Global Account Management in Industrial Companies

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Abstract

The purpose of this paper is to examine a proposed framework for global account management (GAM) implementation in the industrial context. A survey of industrial suppliers and global customers shows that an integrated view of GAM, which goes beyond "traditional" relationship management, leads to significantly higher degrees of customer satisfaction.

Introduction

More and more customers require business solutions that can be implemented and managed consistently across their worldwide locations. They want that consistency to apply in all areas of their supplier relationships, from programs and support services to contracts and pricing. They want to know their global spending levels and to manage these relationships on a centralized, coordinated basis (Katzen 1996). General Electric (GE), for example, is expecting its suppliers to ensure that GE businesses get uniform products all over the world (Yip & Madsen 1996). As a consequence, patterns of global procurement are changing. Often, these customers bundle their purchasing power by pooling their worldwide procurement efforts and enter long-term strategic partnerships with selected key suppliers. By doing so, Motorola reduced its total number of suppliers from 10'000 to 3'000 within just a few years (Emshwiller 1991). Another example is IBM’s Microelectronics Division, where in 1994 a major supplier management initiative led not only to the cutting of purchasing costs by some 20 percent, but also to a dramatic reduction of the number of suppliers by 50 percent (Belz & Senn 1995).

Under these circumstances it is understandable, when many industrial companies are looking for fast and powerful solutions to cope successfully with this situation. Despite the growing interest in global account management (GAM), the issue is still under-researched and only partially understood (Millman 1996). Thus, researchers and practitioners rely on existing concepts like national account management (NAM) or key account management (KAM) to explain and respond to the demands of global purchasing behaviour. While the NAM and the KAM concept are well-established in marketing practice and marketing research (Kaven 1971, Pegram 1972, Stevenson & Page 1979, Shapiro & Moriarty 1980, 1982, 1984a and 1984b, Colletti & Tubridy 1987, Hanan 1989, Diller 1991, Rieker 1993, Millman & Wilson 1995, 1996 and 1997), research work to explore the specific challenges of GAM is still in a very early status.

Based on the comparison of several examples from GAM programs across various industries, Yip & Madsen (1996) provided a theoretical GAM framework, which is characterized by...
factors like a consistent worldwide service, a single point of contact, partnering with customers, outsourcing for customers, a global account management structure, adjusted compensation and incentive systems and uniform purchasing and pricing. Montgomery, Yip & Villalonga (1998) most recently reported an accelerating change in customer’s demands for GAM in the last five years as well as a significant trend to strengthen GAM programs at the supplier’s side. Furthermore, they were able to identify a weak, but positive effect of GAM use on performance, measured as a single, overall indicator of customer satisfaction, revenues and profits.

As customer satisfaction is considered a very important measure in long-term industrial relationships (Homburg & Rudolph 1995), and is often a more reliable success measure when investigating cyclical project business (even with a large after-sales potential), a specific focus on global customer satisfaction effects would be of high interest. However, empirical research work focusing on the long-term success of GAM implementation concepts in the industrial context has not yet been conducted. The question: What factors generate global customer satisfaction, when implementing GAM programs in industrial companies? is still open and deserves more attention. It is our purpose to examine this question, hoping to provide some advice for practitioners as well as to add insights to the growing body of academic knowledge on GAM. The paper is organized in the following manner: First, a conceptual framework and research hypotheses are presented. Second, the research method and data collection are described. Third, the results of our current analysis work are presented and shortly discussed. Fourth, successful practices are highlighted with the help of practical examples and fifth, some managerial implications and directions for further research are given.

Conceptual Framework and research hypotheses

When conceptualizing GAM efforts, companies usually take a very static approach. First of all they define their global accounts, in some cases according to a set of company specific criteria, but mostly based on a back-of-the-envelope estimate of total sales volume and turnover. Afterwards, they decide to take immediate action and develop a customer based strategy for each identified global account. From the sales representative’s perspective this behaviour might be desirable, since it will most probably generate positive effects in the specific customer context. But from the manager’s point of view, who has also the responsibility for the overall allocation of resources, this procedure is often too short-term oriented and neglects the dynamics of a process-oriented implementation perspective. Neither will priorities in the implementation process be clear, nor can the company take advantage of synergies (e.g. coordination of activities across several global account relationships) without a process-oriented approach. A careful GAM implementation thus requires the combination of both the static and the dynamic perspective.

