

Robert Spencer

**STRATEGIC MANAGEMENT OF CUSTOMER
RELATIONSHIPS**

A Network Perspective on Key Account Management

**FÖRETAGSEKONOMISKA INSTITUTIONEN
UPPSALA UNIVERSITET**

Department of Business Studies

Uppsala University

2004

ABSTRACT

Spencer, R., 2005, *Strategic Management of Customer Relationships - A Network Perspective on Key Account Management*, 170 pp. Distributor: Uppsala University, Department of Business Studies, Box 513, S-751 20 Uppsala, Sweden. ISSN 1103-8454

This thesis deals with the key account management theme. The traditional view of key account management takes its roots in company practice, and considers key customer accounts to be large complex customers, with high financial returns - hence the notion of “key” - for the supplier firm. The role of key account management is considered to be that of understanding the characteristics and needs of these key customers, then adapting the supplier organization to better serve them, with a view to optimizing on revenues. The nature and value of relationships with key customers per se receives very little attention. The nature and value of networks of relationships influencing these relationships with key customer accounts is given even less consideration. Also, very little consideration is given to the strategic company setting in which these key customer accounts are managed. Taking these factors into account, the end result is complexity which goes beyond the simple issue of the customer’s organizational characteristics.

The purpose of the thesis is to identify indicators of the strategic importance of customers to supplier, to characterise key customer accounts, and to analyse the appropriate managerial response to problems in handling such customers.

The empirical base used in the thesis consists of five papers with focus on important supplier-customer relationships. The main findings are the following: important customers earn their “key” status due to their value to the supplier across multiple dimensions, not just financial. This value comes partly from the simple exchange of resources with the customer, partly from the value generated within and by the relationship itself, and partly from the value of the network accessed via the relationship. As a result, three corresponding levels of management exist, and no clear dividing line allows separation of the handling of key accounts from handling of the customer base overall.

Consequently a proposal is made which suggests that an SMCR – Strategic Management of Customer Relationships – approach is to be preferred to a KAM approach.

Robert Spencer, Uppsala University, Department of Business Studies, Box 513, S-751 20 Uppsala, Sweden.
ISSN 1103-8454

© Robert Spencer

Universitetstryckeriet, Ekonomikum, Uppsala 2005.

ACKNOWLEDGEMENTS

Well here it is. Though I would selfishly like, as do most researchers I suppose, to think of this work as essentially “all my own”, each and every thought or idea which emerges from these pages has of course undoubtedly been in some way or other influenced and shaped by my fellow members of the IMP Group in particular, and by other friends and colleagues who, though not necessarily IMP Group members strictly speaking, have helped in the process. The blame for the end result lies entirely with me of course!

My gratitude stretches out over the years, and includes friends and colleagues from different horizons. In Sweden, for example, I cannot fail to mention Jan Johanson, who was the starting point to this thesis and who perhaps thought he might never see the day it was finalised, or Lars Hallen and Ivan Snehota, who have been both supervisors and friends in this process. Hakan Hakansson, with whom stimulating discussions on many occasions have doubtlessly acted as discrete stimulators, and Robert Salle, have also unknowingly contributed to the development of the vision of the world presented here, as have Florence Mazet and Catherine Pardo, colleagues at the Lyon Business School a few years ago.

The same applies to David Ford and Peter Turnbull, good friends before all else, who made me come to realise that research is first of all a social process where enthusiasm and motivation are a must. This includes of course good meals and drinks along the way to cement relationships... and networks.

The list is in fact so long that the real danger is the risk that the acknowledgements exceed the length of the rest of the thesis. Bjorn Axelsson, Virpi Havila, Ulf and Désirée Holm, Ulf Andersson (don't mention badminton), Peter Thilenius, Cecilia Pahlberg, Amjad Hadjikhani, Nazeem Sayed ...

All of you have contributed – socially and/or intellectually, more or less directly - in encouraging the process. As have Thomas Ritter, Luis Araujo, Torben Damgaard, Hans Kjellberg, Enrico Baraldi, and all those I will undoubtedly feel guilty about later for not having mentioned you specifically here. Thank you.

For the “final leg” thanks also to Marie-Claire who gave a helping hand in the final formatting of the thesis. Thanks specifically also to Ivan for his perspicacious comments, and Lars for his structured and meticulous approach, and also his help in correcting my grammatical errors in English. O.K. Lars, so I admit to systematic doubt as to one or two “esses” in focus(s)ed! I did used to come top of the class in grammar and spelling at school though. We'll put it down to old age!

And thanks also to my wife, Edith, for her patience and tolerance especially over the last couple of years. In fact she swore she would take her vows to become a nun if ever the thesis got finished. She is now packing. Don't go Edith ! We need you. And to my daughter Ambre, and my sons Lloyd and Adam, of course, who have demonstrated equal patience and tolerance. In fact it was a race against time to finish the doctorate before my daughter. I won!

It took me 50 years to get this far. But lots of enjoyment along the way. Now for the next stage. Before I get to the age of 100!

Marseille, November 2004.

Robert Spencer.

CONTENTS

Summary of the thesis

Paper I

MTF: Understanding complex relationship dynamics between industrial groups-powerplay and positions.

Original publication

Mazet, F., R. Salle and R. Spencer (1995). Relationships in Business Networks . H. Hakansson and I. Snehota, Routledge: pp.205-221.

Paper II

The Vegan Case

Original publication

Mazet, F. and R. Spencer (1995). Relationships in Business Networks . H. Hakansson and I. Snehota, Routledge: pp.148-163.

Paper III

The Key Accountisation of the Firm: a Case Study

Original publication

Pardo, C., R. Salle, and R. Spencer. (1995).
Industrial Marketing Management 24 (2): pp.123-134.

Paper IV

Key accounts: effectively managing strategic complexity

Original publication

Spencer, R. (1999). Journal of Business and Industrial Marketing,
Vol. 14, No. 4. : pp. 291-309

Paper V

International KAM: Relationship and Network Handling Issues

Original publication

Spencer, R. (1995).

