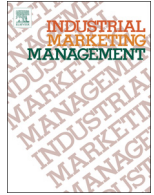




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Government, company, and dyadic factors affecting key account management performance in China: Propositions to provoke research

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

^a Edwards School of Business, University of Saskatchewan, 25 Campus Drive, Saskatoon, SK S7N 5A7, Canada

^b Carey Business School, Johns Hopkins University, 100 International Drive, Baltimore, MD 21202, United States

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ABSTRACT

Key account management (KAM) literature over the past forty years has mostly focused on practices in North America and Europe. China-based KAM research will broaden the scope of analysis to one of the most compelling markets in the world. Our work with hundreds of Chinese KAM personnel representing numerous Western suppliers and Chinese suppliers guides our KAM research propositions for China. We offer propositions regarding conditions where Western suppliers are at a competitive advantage or disadvantage relative to Chinese suppliers. We emphasize the roles of government and of guanxi relationships and how these factors affect suppliers and key account (KA) behaviors including information sharing, demands placed by KAs, and KA retention. We further propose that these relationships are affected by the cultural match/mismatch between suppliers and their KAs.

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1. Introduction

Following more than thirty-five years of ten percent per annum growth, China is now the second largest economy in the world (Worldbank.org, 2014). In 1979 there were just 100 foreign-owned enterprises in China. Thirty years later over 435,000 foreign companies are in China, including 480 of the Fortune 500 companies (Tse, 2010). Although some cooling has occurred in the past few years, China's continued growth, expanding middle and upper classes, increasing tendency to follow the rule of law (accelerated by WTO entry in 2001), and a seemingly unlimited labor pool coupled with modest wages, have motivated entry by businesses from around the world. The result? China is an intensely competitive environment, with global companies battling each other for securing supply chain partners and/or developing Chinese domestic markets. And, the competitive battle is not just between global brands. Chinese companies, including State Owned Enterprises (SOEs), are intent on modernizing operations and changing business practices to be able to earn customer loyalty in both domestic and global markets.

The hotly contested business environment in China necessitates ongoing advantage seeking efforts. To do so, competitors often look outside China for time-tested practices that can be incorporated within China. Western companies are often familiar with advantages gained

through relationship marketing and market orientation, along with mechanisms for serving important customers through key account management (KAM). So, Western suppliers infuse their China strategy with relationship building practices for key accounts (KAs), including "all marketing activities directed toward establishing, developing, and maintaining successful" relationships (Morgan & Hunt, 1994, p. 34). Meanwhile, China's suppliers have been learning to become more market oriented and to better serve their Western KAs, and in this process they turn their eyes to KAM. As a result, KAM is a practice that is on the rise in China, with Western suppliers and Chinese suppliers developing KAM platforms.

KAM is a system of customer-driven resources dedicated to achieving profitable growth by providing special personnel and/or special activities to an organization's most important customers (Homburg, Workman, & Jensen, 2000). In the past forty-plus years of academic writing on the topic, there have been over sixty-five articles related to KAM (Guesalaga & Johnston, 2010), with *major account management*, *national account management*, *strategic account management*, and *global account management* (GAM) used in various discourses related to serving a firm's most important customers (Homburg, Workman, & Jensen, 2002). Overall, there is the expectation that KAM benefits vendors (Stevenson, 1981), enhancing profitability through appropriate resource commitments and effective value-based pricing (Ryals, 2006) and creating greater switching costs to customers (Sengupta, Krapfel, & Pusateri, 1997). KAM is considered such a valued approach for serving KAs that Friend and Johnson (2014) call it an "imperative for facilitating a firm's long-term viability".

* Corresponding author. Tel.: +1 410 234 9361; fax: +1 410 234 9439.

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

¹ Tel.: +1 306 966 2769; fax: +1 306 966 2516.

With a few exceptions (e.g., Guenzi, Pardo, & Georges, 2007; Pardo, 1999; Wengler, Ehret, & Saab, 2006; Wong, 1998), KAM research has primarily focused on KAM programs of companies in North America and Europe. GAM research, while recognizing that increasing numbers of suppliers engage strategic accounts on a global platform and, as such, must consider supplier–customer relationships transnationally (see Shi, Zou, & Cavusgil, 2004 and Wilson & Weilbaker, 2004 for conceptual frameworks), has also mostly been dependent on insights from North American and/or European companies (e.g., Birkinshaw, Toulan, & Arnold, 2001; Shi, White, Zou, & Cavusgil, 2010; Wilson & Weilbaker, 2004). With KAM an imperative for a firm's viability, with so little KAM research looking beyond Europe and North America, and with China a priority for countless firms, it is time for KAM research to bring China into focus.

Over the past decade we have interacted with hundreds of KAM executives in China. These executives are from both Chinese and Western companies in numerous industries including component parts manufacturers, financial services providers, and pharmaceutical companies, among many more. In this rapidly evolving and highly competitive landscape, KAs are located at each step of supply chains. For instance, in consumer markets Western retailers such as Walmart and Carrefour and Chinese retailers such as Bailian (Brilliance) Group in supermarkets and Gome in appliances are among the KAs pursued by thousands of Western and Chinese suppliers. In another instance, while Western car manufacturers compete with Chinese car manufacturers such as SAIC Motor Corporation Limited, Chang'an Motors, FAW Group, and Dongfeng Motors, among others, to win the hearts and minds of consumers, nearly countless Chinese and Western suppliers compete for preferred status with each of these KAs. The result of the intense competitive landscape across so many industries in China is that KAM is a lever embraced by both Chinese and Western suppliers.