From the static point of view, three working levels are important for GAM implementation (adapted from Kemna 1990, Rieker 1993, Götz 1995): At the strategic level, companies decide to enter long-term partnerships with selected global customers. The critical factor is time, since such partnerships or alliances need in most cases time to create the benefits for all parties involved. Moreover, time is also needed to synchronize the working pace of the two partner organizations globally. At the operational level, products and services are combined to a consistent product and service package to the benefit of the global accounts. Customer
needs are the driving factor for any action—a fact which is too often forgotten and can lead especially in technology driven companies to the well-known “overengineering effect.” At the tactical level, companies are trying to meet the global customer’s needs with the right persons at the right place at the right time. This means, for example, that the assignment of global account managers has to be reviewed every year as well as the management and support structures, e.g. in terms of a GAM team for selected global accounts.

When taking a look at the dynamics of GAM implementation, it seems that on one hand every company has its very own way of implementing GAM. On the other hand, although not well-formulated, there seem to exist repeating patterns of successful implementation behaviour. Based on earlier research work on key account management in cooperation with manufacturing companies (Senn 1996 and 1997) and an international benchmarking project with major industrial companies in the field of GAM, Senn (1998, 1999a and 1999b) developed a conceptual framework for implementing global account management (see Figure 1).

It incorporates a static and a dynamic perspective on global account management to yield a nine-field decision matrix, including the following eighteen factors: Systematic business partner analysis and selection, individual global customer strategy, systematic customer needs analysis, worldwide consistent products & services, well-trained and well-experienced global account managers, good personal relations with key decision makers, systematic contact management, core competences-based partnership, clear hierarchical structure, cross-functional account teams, professional teamwork conditions, joint learning events, independent supervision and learning transfer, quantitative and qualitative customer performance measures, comprehensive

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knowledge management and information infrastructure access. In the following section, we develop hypotheses for each one of the implementation steps and link them to overall global customer satisfaction.

Defining goals and objectives together with global accounts (Step I): Companies analyze and select their global accounts carefully and agree upon a special treatment of global customers as well as customers select their strategic suppliers based on a systematic core competencies and performance review. Then, after a systematic analysis of customer needs, both supplier and customer objectives have to be aligned and a customer based strategy, which reflects the needs of both sides equally and generates consistent products & services worldwide, has to be developed. To cope with the dynamics of such demanding negotiation situations, skilled and well-experienced global account managers are a critical success factor at this very early stage of the process. Therefore, we expect:

H1: High degrees of (a) systematic business partner analysis and selection, (b) individual global customer strategy, (c) systematic customer needs analysis, (d) worldwide consistent products & services, (e) well-trained and (f) well-experienced global account managers, positively affect the degree of customer satisfaction.

Aligning business processes towards the needs of global accounts (Step II). In this second step, suppliers adjust their business processes according to the structures of their global customers. Besides good personal relations with key decision makers and a systematic contact management, which in many companies is still seen as the heart of a successful global account management, also a careful analysis of each part of the value chain in terms of the real value added as well as an extensive look at global management structures is required. In many cases, the workload between the global supplier and the global customer will be newly arranged and focused on the core competences of both the customers' and suppliers' organization, therefore leading to new business opportunities for both partners. Another important issue lies in installing cross-functional global account teams, to mirror the network structure of globally active industrial customers. To prevent failure in this field, a professional teamwork approach is highly recommended. Thus, we suggest:

H2: High degrees of (a) good personal relations with key decision makers, (b) systematic contact management, (c) a core competencies-based partnership, (d) a clear hierarchical structure, (e) cross-functional account teams and (f) professional teamwork conditions, generate a higher degree of customer satisfaction.

Safeguarding know-how and speeding up learning processes (Step III): In the third and final step of GAM implementation, companies install systematic learning processes by holding joint learning sessions with global accounts and at the same time providing generalized conclusions by an independent supervision function. Furthermore, they employ not only a traditional sales figure system based on quantitative performance measures (e.g. turnover and profitability per global customer) but also set up a feedback system, which allows global customers to talk about new ideas and improvement propositions on a qualitative level (e.g. project-based customer satisfaction surveys). To master the requirements of global information management, the supplier company also takes care that its global customers do not only get fast and easy access to all necessary information infrastructure, but also provide a
comprehensive knowledge management process (e.g. customer link to supplier intranet). We therefore expect:

H3: High degrees of (a) joint learning events, (b) independent supervision and learning transfer, (c) quantitative customer performance measures, (d) qualitative customer performance measures, (e) comprehensive knowledge management and (f) information infrastructure access, positively affect customer satisfaction.

