ARTICLE IN PRESS
IMM-07033; No of Pages 14
Industrial Marketing Management xxx (2014) xxx–xxx
Contents lists available at ScienceDirect
Industrial Marketing Management

Relational key account management: Building key account management effectiveness through structural reformations and relationship management skills

Spiros Gounaris [a,*], Nektarios Tzempelikos [b,1]

[a] Professor of Marketing, University of Strathclyde Business School, Department of Marketing, Sir William Duncan Building, 130 Rottenrow, Glasgow G4 0GE, UK
[b] Senior Lecturer in Marketing, Anglia Ruskin University, Lord Ashcroft International Business School, Room: Lab322, East Road, CB1 1PT, Cambridge, UK

ARTICLE INFO

Article history:
Received 4 March 2013
Received in revised form 9 September 2013
Accepted 3 October 2013
Available online xxxx

Keywords:
Key account management
Organisational structure
Relationship quality
Relationship marketing
Empirical

ABSTRACT

Literature has widely recognised the importance of key account management (KAM) in building long-term customer relationships. Although KAM grounds significantly on the relationship marketing theory, most empirical studies focus on the financial impact a KAM programme can produce. Hence, only normative work can advise practitioners on the implications from adopting a relational approach in managing their business with customers who can help the supplier realise a broader set of strategic objectives. Drawing from 304 cases of different suppliers, this article seeks to start filling this gap in the literature and offer empirical evidence regarding the structural and relational implications from a KAM programme. In summary, the findings suggest that adopting a relational perspective through the development of key account management orientation (KAMO) will result in certain, necessary, structural reformation while allowing for specific relational skills to develop. Consequently, supplier's performance also improves. Moreover, this chain of effects remains strong independently of resources available to the supplier, suggesting that KAM can be a significant basis for developing a competitive advantage irrespectively of the supplier's size.

1. Introduction

Key account management (KAM) has received significant attention by both academics and practitioners in recent years (Guesalaga & Johnston, 2010). KAM is the systematic process of managing B2B relationships that are of strategic importance to the supplier (Homburg, Workman, & Jensen, 2002; Millman & Wilson, 1995). KAM involves performing additional activities aiming to tailor the supplier's offering to meet the individual, often unique, needs of the key account (KA). Less important customers do not receive this kind of treatment (Salojärvi, Sainio, & Tarkiainen, 2010; Workman, Homburg, & Jensen, 2003). Hence KAM is more than concentrating the sale effort on customers generating large sums of sales revenue (Spencer, 1999); KAM represents a proactive development towards a customer-focused organisation (Gosselin & Bauwen, 2006) with important organisational implications (Salojärvi et al., 2010).

KAM is the practice of relationship marketing in business markets (e.g. Ivens & Pardo, 2007; Richards & Jones, 2009; Salojärvi et al., 2010; Zupancic, 2008). As such, KAM moves away from short-term, transactional exchanges and focuses on more long-term, strategic and collaborative relationships (Ryals & Humphries, 2007). Surprisingly enough though, prior research sustains a transaction, exchange-focused view, which remains highly concentrated on the sales/profit potential of the KA (Wengler, Ehret, & Saab, 2006). Consequently past investigation has also failed to incorporate the supplier's relational capabilities in explaining the outcomes of a KAM programme. Finally, because KAM requires summoning significant resources to meet the needs of individual KA through customisation, it remains unclear whether KAM programmes can potential be equally effective for smaller suppliers as it can be for larger ones.

With these gaps in the extant literature in mind, the present study seeks to empirically examine the effect of key account management orientation (KAMO) on the supplier's organisational structure, relational capabilities and performance from a relational vantage. In addition, drawing on the resource based view of the firm, this study seeks to explore how the size of the supplier as manifested by the supplier's span of control can moderate the impact of the KAM programme on the supplier's relational, financial and non-financial outcomes.

Answering these research questions will allow making a significant contribution on three fronts. The first contribution comes from exploring the nomological significance of KAMO adoption as an antecedent of the structural adjustments and relational capabilities that affect the quality of the relationship between the two companies and eventually the supplier's performance. The second contribution comes from the investigation of the joined, interrelated, effect specific structural choices and relational capabilities have on the quality of the relationship between the supplier and the KA and, consequently, on the supplier's

* Corresponding author. Tel.: +44 141 5483233.
E-mail addresses: spiros.gounaris@strath.ac.uk (S. Gounaris), nektarios.tzempelikos@anglia.ac.uk (N. Tzempelikos).
[1] Tel.: +44 845 196 2664.

http://dx.doi.org/10.1016/j.indmarman.2014.06.001
0019-8501/© 2014 Published by Elsevier Inc.

performance. Finally, by examining the moderation effect that span of control has on the outcome of the KAM effort, this study seeks to make a contribution by answering whether KAM is equally suitable for suppliers with varying access to resources.

Next, we first present the theoretical background underpinning this investigation, followed by the conceptual framework and research hypotheses. Next, we present the methodology before we proceed with data analysis and hypotheses testing. Finally, we present the discussion of the findings, the limitations and the directions for future research this article opens.

2. Literature review

2.1. Relationship marketing and key account management

"National Account Management" was used in the eighties to describe the supplier's effort to deal with accounts operating nationwide generating large sales volumes and revenue (e.g. Shapiro & Moriarty, 1984). At that time, achieving sales objectives was a crucial strategic priority mainly driven by the growth rates witnessed in many different sectors (Shapiro & Wyman, 1981). However, during the years that followed many suppliers saw growth rates relaxing while a smaller number of "National Accounts," as the result of consolidation, commanded a larger proportion of the market. This produced an imbalance of power between suppliers and customers with the latter growing stronger. As a result, customers could impose harder deals squeezing the supplier's profit margin. Heightened competition among suppliers and competitive turbulence eroded further suppliers' margins. The initial reaction was cost restructuring and an attempt to improve transactional efficiency (Weilbaker & Weeks, 1997), which however could not be a sustainable strategy in the long run, especially as business was increasingly becoming globalised (Montgomery & Yip, 2000).

