuously gather market intelligence and make strategic adjustments based on past performance, current relationship status, and downstream intent with each KA. Wong (1998) further asserts that relationship adaptation occurs through *guanxi* processes. *Guanxi*, often opaque to Westerners but essential to Chinese, has three facets affecting relational issues including cooperation and coordination (Barnes et al., 2011): (1) *gǎnqíng* [感情] – an affective element, depth of interpersonal feelings; (2) *rénqíng* [人情] – reciprocation and favor, obligations to maintain the relationship; and (3) *xìnrèn* [信任] – personal trust, driven by reciprocal help and emotional bonding (Kriz & Keating, 2010).

As Kriz and Keating (2010, p. 4) suggest, strong interpersonal relationships based on mutual trust are prerequisites for success in Chinese business. In fact, relationship has come to mean trust and trust may be “the most important construct influencing the development of strong and enduring business relationships in China”. However, building trusted relationships with Chinese is problematic for Western MNCs, due to the fact that *guanxi* is laden with meaning but with no comparable construct in the West. The result is that developing *guanxi* often seems either of disinterest to Western MNCs or impossible to attain for those aspiring to become insiders.

As China experiences “one of the most astounding and enduring growth periods in the history of humankind” (Brockman et al., 2009, p. 387) and “one of the fastest growing economies in the world” (Allen et al., 2005, p. 59), Chinese suppliers are compelled to engage with Western MNCs on an increasingly regular basis. Yet, while these relationships offer tremendous business volume and learning for Chinese suppliers, they also add considerable uncertainty and stress as Chinese suppliers must accommodate pressures Western KAs put on them to conduct business in new (i.e., Western) ways, while simultaneously treading uncertain waters in efforts to develop trust with these culturally different partners.

As the above discourse suggests, Chinese suppliers are faced with many challenges as they seek to grow relationships with Western KAs. As KAM becomes adopted by increasing numbers of Chinese suppliers, it is timely that we explore KAM in China. Additionally, we examine the effects of Chinese KAM activities on personnel attitudes. These organizational issues may have a substantial influence on Chinese KAM success.

2.2. Organizational behavior issues in Chinese KAM

Absent their former security of receiving output quotas from central authorities, today’s Chinese companies must find ways to compete with suppliers across the world to earn the business of Western KAs. The result is that Chinese suppliers have been radically adapting operations, pushing employees to be responsive to change, and pressing employees for improved performance. Meanwhile, Chinese employees receive considerably lower pay and less job security, while working in poorer conditions than those typically found in Western countries. The collective effect is that employees of Chinese suppliers likely feel considerable

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