Based on KAM literature and our work in China, there are many reasons why Western-based KAM research cannot be presumed to apply to China. Among these, China's market development path and scale, Chinese culture, and the Chinese state capitalism system create conditions that are distinctly China. Our objective is to explore KAM issues relevant to China's current situation. They are significant issues because, as we have observed through our years of experience working with KAM personnel in China, both Chinese and Western firms frequently deal with these concerns when building KA relationships. By taking into account China differences, our major contribution is to introduce a KAM research direction for China. Next, we discuss KAM literature and offer propositions regarding KAM research in China.

2. KAM literature, China, and propositions

The search for better business performance gained through “improving the efficiency and effectiveness of present sales and customer relations” with a firm's most important customers (Brehmer & Rehme, 2009) leads companies to develop KAM programs. With competitive intensity and coordinative intensity driving companies toward adopting KAM (Wengler et al., 2006), there is little reason to doubt that KAM will continue to be seen as an essential firm activity, whether through formal KAM programs or ‘hidden’ programs evidenced by the provision of special actions/services to a firm's most important customers in the absence of formal programs (Wengler et al., 2006). Correspondingly, considerable research efforts have been devoted to KAM. The existing literature, including a special issue of *Industrial Marketing Management*, provides a vast knowledge base for building stronger KAM platforms.

Due to the many complexities of KAM, there are numerous practices required by firms to assure effective KAM. In fact, as Davies and Ryals (2014) extensive review of KAM practices associated with KAM effectiveness suggests, over twenty such practices, categorized as organization-wide, operational, target and performance, people-related, and procedural practices, affect KAM outcomes. Given so much complexity, including the need for extensive coordination, KAM

success begins with active involvement by senior management (Zupancic, 2008). There is also the need for integrating KAM and providing cross-functional support (Shapiro & Moriarty, 1984a, 1984b), as well as determining roles and activities (Platzer, 1984) and staffing and skills requirements (Boles, Barksdale, & Johnson, 1996; Colletti & Tubridy, 1987; Sengupta, Krapfel, & Pusateri, 2000; Wotruba & Castleberry, 1993). Further, numerous studies attest to the value of teams (Homburg et al., 2000; Jones, Dixon, Chonko, & Cannon, 2005; Salojärvi & Saarenketo, 2013). With so many dynamic activities required for successful KAM, a critical success factor for KAM is an internal culture supportive of KAM (Wang & Brennan, 2014).

KAM's primary aim is to enable relationship development with a firm's most important customers. Consistent with themes espoused in a market orientation (Kohli & Jaworski, 1990), Salojärvi, Sainio, and Tarkiainen (2010) find that developing customer knowledge enables organizations to respond to KA needs. Guenzi et al. (2007) further find that organizations' encouraging a relational strategy leads to greater customer-oriented selling, adaptive selling, and team selling. Among factors essential to KA relationship development, teamwork and coordination across supplier functions are important (Millman & Wilson, 1996), although overcoming “factional interests” (Millman & Wilson, 1999) as well as traditional within-firm power bases and other internal barriers (Brady, 2004) may limit the effectiveness of KAM's relationship building potential.

Whereas many situational factors affect KAM effectiveness (Homburg et al., 2002; Workman, Homburg, & Jensen, 2003), strategic and structural ‘fit’ between vendors and key customers facilitates success (Toulan, Birkinshaw, & Arnold, 2006/2007). Two pervasive themes from KAM studies are that KA managers must develop good communications and trust with buyers (Ivens & Pardo, 2007; Schultz & Evans, 2002) and that relationships evolve through time (McDonald, Millman, & Rogers, 1997). Gounaris and Tzempelikos (2012, p. 174) introduce a “framework capturing a system of values that reflect the supplier's willingness and ability to respond effectively to key accounts' needs.” In their framework, a range of supplier attitudes and behaviors comprise dimensions of a Key Account Management Orientation (KAMO). KAMO is a much needed orientation, as it encapsulates a wide array of KAM findings associated with KAM success.

Despite an extensive KAM literature, gaps in KAM research continue to be revealed. Guesalaga and Johnston (2010) examine sixty-four academic KAM articles and another ninety practitioner articles published by Strategic Account Management Association, finding that empirical KAM research is dominated by USA (53%) and Europe (40%) perspectives, with Asia representing just 5% of studies. With most KAM research based on companies in North America and Western Europe, there is a striking absence of KAM research that investigates suppliers in Asia. By extension, very few KAM studies are focused on emerging rather than mature markets. Additionally, as a result of most research being within rather than between countries, few KAM studies touch on the subject of national culture, with Abratt and Kelly (2002) and Guenzi et al. (2007) being two exceptions. Abratt and Kelly (2002, p. 474) report that a KA success factor is “the ability to relate to the key account customer's culture”. Guenzi et al. (2007) state that country characteristics may be a factor affecting research outcomes between countries and that cultural context may also play a role. Their study acknowledges that KAM is a recent phenomenon in Italy, potentially explaining why KA managers in Italy might act more like traditional salespeople than KA managers in more KAM-mature countries.

The need for KAM researchers to examine the effects of national culture is discussed more frequently when the focus is on global KAM. Millman (1996, p. 631) discusses the challenges of global KAM, asserting that “practice is ahead of both theoretical development and empirical research.” Millman (1996) points out that suppliers face challenges associated with country level global KA issues including linguistic and cultural differences. As Millman argues, the lack of “cultural fluency” by companies is a limiting factor for becoming truly

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