Euromed Working Paper Series 2004

Revised and submitted to the *European Journal of Marketing*

SUMMARY OF THE THESIS

TABLE OF CONTENTS

1. INTRODUCTION_____	5
1.1 OVERALL AIM OF THE THESIS_____	5
1.2 STRUCTURE OF THE THESIS_____	7
2. THE RESEARCH AREA_____	8
2.1 THE PROBLEM AREA AND THE PROBLEM AT HAND_____	8
2.1.1 The Customer Dimension of Marketing Strategy_____	8
2.1.2 Marketing Strategy_____	8
2.1.3 “The Customer is King. Long live the customer”_____	10
2.1.4 The stuff of industrial markets_____	11
2.1.5 The Research Problem at hand_____	11
2.2 THE RESEARCH PURPOSE AND QUESTIONS_____	12
3. THE STATE OF THE LITERATURE_____	13
3.1 MANAGING THE CUSTOMER_____	13
3.1.1 Coping with Customers : Segmentation as a “K” and “M” Issue_____	13
3.1.2 Segmenting Industrial Markets as a CPM prelude_____	15
3.1.3 Relationship Dimensions of Customer Strategy_____	16
3.1.4 CPM approaches in Industrial Marketing Strategy_____	17
3.1.5 From Segmentation, to CPM to KAM_____	19
3.2 KAM-SPECIFIC LITERATURE: THE STATE OF THE ART_____	20
3.2.1 General comments_____	20
3.2.2 Different Perspectives on KAM: Academic Evolution and Industry Practice_____	21
3.2.3 Varied Theme Focus within KAM Literature_____	23
3.2.4 The “Why” of KAM_____	23
3.2.5 Characteristics of KAM: a K-A-M analysis_____	24
3.3 CRITIQUE OF THE KAM-FOCUSED LITERATURE_____	32
4. METHODOLOGICAL ISSUES: RESEARCH DESIGN AND PROCESS_____	37
4.1 QUALITATIVE AND QUANTITATIVE APPROACHES WITHIN THE IMP2 PROJECT CONTEXT_____	37
4.2 WHY A CASE STUDY APPROACH?_____	40
4.3 AN EMERGING PROCESS_____	41
4.4 THE “IN-DEPTH” CASE STUDY COMPONENT OF THE IMP2 PROJECT____	42
4.4.1 General Design of IMP2_____	42

4.4.2 Design of the Case Study Component of IMP	42
4.4.3 The IMP2 Project: Key Issues Explored	43
4.4.4 The French Research Process and Case Study Data Base	44
5. EMPIRICAL CONTRIBUTIONS TO THE THESIS: FIVE PAPERS WITH RELATIONSHIP AND NETWORK FOCUS	46
5.1 AN OVERVIEW OF CASE CONTRIBUTIONS	46
5.1.1 The MTF Case: Actor Bonds and Management of Intra-Group Networks	47
5.1.2 The Vegan Case: Accessing Resources via Relationships	48
5.1.3 The Key Accountisation of the Firm	48
5.1.4 Key Accounts: Effectively Managing Strategic Complexity	48
5.1.5 International KAM: Relationship and Network Handling Issues	49
5.2 AN OVERVIEW OF RESEARCH FINDINGS FOR AN ALTERNATIVE VISION OF KAM	50
5.2.1 Re-assessing the “Key” In KAM: Far More Than Immediate Sales and Profits	55
5.2.2 Re-assessing the “Account” in KAM: an Alternative Look at the Notion of Key Customer Account Entities	58
5.2.3 Re-assessing the “Management” in KAM	60
5.3 TOWARDS A REVISED CONCEPTUALISATION : FROM KAM TO SMCR	64
5.3.1 Supplier and Customer Firms in Strategic Relationships	65
5.3.2 The Strategic Value Issue in Managing Customer Relationships	66
5.3.3 The “Account” Issue in Management of Strategic Relationships	67
5.3.4 Strategic Management of Customer Relationships and Key Accounts	68
6. CONCLUSIONS	69
6.1 MANAGERIAL IMPLICATIONS	69
6.2 FUTURE RESEARCH ISSUES	70
REFERENCES	72

1. INTRODUCTION

« *La stratégie est un art tout fait d'exécution* » **Napoléon Bonaparte**

1.1 OVERALL AIM OF THE THESIS

The overall aim of this thesis is to propose what I consider to be a more realistic vision of what managing strategic customers is all about. In particular, I have tried to bring the existing literature on the theme in line with the more general literature on the nature of industrial markets and marketing developed over the last couple of decades or so. I subsequently back up comments on observed inadequacies with empirical data and findings from research in the form of the contributions herein. I hope that the proposals made regarding a new vision of what I prefer to term SMCR, as opposed to KAM, will meet with favourable echoes from both fellow scholars and management practitioners alike.

The thesis examines, as focal theme, customers – in particular “key” customers – and the strategic management of them by the supplier firm. It pays particular attention to network effects. In other words, the impact that other relationships have on a given important supplier-customer relationship, and vice versa.

The actors involved in these relationships of high strategic importance – be they suppliers or customers – are often referred to in the literature as key accounts, strategic accounts, national or global accounts, or similar. Part of the thesis is devoted to a review of this literature. I feel it is essential to point out from the outset however that the approach taken here is not one that examines key account management as described by those firms practicing it, nor reflects simply those studies – the case of the great majority of the literature – analyzing this company practice. Rather it is a proposal which suggests integration of recent – and less recent – theoretical developments thus providing a revised theoretical view of key account management and which may also ultimately help practitioners better address the key account area.

In this sense the thesis addresses perhaps two main types of public. On the one hand we have the authors of existing work on the key account management (KAM) theme with what I will call here the “traditional” approach, whose main concern seems to be organizing internal company resources to improve sales and profits generated by relationships with major customers. This literature, as seen later, is largely under North

American influence. On the other hand can be found – rather fewer – authors who are born of or influenced by the European Interaction and Network approaches. Their work nonetheless tends for the great majority to focus no-questions-asked on key accounts as pre-defined by the supplier firms interviewed, and to focus on the supplier organizational response issue. A third, broader, public is however also concerned. This third public involves those interested on customer relationship management in general, as opposed to KAM specifically. Indeed, the view expressed here is one which tends to go beyond the issue of company-defined key accounts and key account management teams alone, to include the issue of strategic value of customers in their context more generally. The of key account management area is then positioned accordingly. In other words, to go beyond the obvious – at least as far as the main flow of KAM literature depicts it – and to seek out the less obvious.

The choice made here is undeniably that of considering strategic customer management from a supplier-firm perspective. This in no way occults customer considerations including customer structure, strategy and perceptions. Rather it places these in context relative to consequences for the supplier firm.

From this supplier's perspective, then, firstly key customers can be considered not to merely just exist in absolute terms. Rather their very nature and characteristics reflect directly and inevitably the characteristics and strategy of a given supplier firm. Thus one supplier's key account can perfectly well be another supplier's "ordinary account". Dynamics are also important. A change in strategy of the supplier firm will call for a change in definition of who its key accounts are. Likewise a change in key accounts or relationships with them may well entail a corresponding change in strategy.

Secondly, the characteristics of many firms lend themselves to being considered and handled as veritable *internal networks*. Consequently, a relationship between two firms may well be considered itself not as one relationship, but indeed as a network of relationships, involving several nets. Strategic management of the key account thus becomes management of an intertwining network of *intra-firm* relationships.