Research method and data

Because of the absence of an adequate measurement scale, we developed a preliminary questionnaire based on an earlier version of the presented GAM framework. It also included the outcomes of ten GAM/KAM implementation projects in various industries. Each GAM key decision factor was covered by ten items and had to be rated on a seven-point Likert-scale for importance and performance respectively. We then pre-tested the questionnaire with a sample of 51 managers (35 from various functions at the supplier side and 16 from various functions at the customer side) coming from two major industrial companies from Switzerland and Germany (Senn 1999a). The results revealed, that besides „traditional” relationship management, being one of the key decisions of GAM, all proposed factors seemed to have a high importance both in the view of the supplier and the customer. The results further showed, that there were some clear weaknesses in critical fields like e.g. global information management or learning processes, thus reinforcing the importance of an integrated view of GAM. Based on the feedbacks received from the pretest, a final questionnaire with 30 questions for each implementation step, each to be rated on a 7 point Likert-scale, had been developed (total 90 questions). All measures exceed Nunally’s (1978) recommended level of .70 for an acceptable Cronbach’s alpha value.

Between October 1998 and January 1999, six globally active industrial companies from Europe and the USA participated in an international survey. Branches represented in the sample range from chemical industry up to IT network infrastructure and semiconductor production systems. In a first step, 566 questionnaires were sent out to marketing, sales, engineering and purchasing managers of both staff and customers of these companies. The overall response rate was 35% (200 questionnaires). In a second step, interviews were conducted with members of the GAM steering committees of each company to explore GAM best practices in detail. In a third step, the members of the research project splitted up into dedicated focus groups and reworked their personal implementation consequences and actions in several sessions. In the following section, we present preliminary facts, findings and conclusions, based on our most recently completed analysis work.

Results and discussion

To develop a better understanding of the effects on customer satisfaction, we focused our analysis on the differences between high, medium and low customer satisfaction. For this purpose, all customer satisfaction performance scores were normalized (z-scores) and then divided into three categories of high (z > 1), medium (-1 > z > 1) and low customer satisfaction (z < -1). For each implementation step, Scheffe’s tests based on ANOVA tables were conducted to explore the differences among the three customer satisfaction groups.
In H1, we predicted that high degrees of systematic business partner analysis and selection, individual global customer strategy, systematic customer needs analysis, worldwide consistent products & services, well-trained and well-experienced global account managers, positively affect the degree of customer satisfaction. Figure 2 reports the ANOVA results for the implementation step 1, with the mean values for each customer satisfaction category, the F values and the significantly different pairs (Sheffe's test) at the .05 level as well. As expected, the results differ widely between the high, medium and low customer satisfaction groups. H1a – f can thus be broadly supported.

H2 examines the role of good personal relations with key decision makers, systematic contact management, a core competences-based partnership, a clear hierarchical structure, cross-functional account teams and professional teamwork conditions. We expect all of these factors to generate a higher degree of customer satisfaction. The results in Figure 3 show strong support for H2a – f.

In H3 finally, we hypothesized, that high degrees of joint learning events, independent supervision and learning transfer, quantitative and qualitative customer performance measures, comprehensive knowledge management and easy access to information infrastructure, positively affect customer satisfaction. With the exception of H3e, all other hypotheses H3a – d and H3f receive statistical support.

The results suggest an important point about the focus of GAM programs: Obviously, high degrees of personal relations with key decision makers (5.05 versus 3.62, F = 19.004, p < .000) and systematic contact management (4.71 versus 3.09, F = 21.083, p < .000) are affecting customer satisfaction positively. However, as the results in Figures 2 – 4 further show, this is also true for a set of many other factors as well. If customer satisfaction is agreed being one of the strategic goals of GAM programs, a comprehensive GAM approach should be applied rather than just focusing on the „traditional“ relationship management concept. Managers, who are responsible for the formulation and implementation of GAM programs should well be aware of the importance of an integrative view, when trying to implement GAM successfully in practice. Obviously, a successful GAM program incorporates many other tasks than only establishing and maintaining good personal relations with key decision makers. As a consequence, also the role of the global account manager has to be very carefully reviewed and adjusted to these new challenges and tasks.

Examples of successful GAM practices

To reveal successful GAM practices in detail, we compared GAM programs and activities of six industrial companies. We found important differences regarding the GAM programs along the dimensions of the framework we have presented earlier. Based on our analyses and discussions with top managers we selected three examples with outstanding performances in certain areas. We will relate their practices to the implementation steps of the presented framework.