With profitability endangered, other objectives, such as reference value or know how development became important strategic priorities as a means for the suppliers to differentiate from competition and compensate for relatively higher costs and prices (cf. Boles, Johnston, & Gardner, 1999; Millman & Wilson, 1999). Consequently, suppliers' attention starts shifting from facilitating present and future transactions with "National Accounts" at a low cost to strengthening the relationship between the two companies, understanding the account's needs better and developing the necessary know-how to cater for these needs; the concept of relationship marketing introduced in the nineties has geared this paradigm shift for many suppliers (Grönroos, 1994).

The extant literature reports on the importance of adopting a relationship marketing approach in managing customer relationships (Morgan & Hunt, 1994). In a broader perspective, the implementation of a relationship marketing strategy seeks to identify the customers who are more likely to respond positively and maintain a long-term relationship with the company if the supplier can satisfy their needs and wants (Parvatiyar & Sheth, 2000). In other words, a relationship marketing strategy is not relevant to all customers; a relational strategy targets only these customers who are likely to commit themselves in a long-term relation with the supplier.

Relationship marketing is especially important in the business-to-business (B2B) context where customers tend to be few and powerful and buyer–seller relationships are characterised by complexity, interdependence and a long-term orientation (Anderson & Narus, 1990; Heide & John, 1992). Within this context, suppliers have to identify existing and/or potential customers whose approaches to purchasing warrant a long-term relation and commitment to the supplier who will provide them with a superior solution and meet their purchasing needs and criteria (Pressey, Tzokas, & Winklhofer, 2007). Moreover, suppliers have also to consider the cost associated with the organisational restructuring necessary to facilitate a relationship marketing strategy as well as the cost of adapting their operational procedures, product assortment and features and business practices to match the customer's individual needs (Homburg, Workman, & Jensen, 2000). Therefore, the deployment of a relational strategy is limited to a relatively smaller number of existing or potential customers; the "Key Accounts": these customers with whom the supplier identifies a significant strategic fit (McDonald, Millman, & Rogers, 1997). Suppliers can then deploy a relationship marketing strategy aiming to better understand the specific requirements of such customers and satisfy them. The implementation and management of this relational strategy lies at the heart of the "Key Account Management" notion, the evolution of NAM within the relationship marketing paradigm (Abratt & Kelly, 2002; McDonald et al., 1997). Hence, within this paradigm, we define KAM as "the management of the supplier's relational strategy, manifesting the willingness of the supplier to assume the effort (and cost) to customise its offering to meet the unique requirements of customers with whom (the supplier) sees a strategic fit ('Key Accounts') so that (the supplier) can realise significant strategic objectives that outweigh the sacrifices of customisation."

Following from this definition, suppliers engage in KAM because of the anticipated long term benefits from the collaboration with KAs. Suppliers can usually benefit from higher revenues (Workman et al., 2003), know-how development (Ojasalo, 2001; Pels, 1992), reference power (McDonald et al., 1997; Ojasalo, 2001) or entering new markets and exploring emerging market opportunities (Boles et al., 1999). Customers also benefit from a KAM initiative through customised offerings, closer cooperation, and faster response (Ryals & Humphries, 2007). However, the ability to co-create value in the relationship cannot be taken for granted (Ryals & Humphries, 2007). Trust between the two parties and commitment in the relationship usually precede the ability of the supplier and the customer to co-create value through their relationship (Millman & Wilson, 1995). In turn, the anticipated value from the relationship influences the process and the criteria through which KAs are identified. While in the past sales revenue was the yardstick by which suppliers identified important national accounts, under the relationship marketing paradigm and the practice of KAM, suppliers use a variety of criteria such as status or potential for developing know-how to identify their KAs (e.g. Boles et al., 1999; McDonald et al., 1997; Pels, 1992). Hence, the practice of KAM is not limited to larger customers; smaller accounts can also be identified as "key" and qualified to enter the suppliers KAM programme as long as the supplier perceives them to serve and facilitate the accomplishment of his own strategic objectives (Millman & Wilson, 1995).

From the previous discussion on relationship marketing it becomes evident that NAM and its driving principles have become obsolete and a new paradigm has emerged as the framework underlying the management of the relationship between the supplier and the customer.

2.2. Key account management orientation: a paradigm shift

Over the past years, many studies have produced empirical evidence of the benefits from a close buyer–seller relationship and customer centricity (e.g. Cannon & Perreault, 1999; Morgan & Hunt, 1994). Relationship success largely depends on the ability of the management to adopt and implement a customer relationship orientation (Day, 2000), which establishes a "collective mind" in the organisation according to which the relationships with the customers represent assets (Jayachandran, Sharma, Kaufman, & Raman, 2005). Customer orientation is pervasive influencing all interactions with customers before, during and after the sale (Day, 2000) driving thus the choice of means (processes) to develop and sustain customer relationships (Jayachandran et al., 2005; Salojärvi et al., 2010). Nevertheless, customer relationship orientation tends to concentrate on "customer segments." In KAM, the focus is on the individual account for whom resources are often reallocated from other non-key accounts (Homburg et al., 2002). Hence, a different mind-set is necessary to facilitate the transition from traditional sales to KAM (Davies & Ryals, 2009).

Please cite this article as: Gounaris, S., & Tzempelikos, N., Relational key account management: Building key account management effectiveness through structural reformations..., *Industrial Marketing Management* (2014), http://dx.doi.org/10.1016/j.indmarman.2014.06.001