Thirdly, the industrial network literature has laid the foundations for another vision of the firm in its environment. From a vision of the firm as a self-contained "bounded" entity, controlling its limited internal resource-base to the vision of the firm as an entity with "fuzzy" boundaries, accessing the resources of other actors in its environment has progressively emerged. Some of these actors are customers. Hence consequences when

approaching these actors, of perhaps particular importance, and especially when handling the “key” ones.

In the end, we are faced with a vision of KAM as a form of marketing strategy and organization in complex situations, and as *part of something bigger* as opposed to a stand-alone clearly identifiable function. The underlying issue is that of the study of markets, marketing strategy and associated marketing organization under potentially complex situations. This potential complexity derives from the situation both within firms, between firms, and between firms and other actors in markets.

1.2 STRUCTURE OF THE THESIS

This thesis comprises six parts, the first one being the present introductory summary, and the remaining ones empirical components comprising five published papers. The introductory summary is in its turn divided into six sections, where the first section introduces the thesis content and provides a general outline. The second section examines and discusses the general research area under study, putting KAM into context. The third section focuses on the state of the art in the literature relative to managing customers, and in particular prevailing customer management issues, including KAM. The KAM-specific review component takes its structure, after an initial introduction, from the three component elements in KAM: the strategic or “Key” dimension, the various definitions of “Account” in KAM, and the “Management” or “handling” dimension of key accounts. A preliminary criticism of this literature is then made, in the light of recent industrial marketing theory. Section five first of all provides a summary of the articles going to make up the empirical component of the thesis, and subsequently uses the data provided by them to articulate findings around the same “K - A - M” structure proposed above, addressing the research questions, providing empirical evidence of the contrast with the literature review, and forming the basis for further proposals. Section six concludes with managerial implications and scope for further research.

2. THE RESEARCH AREA

2.1 THE PROBLEM AREA AND THE PROBLEM AT HAND

2.1.1 The Customer Dimension of Marketing Strategy

It may well seem heresy to suggest that, in much of the industrial marketing literature, real accounting for the customer dimension – or customer orientation as it is often referred to – in marketing strategy is at best glossed over without in-depth consideration, and at worst not really considered at all. At the same time we would venture the proposal here that what is called “customer orientation” for industrial markets may well involve issues which go way beyond the usual simple consideration of, and action towards, the customer, so maybe the customer as such deserves less attention than one might think. The two proposals may seem contradictory. Yet we maintain both of them, and will attempt to demonstrate their veracity whilst suggesting where scope for improvements lie.

In fact, whilst virtually all agree that customer orientation is essential, the fact is that the interpretation of the idea depends upon the vision one has of what constitutes a customer on the one hand, and the vision one has of market systems on the other. Both are open to discussion. Both have indeed lent themselves to analysis in particular when comparing the reality or specificities of industrial markets with those of consumer markets. Both are discussed briefly further on in this section, and are then discussed in more depth in the literature review section further down. At the same time the strategic handling of customers also reflects the vision one has of the definition and component elements of strategy, and in our particular instance marketing strategy.

In simple terms then we can say that whilst there seems to be general agreement that the customer is an important consideration in industrial marketing, proposals as to the way this dimension is handled will depend on the vision one has of the nature of strategy on the one hand, and of the stuff of industrial markets – and of the customer in particular – on the other.

2.1.2 Marketing Strategy

“Strategic planning is the managerial process of developing and maintaining a viable fit between the organization’s objectives and resources and its changing market opportunities.

The aim of strategic planning is to shape and reshape the company's business and products so that they combine to produce satisfactory profits and growth" [Kotler 2003]

And relationships in all that? The generally accepted views of marketing strategy – which envelops customer strategy and management issues – line up on the “one-step” approach to strategy, and are strongly influenced by assumptions of the nature of the marketplace and corresponding visions of marketing practice as reflected by consumer marketing theory. Marketing theory, though supposedly based on the theory of exchange, has traditionally left little scope for the “space between” actors in general, and interdependencies in particular.

The market is considered to be composed of actors of different kinds in the environment of the marketing firm. Michael Porter's discussion [1980] on corporate strategy, which sets the scene for marketing strategy, for example, identifies five main categories of actors in his “5-forces” model : direct competitors in an industry, new entrants, substitutes, suppliers to the industry, and customers.

The main focus in the marketing field, however, is undeniably on two identified categories: the Customers (the “demand” market), and Competitors. These two categories receive special attention. Other environmental actors (suppliers, government bodies etc.) whilst not excluded, tend to be classed as peripheral elements of the environment, to be taken into consideration as rather weaker influencers of firm, customer and competitor behaviour.

In real terms strategic marketing typically sums up as a proposed three stage process, endowed by the authors of many textbooks (see for example, amongst many others, Kotler 2003, Brown 1997, or Urban and Star 1991) in the field, i.e., Strategic analysis, Strategy formulation, and Strategy implementation. The strategic analysis phase, in a nutshell, involves obtaining an understanding of the issues underlying effective marketing strategy, typically including understanding buyer behaviour and transaction-oriented decision-making processes, identifying bases for market segmentation, identifying market response models to predict change upon implementation of one of the elements of the offering (4Ps), modeling competitive behaviour – for examples of this type of modelling process and its results, see for example Lilien et al 1992, or Lilien G.C. and Rangaswamy A. 2001 – and finally running a diagnosis of the firm's marketing strategy to identify its strengths and weaknesses, opportunities and threats, and identify areas of competitive advantage in serving customers. The strategy formulation or decision-making phase seeks to set goals (typically designate product/markets served, sales growth, market share, margins/profits,

turnover etc.), formulate appropriate programmes to attain these goals, and designate resource commitment. The implementation phase involves translating strategy into tactics, setting and implementing detailed action plans and budgets, and controlling results as compared to forecast outcomes.

In most cases, this marketing strategy process is considered to be a recurrent “one-off” event – once per year, for example – with scope left all the same for strategy adjustment in the form of elaboration of contingency plans in case of unexpected events in the firm’s environment.

Different levels of strategic marketing in the firm (Corporate level, SBU level, Product level Regional level, etc) (see for example, Vancil and Lorange 1977), thus are assumed to necessitate a “Russian doll” approach, with “fit” between levels – be it “top down” or “bottom up” in practice – ensuring overall coherency.

2.1.3 “The Customer is King. Long live the customer”

Scanning the marketing literature over the past few decades (see, for example, Kohli and Jaworski 1990, where “customer focus” is highlighted as the central element in market orientation), it becomes pretty clear that the customer has occupied, for quite some time now, the front seat in terms of attention relative to setting appropriate marketing strategy.

This emphasis and vision of marketing strategy in traditional or consumer marketing has resulted in the generating of different approaches over time in an attempt to master the customer dimension of the environment. All of these approaches have as a basic assumption the fact that some customers or potential customers are of more value to the firm than others.