BPS. Building long-term partnerships with global accounts

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Liechtenstein-based machine-builder BPS exemplifies how a strategic selling approach can be embraced in global account management. During the last two years sales have almost doubled to more than 500 million Swiss Francs. Main customers come from Europe, Taiwan, USA and Japan. One integral component of success is the global account management program that was initiated in 1994. BPS recognized that global customers have to be treated with a more long-term focus. In times of strong competition and saturated markets, loyalty of the most important customers is essential. Therefore, the customer base is systematically researched for prospective global accounts. Criteria that apply are financial (sales volume, sales potential, contribution to EBIT), referring to global business (operations in several countries) and qualitative (technological potential, lead user etc.). If a customer is identified as a key account prospective, the usual „short-term“-track of selling is left to enter a systematic global account planning process. In cross-functional planning sessions, global account strategies are developed for obtaining the long-term perspective with the customer. Then the customer’s buying center is identified. In buying decisions for high-quality production equipment, people from different functions and hierarchical levels in the company are involved. For each member of the buying center, counterparts from the BPS organization are assigned to win commitment on all levels. The support of the customer is „conquered“ bit by bit. During this process, patience is a key factor to success. Only when BPS is sure to have reached the buy-in from the customer, the offering process is started.

BPS understands itself as a value-added seller. The focus in negotiations with global accounts is removed from the price. After a thorough consulting process, the customer names the price that the BPS solution seems worth to him. With the help of target costing methods, BPS estimates if it can reach that price and suggests a solution. By means of the strategic selling concept, the „in and out“ principle of selling is changed for a longer and more resource intensive process of selling. In the long run the higher loyalty of the global accounts pays off. Before offering to the target customer, a network of relationships on all levels of the customer’s organization is erected. This network has to be seen as an investment in the future. The partnership gives way to more individual solutions for the customer. Our investigations show, that the global accounts of BPS are very pleased with the solutions BPS offers because they adapt to individual needs. The main challenge for BPS lies in incorporating the maintenance business stronger into the offerings. Service contracts must become a fully integrated part of the solutions. For reaching that aim the technical service must be integrated stronger than before into the selling center of BPS.

**Th. Goldschmidt PU Additives: Global teams for global customer focus**

Global team organization is the approach chosen by German specialty chemicals producer Th. Goldschmidt in its core business unit „polyurethane additives“ (PU). The company is a worldwide leader in the market. With subsidiaries and 120 distributors all over the world, Th. Goldschmidt possesses the network of a truly global player. Responding to the signs of globalization, Th. Goldschmidt PU Additives decided in 1997 to redirect their market organization at the customer. The traditional country organization concept did not account for the new business drivers anymore. Lack of communication and no joint planning on the critical success factors were symptoms of the old approach. A change was needed to secure the outstanding market stakes of the company also in the future.
First, the key factors of influence on the firm’s prosperity had to be found. Based on the question „what is really driving our business?”, three main criteria were defined: industry, global accounts and regions. Interestingly, the region focus was not dropped. Still regions stand for homogeneous planning objects that have to be considered on a rather local basis in decisions. But two other criteria, industry and global accounts, were elevated to the same rank of importance. Five key industries were bound to be covered by teams as well as four regions and nine global accounts. Second, the planning efforts for the global accounts had to be coordinated. The idea was, to generate directly visible results in the business relationship with each global customer. Most of the subsidiaries were sceptical in the beginning. „We know our business. Of course, we know our best customers. So what’s the use?”, were frequently heard comments. But when only organizational diagrams of the customers were demanded by the headquarter, more problems were encountered than expected and proved the importance of a coordinated approach with a global focus.

The systematization of existing knowledge also needed time. When the global teams first met, motivation was not running high. It seemed like another bureaucratic headquarters’ exercise. But already in the first meetings opposite views and „white spots” in the knowledge about specific global accounts among different market units were reconciled and brought into a big picture. The global perspective on certain accounts gave new meaning to the daily business of the subsidiaries. The thorough change management process opted for by Th. Goldschmidt PI lead to a deep commitment of the whole organization. Today, the global customer focus provided by the global team organization is recognized as a major driver for improved internal coordination and motivation.

Mannesmann: Global customer knowledge with global market intelligence

Mannesmann Demag Metallurgie, a business unit of the German Mannesmann group, develops, produces and sells machinery, plants and related services to customers all over the world. Demag’s subsidiaries in Germany, Italy, Brazil, USA and India interact for a solution orientation, rather than a location orientation. Resultant synergies are passed on directly to their global accounts – via global offers, system-wide solutions and on-site general contracting. At the present moment, about 10 – 12 customers require a global attention. The global account management at Mannesmann Demag Metallurgie involves two elements: the worldwide sales organization and a specific focus on global customers. Early warning systems by flows of information are vital because of the long business cycles. Long before the customer issues a tender, the main concerns and needs of the global customer have to be clear to the supplier. Directly linked to all important subsidiaries, the global account manager acts as a global information officer for customer concerns and coordinates customer knowledge management globally.

