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Implementing key account management: Intraorganizational practices and associated dilemmas

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ABSTRACT

Over the last few decades, key account management (KAM) has become a widespread approach to creating value in strategic customer relationships. Research in KAM has often focused on the role of the key account manager, taking a customer interface perspective and adopting cross sectional methods. We contribute to the KAM body of knowledge by presenting a novel longitudinal study of the intraorganizational decisions and dilemmas faced by leaders when implementing KAM programs. Our findings demonstrate that deploying KAM involves the continual balancing and harmonization of strategic and operational practices. In particular, we show that KAM programs become embedded when firms create structural as well as individual support systems and when long-term aims can be reconciled with the need for short term deliverables.

1. Introduction

Emergent trends in business life such as networking and rapid technological development have led B2B firms to rely increasingly on highly collaborative and mutually adaptive relationships (Anderson & Narus, 2004; Cannon & Perreault, 1999; Ford, 2003). Relationships with key accounts fall into this category, characteristically encompassing dependency, reciprocity, trust and mutual information sharing (Cannon & Perreault, 1999; Ganesan, 1994). Key account management (KAM) programs are designed to manage strategic accounts intensively and in a coordinated manner (Homburg, Workman, & Jensen, 2002) and to increase the value derived from the relationships (Pardo, Henneberg, Mouzas, & Naudè, 2006). According to Zupancic (2008: 323) key account management consists of the *"systematic selection, analysis and management of the most important current and potential customers of a company"* involving also the *"systematic set up and maintenance of necessary infrastructure."* Storbacka (2012: 261) defines KAM as "*a relational capability, involving task-dedicated actors, who allocate resources of the firm and its strategically most important customers, through management practices that aim at inter- and intraorganizational alignment.*"

Although KAM programs are widely used in companies, research in the area has yet much potential for further development (Gosselin & Bauwen, 2006; Henneberg, Pardo, Mouzas, & Naudé, 2009; Ivens & Pardo, 2008; Workman, Homburg, & Jensen, 2003). The extant literature has addressed a number of important themes, including the selection of key accounts, elements of a KAM program, role and characteristics of KA managers, organizing for KAM, adaptation of KAM approaches, team selling, global perspectives and success factors of KAM (see e.g. Abratt & Kelly, 2002; Davies & Ryals, 2009; Georges & Eggert, 2003; Gosselin & Bauwen, 2006; Guenzi, Georges, & Pardo, 2009; Guesalaga & Johnston, 2010). Guesalaga and Johnston (2010: 1036) have recognized in their review of KAM research two specific areas that need further research: *"the role of senior management in KAM"* and *"the importance of internal alignment in determining KAM success."* This article addresses both aspects, studying the dilemmas that senior managers face within their organizations when implementing KAM programs.

Our study complements the recent work of Storbacka (2012) who examines the required alignment of account management design elements and management practices, although he takes both interorganizational and intraorganizational perspectives. Our aim is to further define and elaborate the key intraorganizational practices and related dilemmas; i.e. the 'tensions' arising within KAM implementation, that may influence the overall effectiveness of a KAM program. In line with previous research, we examine these practices at two levels: strategic and operational. By strategic practices we mean a range of initiatives at the organization level (not just the account management function), that require specific resource investments (e.g. financial commitments) and a certain degree of formalization (i.e. policy or process documentation—see Homburg et al., 2002). Such strategic initiatives need to be translated into operational practices, which by contrast denote activities and tasks devoted to managing the key customer on a daily basis (see Ojasalo, 2001; Zupancic, 2008).

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The method of KAM implementation is critical not just for the success of the program itself, but also because it influences the future success of this way of conducting customer relationships (Guenzi, Pardo, & Georges, 2007). Failures in embedding and implementing KAM may result in KAM being perceived as just 'one more selling approach,' missing the opportunity to create deeper understanding of value creation mechanisms with key customers (Henneberg, Pardo, Mouzas, et al., 2009). In the course of KAM implementation, a number of intraorganizational tensions may occur when customer-oriented roles change from dispersed selling to centralized relationship coordination models (Boles, Johnston, & Gardner, 1999; Pardo, 1999). Prior research has made attempts to analyze such challenges by focusing on KAM implementation issues and (Nätti & Palo, 2012) and key phases (Davies & Ryals, 2009), but research still remains scarce and lacks specific focus on intra-firm issues. Our study is driven by the following, two-fold research question: what are the critical strategic and operational level practices that enable KAM implementation, and what kinds of dilemmas occur in relation to such practices in implementing KAM?

Following Davies and Ryals (2009) finding relating to KAM implementation time horizons, our study takes a longitudinal approach over 6 years to investigate the practices that four case study organizations engage in when designing and implementing KAM. This study extends prior work on KAM implementation (Davies & Ryals, 2009; Homburg et al., 2002; Nätti & Palo, 2012; Wengler, Ehret, & Saab, 2006) by revealing the challenges and tensions that senior executives such as directors of strategic accounts or vice-presidents of sales and champions of KAM programs face in strategic KAM implementation decision points such as making the case for implementing KAM, designing incentive schemes to support KAM, building KAM structures and sourcing KAM investments. It also highlights the importance of flexibility in scoping and defining the role of the key account manager.