The approaches developed in this respect relate specifically to three broad main areas. Firstly, market segmentation which is present in both consumer and industrial marketing literature, secondly customer portfolio management, largely limited to the area of industrial marketing, and thirdly to what is commonly known as Key Account Management (KAM) in the industrial marketing field, or Customer Relationship Management (CRM) in the consumer marketing area (the closest equivalent concept to KAM). The great majority tend to focus on “the customer”, to consider the customer as a relatively readily identifiable actor, and to exclude explicit consideration of interaction and interdependency with other environmental actors at the individual actor level.

2.1.4 The stuff of industrial markets

Research carried out in the industrial marketing field over the last twenty years or so has generated a rather different view of the nature of customers and markets as compared to the view discussed above. From the view of demand markets as being essentially atomized in nature, composed of large numbers of relatively simple and passive customers, with little or no interdependence between them, and little direct interaction with either suppliers or other actors in the market, has emerged an alternative vision. This alternative vision has progressively evolved over time. The concentrated nature of industrial markets was highlighted along with the consequences for marketing. Complexity of buying centre and processes were also noted, along with the importance of adopting a dyadic approach to studying transactions and exchange between supplier and customer. This evolved to generate a vision of markets not as customers, but rather the space between suppliers and customers, in other words relationship-thinking with the emergence of the Interaction approach developed by the IMP Group and associated researchers. This inclusion of a broader temporal perspective, from transactions to relationships, was subsequently completed with a broader spatial perspective which views markets as sets of highly heterogeneous resource-sharing and resource-creating actors of different kinds – including, but not only, customers – inter-linked by complex webs of relationships, generating varying degrees of interdependency, and demonstrating dynamics at both individual relationship level and at higher network levels. The end result is a vision of industrial markets that contrasts starkly with that of consumer markets.

2.1.5 The Research Problem at hand

The combination of the two factors discussed above, i.e., what constitutes the customer and the view of the market system, coupled with different views on what strategy actually is, leads us to query the proposals made thus far in the literature concerning the so-called key account management issue. In simple terms it is inevitable that the approach to managing customers in general will be based on the vision one has of the customer and of the market, and of strategy. Naturally the same applies to the handling of key or strategic customer accounts. The conceptual shift which has taken place should lead to a revised vision of what key account management actually is, and what it entails. Inversely, approaches which do not take this shift into account will logically then tend to be inappropriate.

2.2 THE RESEARCH PURPOSE AND QUESTIONS

The purpose of the research undertaken was initially, in line with the IMP2 project described later, to provide an overall improved understanding of the nature of relationships with customers and particularly those of greater importance to the supplier firm, of the influence these relationships exert on the firm, and of the managerial processes accompanying them. It would be untrue and pretentious to claim that focus was originally on key or strategic customer accounts. As discussed in the method section later, this was an emergent and opportunistic process in many ways. Thus, beyond the fundamental questions posed within the framework of the IMP2 project, several complementary elements emerged over time. Building on the identified specificities of customers and industrial markets, these complementary elements relate to the nature of supplier and customer entities as such, to the nature, function and value of relationships with such customers, to the dynamics of these relationships over time, to the influence exerted by the network context, and consequences for appropriate handling of such relationships. The accumulation of empirical data, and parallel progressive focus on the key account management theme, quickly led to the focus on more directed issues. These issues related to exploring the pertinence of the – often implicit – assumptions made in the KAM literature regarding the nature of key accounts and their management, the consequent appropriateness of proposals made, and the search for improved proposals.

Specifically, confronting the KAM-specific literature firstly with the relationship and network literature, and subsequently with the empirical evidence herein, three basic research issues and questions have emerged over time. The first question is an essentially “K”-oriented question, the second essentially “A”-oriented, and the third “M”-oriented:

- What factors represent pertinent indicators of the strategic importance of customers to the supplier firm?
- What are the characteristics displayed by those customer firms considered as being of strategic importance to the supplier firm?
- What problems are posed in managing these customers and what managerial response and adaptation over time are appropriate – including structures, methods and processes – when handling relationships with such strategic customers?

The purpose of this thesis is to provide answers to these questions.

3. THE STATE OF THE LITERATURE

3.1 MANAGING THE CUSTOMER

The discussion regarding literature specific to KAM alone is considered here as insufficient for our purposes, as they have a tendency to eclipse the analytical and strategy setting dimensions of KAM. Other areas of literature, in particular relating to broader customer management issues, act as a backcloth and merit – or in our view demand – explicit consideration when developing an appropriate conceptual framework for KAM. Two main areas are considered here: market segmentation and Customer Portfolio Management (CPM). The former relates to developments in both consumer and industrial markets. The latter relates rather to developments in industrial markets.

3.1.1 Coping with Customers: Segmentation as a “K” and “M” Issue

Directly related to both the idea of value of the customer to the supplier firm and characteristics of customers is the notion of segmentation and that of associated CRM techniques, and the abundant literature pertaining to these. Market segmentation can be considered in many ways as a “narrowing down” phase in the strategic customer management process, upstream of selection of key accounts. It is fundamentally the breaking down of the marketplace into homogenous sub-sets of customers [Wind 1978, Kotler 2003], with a view to addressing those sub-sets most appropriate to the firm’s strategy and resources, in line with Kotler’s definition of marketing strategy evoked earlier. Once these sub-sets identified, using criteria relating directly or indirectly to specificities of buyer behaviour, the value of the segments is assessed in the eyes of the marketing firm, and subsequently targeted – or not – accordingly. Targeting here means selecting segments of particular interest to the marketing firm relative to on the one hand the marketing company’s objectives, and on the other the availability and appropriateness of (internal) resources and competencies as compared to those available to the competition.

Segmentation is considered necessary given the large numbers of customers in the market, and the impossibility to address each individual customer’s requirements, due essentially to lack of sufficient resources. Typical consumer marketing segmentation criteria are socio-demographics (age, location, etc), and value issues relate typically, first and foremost, to anticipated potential sales volume and profitability, but also indirectly to

the strength of the competition on the segment, and other “structural” aspects. The *value* even here is thus not necessarily absolute, in that it depends on the capacity of a given supplier firm to exploit that value on a given segment.

The customer is extracted from his environment for the purposes of analysis. Segmentation techniques tend to “freeze” the customer entities in time and space as regards their *potential* value to the supplier firm, even if recent developments in marketing suggest evaluating a customer’s potential worth over time¹. Underlying this process described above is the idea the customer is the most important actor in the marketing firm’s environment. Moreover the idea prevails that these customers can be considered autonomous “atomistic” entities, i.e., that they have value for the marketing firm, unrelated to context, which can be captured by analysis and assessment of their intrinsic characteristics alone.