In the metallurgy business, also relationships to the customers are a major asset. In Korea today, every second ton of steel is produced on a Mannesmann plant. This strong market presence results from a thorough market intelligence and relationship building long before the big Korean investments took off. Now during the Asian crisis, it is especially important not to lose touch with these customers. Although there is not much business right now, the focus of the planning activities still includes the identified global customers thus to be ready when the Asian market recovers. Due to recent merger activities, the challenge for Mannesmann Demag lies now in transforming these structures into the new organization and opening a new chapter
of global success. Information and relationship networks might not (yet) appear on the balance sheets but doubtlessly are an important source for sustainable high performance.

Managerial implications, limitations and directions for further research

The purpose of this paper was to test several hypotheses resulting from earlier research work in key account and global account management and to give insights how selected dimensions of the framework relate to implemented GAM programs in practice. The findings suggest that the key decision factors forwarded by the framework of Senn (1999b) help to explain the drivers for global customer satisfaction. As such, it appears that companies should strive to improve their global account management along the dimensions of the proposed GAM framework to achieve higher customer satisfaction.

In the light of these results, we are able to give a preliminary answer to the question raised in the first section of this paper in the following way: Implementing GAM in industrial companies goes beyond „traditional“ relationship management. An integrated view produces significant higher degrees of customer satisfaction. GAM programs should thus be conceptualized with an accordingly broad focus.

It should be noted, that although we have applied a comprehensive set of criteria to investigate success drivers, there might be other important factors affecting the satisfaction of global customers. More specifically, supplier – customer dependence might play also an important role and would thus require further investigation. From a methodological point of view, it would also be useful to develop a multi-dimensional scale for measuring global account satisfaction. This could include all aspects forwarded by the balanced scorecard framework provided by Kaplan & Norton (1996). Furthermore, in-depth studies of GAM programs in different stages would reveal more insights about how the dimensions of the proposed framework are linked with long-term success. A question, which clearly deserves additional research effort thus would for example be: Can the three steps of the GAM framework serve as a typology for GAM program life-cycles?

Finally, the question of how knowledge can be managed for global account business is still open. Pooling and disseminating global customer knowledge to all units being in contact with the global customer around the globe creates new challenges but also new opportunities for many organizations. Also, implementation issues of a knowledge culture must be considered. How can information technology help to tackle this problem? In this context it would be useful to conduct in-depth studies of organizations engaged in the knowledge management process to better understand the enabling factors of a successful knowledge management for global accounts.

References


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![Table: Customer Satisfaction Mean Values](image)

*Figure 2*

*Seven-point likert scale (1 = strong disagreement; 7 = strong agreement)*
<table>
<thead>
<tr>
<th>GAM Key Decisions in Implementation Step 3</th>
<th>Customer Satisfaction Mean Values (Standard Errors in Parentheses)</th>
<th>Significant different pairs at the .05 level (Scheffe’s Test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (n = 71)</td>
<td>Medium (n = 75)</td>
<td>Low (n = 40)</td>
</tr>
<tr>
<td>Joint Learning Events</td>
<td>4.52 (.133)</td>
<td>4.09 (.162)</td>
</tr>
<tr>
<td>Independent Supervision</td>
<td>4.29 (.267)</td>
<td>3.40 (.242)</td>
</tr>
<tr>
<td>And Learning Transfer</td>
<td>4.54 (.242)</td>
<td>3.63 (.178)</td>
</tr>
<tr>
<td>Quantitative Customer Performance Measures</td>
<td>4.41 (.209)</td>
<td>3.98 (.162)</td>
</tr>
<tr>
<td>Qualitative Customer Performance Measures</td>
<td>4.12 (.335)</td>
<td>3.73 (.223)</td>
</tr>
<tr>
<td>Comprehensive Management Process</td>
<td>5.14 (.252)</td>
<td>4.72 (.176)</td>
</tr>
<tr>
<td>Information Infrastructure Access</td>
<td>4.41 (.209)</td>
<td>3.98 (.162)</td>
</tr>
</tbody>
</table>

*Seven-point likert scale (1 = strong disagreement; 7 = strong agreement)

Figure 4