The rest of this article is organized as follows. First, we present the theoretical underpinnings of the intraorganizational aspects of KAM implementation processes. We divide those aspects into strategic and operational levels. This provides a background mapping of what we know about key practices for implementing key account management. After explaining the methodology and data analysis approach, we present the findings from the research, followed by a detailed discussion and conclusions of the study.

2. Intraorganizational precursors of KAM implementation

The configuration of a KAM program depends on internal practices (Storbacka, 2012), which this study aims to explore in more detail. In the following sections we review the existing research regarding intraorganizational strategic and operational level practices related to KAM implementation.

2.1. Strategic level practices in KAM implementation

In their study of organizations transitioning to KAM, Davies and Ryals (2009) identify prerequisites for effective KAM implementation that relate to a strategic level, and that require deep organizational change: an organizational culture that supports KAM; measurement of the performance of the KAM program; changes in organizational structure to accommodate KAM; and IT systems aligned to support KAM. This suggests that, to implement KAM programs, it is essential to ensure that fundamental organizational dimensions such as organizational culture, structure, and strategy are aligned to support a new customer management approach.

Prior to ensuring organizational alignment for KAM (Storbacka, 2012), organizations have to make a decision to implement a KAM program (e.g. Shapiro & Moriarty, 1984a). Millman and Wilson (1995) introduce the notion of 'receptivity,' referring to the readiness of the company to adopt KAM. After choosing to implement the program, the design decisions often start to revolve around the extent of KAM formalization, that is "the extent to which the treatment of the most important customers is governed by formal rules and standard procedures" (Homburg et al., 2002: 45). A KAM program requires a high degree of cross-functional alignment within the organization; thus, a formalized configuration is necessary (Storbacka, 2012). Related to formalization, companies need to decide the intended relationship type for the KAM (cooperative, interdependent or integrated) and the level at which the KAM program will be implemented: business unit, corporate, national or global (Kempeners & Hart, 1999).

KAM is sometimes mistaken for selling strategies, arguably influenced by existing strong sales-oriented cultures among top and middle managers (Millman & Wilson, 1995). However, it differs from transactional selling approaches in the complexity of the relational interaction (Davies, Ryals, & Holt, 2010). KAM is a way to implement the principles of relationship marketing (Guenzi et al., 2007; Ivens & Pardo, 2007) and can therefore be viewed as a strategic orientation of the firm. Intraorganizational alignment is important to create "a collaborative culture of customer focus, flexibility and commitment" in the organization, which becomes a key determinant of KAM effectiveness (Storbacka, 2012: 265).

Previous research emphasizes that KAM implementation is a strategic decision with implications across the organization, and, moreover, that the commitment of the senior management to its implementation is critical (Guesalaga & Johnston, 2010; Homburg et al., 2002; Millman & Wilson, 1999; Workman et al., 2003). Because of the systemic nature of change, commitment throughout the organization is needed (Henneberg, Pardo, Naudé, Mouzas, & Zolkiewski, 2009; Zupancic, 2008), particularly in the executive committee (Storbacka, 2012). The role of the senior management in the implementation process involves providing meaning and direction for the change and giving key actors sufficient authority to conduct the changes needed (Pardo, 1999; Zupancic, 2008).

Implementing KAM programs entails choices in relation to the organization's structural characteristics (e.g. Shapiro & Moriarty, 1984a). Enhanced relational exchanges often necessitate wider utilization of internal knowledge resources to customize offerings for the customer and to coordinate the relationship in general. Thus, linking different functions constitutes an integral part of implementation (Gopalakrishna Pillai & Sharma, 2003; Henneberg, Pardo, Naudé, et al., 2009; Nätti, Halinen, & Hanttu, 2006) because organizational capabilities to facilitate cross-functional cooperation and knowledge sharing are critical (Anderson & Narus, 2004; Day, 2000; Kothandaraman & Wilson, 2000; Pardo, 1999). In the case of higher levels of system formalization, KAM teams may be established (McDonald, Millman, & Rogers, 1997) involving experts from different areas to guarantee access to resources needed by the customer and to facilitate cross-departmental cooperation and knowledge sharing (Abratt & Kelly, 2002; McDonald et al., 1997; Nätti et al., 2006).

In addition to new structures, to facilitate the implementation of KAM programs, organizations often redefine performance evaluation systems that support internal cooperation between individuals and between teams and longer-term orientation in the development of strategic relations (Guenzi et al., 2009). There may also be organizational-level decisions in regard to building company-wide understanding and knowledge of KAM and developing clear key account selection criteria (Davies & Ryals, 2009; Ryals & McDonald, 2008).

2.2. Operational level practices in KAM implementation

According to Davies and Ryals (2009), at the operational level of KAM implementation, we can distinguish elements such as the development of key account plans and the active involvement of top management in KAM operations. In addition, building KAM teams and reward schemes for managers have been recognized as operational level practices.

Implementing a KAM program requires determining relevant roles within the organization. Typically a key account (KA) manager plays a