This assessment made on the basis of individual characteristics takes place periodically, in line with a rational-comprehensive, “one-step” vision of strategy [Lindblom 1959, 1979] and not on a real-time basis. This assessment of value to the marketing firm is also very much one limited to sales revenues or profitability issues, albeit over time. Also whilst, by integrating the “life-time value” of the customer, *future* value of a customer may be an issue, the *development potential* of a customer, depending on the quality and type of future relationship management adopted by the supplier, is very much a neglected issue. The supplier firm is in fact assessing use of “internal” resources in the guise of the 4 Ps and measuring and matching compatibility with customers, seen as a component of a “frozen” and atomized environment.

The relationship dimension which is the focus of CRM approaches remains typically limited to such issues as the providing of a derived profile of a customer at a given moment in time, partly based on cumulative history of exchanges between the marketing firm and the customer. This history and profile, using data bases and data mining techniques, are usually rather superficial in nature, relating simply to past purchases or information exchange, and the idea of relationship management is a far cry from that developed in industrial marketing. Network considerations are noticeable by their total absence.

The customer management debate in the area of industrial marketing follows to some extent a similar path as in consumer markets in the sense that the broad areas of concern

¹ The life-time value idea has led to developments regarding CRM in consumer marketing. Partly as a result of focus on life-time value issues and partly as a result of improved data collection and processing techniques, data-mining etc. – the e-revolution – and improved flexibility to adapt to specific customer requirements, the relationship marketing concept and associated CRM practices has emerged in consumer markets over the last decade or so.

are similar. Some major differences are revealed however due for the most part to reasons regarding the nature of industrial markets, and in particular supplier-customer relationship and network issues [Håkansson 1984, 1989; Johanson 1985; Axelsson 1992; Snehota 1993].

Contrasts in the field can be made however regarding what we will call here the “North American school” as compared to the “European school”.

3.1.2 Segmenting Industrial Markets as a CPM prelude

The North American school, whilst acknowledging the existence of interdependencies in industrial markets – down the manufacturing channel, for example – and the specifics of industrial markets in general, tends to pay but little attention, with the exception of a few authors, see for example Anderson and Narus [1990], Anderson [1991], or Wilson [1986, 1994], to the core issues of relationships and networks.

It tends to focus on two extremes as regards customer strategy and management. Much attention is paid, for example, to the specifics of industrial buyer behaviour and the consequences that may have on strategic tools and methods applied in the market (see for example Shapiro and Bonoma [1984] on the “nested” approach towards segmentation of industrial markets). Indeed, it is this buying centre focus, coupled with a vision of an atomized demand market, that has probably conditioned the general approach to the KAM-specific literature described earlier, which predominates.

The overall strategic process suggested however generally remains close to that proposed for consumer market situations. For the purposes of segmentation, for example, the objective is still one of rationalizing, on a “one-step” periodic basis, the characteristics of the customer – part of the external environment – to subsequently match the firm’s offering, developed using internal resources. The notion of the customer as an “external” resource, itself to be used in this matching process, is sometimes implicitly evoked, but rarely taken further. In some cases [Shapiro 1987], confusion even reigns as to the difference between market segmentation and customer portfolio management – see the discussion below – with customers and potential customers being grouped together under the same label. Yet the difference between the two categories of actors is critical.

This is also true of the – mainly North American – key account literature, a theme largely limited to industrial market situations, for example, where even in the cases where

the relationship dimension is considered, little (though some) consideration is given to the network relational context as evidenced by Benson Shapiro's statement [1988]:

“The integration in a strategic partnership must extend sometimes beyond the two partners to the vendor's suppliers and the customer's customers ... Other levels in the supply chain or distribution channel must be involved to provide all the needed strategic, technological, operational, and financial horsepower.”

Even in these cases, the customer interest or value issue is portrayed more often than not as being first and foremost related to a trade-off between the size of the customer, customer needs, sales potential, and customer profitability, as compared to the cost of serving the customer.

3.1.3 Relationship Dimensions of Customer Strategy: Beyond Segmentation to CPM

As a contrast, on the European side, Turnbull and Valla [1986a] propose a customer-relationship oriented approach for setting industrial marketing strategy, explicitly integrating the interaction and supplier-customer relationship perspectives, explaining:

“...it is our view that existing approaches are inadequate in several respects when we try to relate them to the realities and strategic planning and implementation in the industrial marketing field ...”, and suggesting “The particular characteristics of industrial marketing require a framework of strategic planning which integrates the dimensions of industrial supplier-customer interaction, the management of portfolios of relationships, and the different levels of management perspective which characterise the marketing and purchasing of industrial products and services.”

The strategic approach to customer strategy in Europe then has led to the development of proposals in the area of segmentation, but especially customer portfolio management, and KAM, which lean more heavily on relationship and network thinking. The customer portfolio developments, which very often lead to the identification of key or strategic customer accounts, are discussed hereafter.

3.1.4 CPM approaches in Industrial Marketing Strategy

Segmentation takes the full set of potential and existing customers in the marketplace and attempts to “make sense” of the complex reality by sorting them into homogenous groupings. It is an attempt, by the bias of intrinsic customer characteristics, at rationalizing on the use of the firm’s resources with a view to optimally attaining objectives by adopting specific orientations regarding selected customer groupings. Customer portfolio management techniques, on the other hand, whilst perhaps apparently similar in nature, do not demonstrate the same object nor finality. They have been derived along the lines of approaches such as the Boston Consulting Group and McKinsey matrices and methods, developed and implemented by the corresponding consultancy firms in the corporate strategy field. The latter used these techniques to analyse the relative value to the multi-activity firm in pursuing specific activities in its portfolio. With Customer portfolio management techniques, in the marketing field, the object of the analysis is not that of assessing the relative value of activities, but that of the firm’s *actual customer base*. The finality is that of optimisation of overall customer relationship management configuration. In other words, the majority of CPM approaches consider as a premise that relationships with customers are resource-consuming, whilst at the same time resource-providing. These resources – the value of the relationship to the supplier – are also not limited to economic aspects, but are more often than not multi-dimensional. An assessment of the value of the relationship with the customer, and the required investment to develop or maintain the relationship, provides a framework for a two-dimensional matrix ranking and selecting of those relationships of most interest in pursuance of the firm’s objectives.

One of the simplest examples of CPM developed by Dubinsky and Ingram [1984] and proposed as a customer base rationalisation tool at salesman’s level in the field, orienting his choice of customer action, is not specific to industrial marketing contexts. It takes as axes for analysis present and future customer profits (integrating relationship development investment dimensions by the salesman within each axis). The resulting profiles of customers across the matrix guides the salesman as to appropriate action (invest in visits to future high potential customers, give minimum attention to low profit, low potential customers etc.). Dubinsky and Ingram [1984] point out the need for harmonisation with strategy higher up in the organisation and at the same time mention the need for the salesman to integrate, in evaluation of the value of each customer under analysis, other issues of strategic importance to the parent organisation as a whole. The emphasis is

nonetheless essentially on economic exchange, and the profitability issue, as was the case for segmentation earlier.

Without developing specifically a matrix approach, Ford [1980] suggested the need for assessing the importance and ranking of existing relationships with customers, adopting a more industrial marketing oriented stance, integrating dimensions such as relationship potential, resource requirements to fulfill the potential, and vulnerability of the relationship. He also emphasized the need to ensure that the degree of resource allocation for a given relationship is appropriate as compared to other relationships, and in line with corporate and marketing strategy.

Other proposals, all suggesting matrix-type analysis for subsequent decision-making as to choice of relationships and subsequent relevant strategy, include work by Fiocca [1982], Turnbull, Cunningham and Homse [1982], Campbell and Cunningham [1983], Salle and Rost [1993], and Salle, Cova and Pardo [2000].

These approaches are all similar in that they seek to establish matrix-type rankings of customers and/or customer relationships, usually using “cost/revenues” (value/attractiveness of the account, for example vs. the cost/difficulty to serve the account) indicators along the two axes of the matrix. They do not all refer to the top-ranking customers/relationships as “key accounts” explicitly, but in most cases the end result targeted is precisely that of identifying them. The value/attractiveness include factors going beyond the economic dimension of strategic importance of the relationship with the customer, such as access to technology, market reference value etc. However, rarely does it include network influence and associated value/cost dimensions relative to the relationship. Cova, Mazet, and Salle do raise the issue, and in more recent work Turnbull and Zolkiewski [2000] propose a three-dimensional matrix approach to portfolio management. The three axes of the matrix are “net price”, “cost-to-serve”, and “relationship value”. This, they suggest, allows for analysis of both hard economic data and more soft subjective data. They go on to further suggest that these matrix-type portfolio methods can be extended to include on the one hand supplier portfolios, and portfolios of other actors such as competitors, and they also point out the necessity to include, in the future, network considerations when constructing the matrix suggesting “It is important to recognize that portfolios of relationships (...) are positioned within a network of relationships ” and defining this network, based on prior definitions by Axelsson and Easton [1992], and Håkansson and Snehota [1989], as “the portfolio of customer relationships, supplier relationships and indirect relationships which directly relate to the focal organisation’s

business environment” (p.21) . They conclude “In this review we have not attempted to develop the issue of indirect relationships although it is an area which requires further development”.

3.1.5 From Segmentation to CPM to KAM

KAM and the strategic processes described above can be, and indeed in most cases are, in line with the marketing strategy literature, seen as a “Russian” doll approach to the customer strategy and management in industrial markets. The inner doll is that which involves setting strategy for and managing the individual customer in the marketplace. The outer dolls, successively customer portfolio management and market segmentation, are the levels progressively framing the strategic management of these individual supplier-customer relationships. These outer dolls are themselves inscribed in the corporate strategy processes discussed earlier.

The three techniques – segmentation, customer portfolio management, and key account management – are generally considered separately, and going from the outer doll towards the inner doll. That is, they are very much stand-alone processes, with little or no overlap allowed or catered for, except for rare instances such as Fiocca [1982] who, linking CPM and KAM issues, even then describes it as a “two-step” sequential process, starting with an overall ranking of all customer accounts, then focusing in on key accounts individually. However, an argument could be made for an inside-outwards approach, taking as core elements of customer strategy the supplier’s key account base, and working outwards to develop coherent “surrounding” CPM and segmentation logic.

In reality an ideal situation lies somewhere between the two of course, i.e., a permanent, real-time search for coherency between market segments targeted, customer portfolio content, and key accounts served.

Rare attempts to provide an integrating strategic framework encompassing all three approaches do exist. Turnbull and Valla [1986a], for example, on the one hand question the traditional “one-step” rational-comprehensive [Lindblom 1979] approach to strategic process suggesting that the three different theoretical “phases” in the strategy setting and implementation process are quite different in nature and often not handled within the organisation by the same entities at the same hierarchical levels, and on the other, not mechanistically initiated by top management then implemented by personnel in the field. To use Turnbull and Valla’s terms:

“Inevitably, the ‘business vision’ or perspective at various levels of responsibility is essentially different. The problem then becomes one of whether managers at different levels will, or can, recognise this activity, and the planning thereof, within the global strategic planning framework defined by corporate planners.” [...] [This] perspective is particularly relevant in industrial marketing, where strategic decisions are actually often taken at relatively low levels in the hierarchy.”

We would suggest here that this same logic applies not just to different “levels” of strategic process, but also to different areas, geographical or otherwise, across the organisation e.g. two regions, or two SBUs in the same corporate framework.

As an alternative to traditional strategic approaches, Turnbull and Valla [1986b] then go on to propose an “interactive” strategic marketing framework integrating more explicitly the specifics of industrial markets, and more specifically integrating consideration of the role and importance of supplier-customer relationships. This translates as consideration of the customer perspective at macro- (segment) and micro-market (individual customer) levels, with at the same time the equivalent of an intermediate “customer portfolio management” level.

3.2. KAM-SPECIFIC LITERATURE: THE STATE OF THE ART

3.2.1 General comments

Before entering into more detailed assessment, a few general comments regarding the general state of the literature in the area are worthwhile.

First of all, for what appears to be, on the basis of the literature framing the KAM process, a critical issue in the industrial field there is, overall, very little attention paid to the theme specifically. There are at least two probable reasons for this.

Firstly the multiplicity of terms used when discussing the process (National Accounts, Key accounts, Global accounts, Strategic accounts, important accounts...) can lead to the theme being hidden under other titles. Some of the literature is thus difficult to identify as KAM literature, though KAM may well be its focal concern.

Secondly, the fact that much of the European literature in general and IMP literature in particular, though implicitly discussing factors directly or indirectly relating to KAM – supplier-customer relationship development, network influence on S-C relationships, CPM, etc. – do not fall under the KAM heading as such. The theme thus gets clouded and

buried inside other broader themes and “drowned in the mass” of industrial – and in particular European – relationship marketing literature in general.

Whatever, the result is nonetheless a remarkably small body of *dedicated* literature, with the following characteristics.

(1) Much of the literature on KAM or similar explicitly or implicitly adopts a “Sales” orientation as opposed to a “Marketing” orientation. Sales being just a small part of Marketing, this naturally leads, we suggest, to an impoverished debate relative to the potential the theme offers.

(2) A large portion of this literature – indeed the majority if not all of it – is managerially oriented. Discussion revolves around the “what to do, how to do it, and who should do it” issues, without discussion or proposals regarding an appropriate up-front theoretical framework upon which these managerial proposals might be founded or articulated. This is especially true for the North American body of literature. Indeed much of this latter is guidelines to practitioners, or advice by practitioners to their pairs.

(3) The literature is not only scarce but also fairly recent, spreading over the last twenty years or so for the most part.

(4) A definite split in the literature seems to exist depending on its origin and its date of emergence. The North American literature tending to be of the managerial kind is thus to be contrasted with the later European literature which whilst not neglecting managerial considerations, if not always suggesting theoretical and conceptual bases, at least begins to question more their apparent absence.

The overall impression is one of an area of study which, having grown initially out of a management interest and need, having then leap-frogged an initial theoretical development stage to respond to meet managers’ demands, is over the last few years in search of solid conceptual and theoretical foundations upon which to progress. Aware of its shortcomings and the lack of a sound theoretical base, some researchers are now starting to question previously unquestioned premises and assumptions.

3.2.2 Different Perspectives on KAM: Academic Evolution and Industry Practice

In a review of the KAM literature, Weilbaker and Weeks [1997] track trends in content and approach over time. These trends reveal an “emergent” phase between the 60s and 80s, where the general idea of KAM and its interest – the necessity of identifying ways of handling key accounts – develop. A “you should...” period.

Work by Moriarty and Shapiro, focusing on organisational response and support systems faced with key accounts, rang the bell to this first stage, generating a phase from the mid-80s to the mid-90s focusing on management issues per se, tied in with “how to” issues such as segmenting key customers [Tutton 1987], selecting key account managers [Coletti 1987], etc. These contributions often heavily exploited factual – in-depth qualitative and quantitative – data from increasingly experienced industry actors to back up the proposals made.

Since the mid- to late 90s a certain maturity has set in. There are *some* signs that companies and researchers have begun to integrate the fact that KAM, its procedures, its structure, only take on meaning and can only be approached, analysed and assessed by positioning it within a broader company and environmental context. Hence the need to rethink – or rather think out for the first time – and embed the theme into an appropriate theoretical framework.

The literature in the field can be seen to have four main origins. Firstly pragmatic literature of a purely managerial nature, derived from the activities of the “SAMA”² organisation’s activities such as practitioners’ seminars, meetings and workshops, but especially based on considerable quantities of empirical data collected via studies run amongst SAMA’s members. The focus, as pointed out by Millman [1994], is almost exclusively on the “Sales optimisation” perspective, and the need for a dedicated efficient salesforce and key account manager and team.

The second body of literature identified is from North American academics and journals. These include Shapiro and Moriarty [1980, 1982, 1984], cited earlier. Few references exist in the area, all the same. Those works most approaching the domain of theoretical development are, moreover, contributions to these journals by European authors.

A third body of literature is to be found in the advice to practitioners provided by North American consultants [Langdon 1995; Hanan 1989; Burnett 1992] Again, little reference is made to questioning or building an appropriate conceptual framework.

The fourth body of literature – mainly European – concerns the contributions of the IMP group and associated researchers discussed earlier, regarding the nature of industrial markets and consequences for industrial marketing [Håkansson 1982; Johanson 1985,

² The SAMA, previously the NAMA until a name change in 1998, is a managerially-oriented professional North American association focusing on the strategic account management theme, which organises seminars, carries out surveys amongst and for its members, and publishes the results of these surveys, along with practitioners’ and experts’ opinions.

1987; Håkansson 1992; Ford 1997]. These works tend to adopt an approach which attempts to position and structure the field theoretically, leading to attempts to give advice to practitioners (see for example Salle and Sylvestre [1992]), but do not explicitly address, for the great majority, the KAM theme directly.

3.2.3 Varied Theme Focus within KAM Literature

An interesting overview of the broad theme areas handled, along with the authors involved, within the framework of the KAM literature is provided by Pardo in her doctoral thesis [2000] focusing on structuring organisational response to KAM. She proposes a categorisation of literature on the KAM theme. The bulk of this literature, in actual fact, focuses to some extent on discussion as to the “Why” of the emergence of KAM on the one hand, but mainly on the characteristics of KAM, on the other, i.e., what it is and what it should be. We discuss these below – addressing the “why” question first, and then adopting a “K-A-M” breakdown – and try to provide an overview of the main authors’ contributions.

3.2.4 The “Why” of KAM

As regards the emergence of KAM – factors stimulating and favouring KAM emergence and development – the literature here refers to the increasing concentration of industries and firms in markets via buyouts, mergers, alliances etc., and the accompanying desire and necessity of firms to rationalise sales and purchasing approaches accordingly. Alongside this concentration phenomenon the increasing complexity of markets is highlighted, a result of the concentration phenomenon and increased exchange flows between firms. Fewer suppliers and fewer customers, the sale of systems and sub-systems rather than components, an increase in the service dimension of exchange, and this in an increasingly global environment which redefines boundaries both in the market and within the firm with relocation of decision-making processes in particular, all lead to increased complexity to be managed.

This complexity and concentration, translating as greater levels of inter-firm interdependency between supplier and customer actors via more concentrated, more complex relationships in industrial networks, is accompanied by an ever-more professional

approach by the purchasing function, necessitating an equivalent reaction – KAM – by selling firms.

Factors considered by some as contributing to and conditioning the emergence of KAM also include the evolving structure and complexity of the *supplier* firms. In this area, for example, Stevenson and Page [1979] identify the size of the supplier as an element playing a role in the adoption of KAM approaches (and hence implicitly as characteristics contributing to the “K” dimension in KAM discussed below), generating the need for a large sales force, and high costs involved in setting up such structures. Shapiro and Moriarty [1980] on the one hand evoke the situations of suppliers with multiple plant locations, or several company divisions, with the increased need to coordinate action faced with the customer, and on the other raise the issue of increasingly complex offerings by these suppliers, both of these factors, they claim, arguing for the adoption of a KAM structure. Increasing competitive pressures are also named by Shapiro and Moriarty [1980] as a stimulator for KAM approaches, in particular in seeking improved, specific organisational responses for the serving of key accounts

3.2.5 Characteristics of KAM: a K-A-M analysis

What follows is a breakdown – for purposes of improved coherency of analysis throughout the thesis – to the KAM-specific literature into its three component parts, in line with the research questions outlined earlier. In actual fact the very nature of the literature, on the one hand, complicates this breakdown. Certain authors, firstly, for example, poorly differentiate between these three elements. Also, later in the thesis, some aspects go beyond the three elements as such, strictly speaking. This is the case for example for the shift in focus from “account” to “relationship” mentioned earlier.

Nonetheless this 3-way split, although leaving blurred edges to elements, allows a first approach for analysis and discussion purposes.

The “Key” in KAM

The “K” in KAM clearly reflects the issue of importance of the customer to the supplier firm involved in KAM. This importance – or value issue as we will suggest later – is surprisingly limited in scope in the KAM-specific literature, no doubt partly due to the predominance of the oft-adopted “sales” perspective taken into account. In the light of the emerging industrial context described above, Hunter [1987] considers, for example, that

the emergence of KAM reflects the need to establish close, long-term relationships with certain customers (the underlying logic being that these are necessary to enjoy high income on a long-term basis from these key sources of revenue), and Barrett [1986] who, applying the 80/20 rule to a firm's customer base and revenues generated, considers that special attention should be paid to this 20% of the customer base to ensure and develop the 80% of the firm's revenues. The debate as to the "K" in KAM is thus essentially linked, in these cases, to the increasing size and concentration of customers, and the assumed corresponding absolute and relative (compared to "ordinary" customers) importance of certain "special" customers in terms of potential turnover over time to the supplier firm.

Thus size declines as purchasing volume for many other authors [Stevenson 1979,1980] or else turnover with the customer for others [Lang 1973; Tosdal 1950; Stevenson 1979 (on the basis of an empirical study, with criteria ranked by a sample of supplier firms interviewed); Shapiro and Moriarty 1980; Barrett 1986; Shapiro 1988], in particular, include a dynamic perspective of this definition of "key" by including the customer accounts' potential turnover. The results of a study performed by Stevenson [1981] – on "large accounts" – identified numerous factors for adoption of KAM quoted by supplier firms, themselves indicators of the "key" dimension, of which in decreasing order of importance, increased sales, increased profits, increased market share, and improved communication and coordination with the customers (whilst factors regarding the maintaining or improving of position with existing or developing customers are mentioned, they are quite some way down the list).

From this point on, although certain rare authors (see for example Rangan, Shapiro, and Moriarty [1995] on the value and management of beta-test customers) briefly introduce other possible dimensions of importance of customers, these remain limited in number and in scope. Worthy of note is the fact that some confusion also reigns in the majority of the literature as regards what represents the "Key" and what represents the "Account". A "large" customer is thus associated with, for example, high potential turnover. Whilst not excluding the fact that "account" characteristics may often – though not systematically – correlate with the "Key" issues, we feel it more appropriate to discuss the former separately below.

The "Account" in KAM

The "Account" dimension of KAM attracts little attention in the literature as such. Characteristics of the accounts taken into consideration to define them relate especially to

structural aspects, or occasionally purchasing strategy, of the account. Moreover the debate tends to mix the “A” with both the “K” and “M” dimensions.

Hence key accounts are seen as being typically characterised by a large, more complex, structure. They are presented by some as demonstrating a more complex (but single) buying centre [Shapiro and Moriarty 1980], as being multi-site thus calling for a more coordinated approach by suppliers, or along similar lines as having several geographical locations [Lang 1973]. According to Stevenson, for example [1981, p136], to qualify for KA status a customer must possess 10 sites or more. Shapiro and Moriarty explain that the dispersed buying function across these “key” accounts – itself due to increased multi-functional involvement across the firm, on the one hand, and operational dispersion due to the existence of multiple operating units with varying degrees of autonomy on the other hand –cumulates with the more complex nature of purchases made (systems and sub-systems, with high service content).

In parallel with the complex customer structure discussion is that of centralisation or decentralisation of purchasing or partial HQ control by the key customer [Pegram 1972; Hartung 1974] (Though Shapiro and Moriarty [1980] rightly comment, in this specific case, that the centralisation criterion actually reflects ease of access – hence reflecting appropriate necessary supplier KA structure – to the account rather than key account status of the customer as such).

Of particular note here perhaps is the fact that the concept of “account” is assimilated inevitably and ultimately in the literature to that of one “company”, i.e., one customer company equals one (indivisible) account, regardless of the number or possible degree of independence of divisions or operating units, for example. This tends to shift the debate fairly quickly from one on the definition of an account to the one discussed below, i.e., how to manage the account given a customer company’s internal structure.

The “Management” in KAM

The management aspect is the area of KAM that has received by far most attention from authors in the past. Content for the most part with what can be considered – in the light of what was discussed earlier – a rather limited definition, despite the remarks of a few authors on more far-reaching definitions of strategic importance of customers, and of what constitutes a *key* or *strategic* account, quite some focus has been placed in the literature on how to organise for key account handling, i.e., a management consideration. Most KAM authors, however, pay little attention to analysis and strategy setting aspects of this

management, preferring to focus on implementation and operational issues regarding how to “best serve” the accounts selected. This management addresses typically such items as the need, the role and the required characteristics of a key account manager, the profile required of a key account team, and appropriate support systems for manager and team. In other words focus is on the organisation of actors within the supplier firm itself, with little direct focus on the customer firm, and less on the actual relationship between supplier and key customer and its dynamics. There is virtually none at all on the context in terms of relationships in networks.

At the same time the impression of a search for the “one best way” predominates, as though regardless of specific context some ideal or preferred organisational form exists to handle the key accounts of all supplier firms. Likewise the un-stated assumption predominates that for any one given supplier firm, an ideal, unique organisational-response solution exists adapted to all key accounts in the supplier’s customer base.

The key account manager and KAM team, comprising specialists of different kinds, is thus seen by Barrett [1986] – under the heading “Sales team” – as a way of better handling communication flows with the customer firm’s buying centre, allowing direct interaction with each member and thus avoiding or reducing conflict. The strategic role played by these actors, according to Barrett’s vision, is linked to the fact that the key account manager handles relationships with top level management customer-side. This vision remains very much a “sales” vision of key account management as compared to a strategic marketing vision.

For Moriarty and Shapiro, who provide a fuller vision of the key account manager and his team’s roles, the key account manager’s role depends on the size of his team, his degree of authority and responsibility over the accounts handled and his team, and the number of accounts he is responsible for. This role clearly exceeds that described by Barrett earlier, as the key account manager here is considered as spokesman for the seller firm, with the job of ensuring the satisfying of the key accounts total needs. Millman [1994] goes further in this direction, highlighting the fact that the key account manager is a “relationship builder” with multiple roles. This includes handling the information flows discussed earlier, but also assessing the key account customer’s needs, and acting as mediator, consultant and “friend” to the key account. Even here, however, the focus of the key account manager would tend to be one of guardian of sales turnover and profitability.

Going beyond the sales team notion of KAM, Shapiro and Moriarty [1984, p.1] consider that of support system. Their notion of support system relates to those of the

supplier's personnel, outside of the sales team itself, involved in activities acting as backup to the key account manager. These support systems, according to the authors, are the major factor – “key success factors” – determining the capacity of the manager to fulfill his promises and commitments to the customer, be they implicit or explicit [Shapiro 1984, p.3].

Shapiro and Moriarty go on to identify eleven functions of these systems, going from information management, finance, etc. through such functions as administrative (invoicing etc.), financial (setting up or handling special complex financial packages for the account) and technical (to adapt the technical dimension of the offering to the account's requirements, taking care of the “technical side of the sales”), to logistics, production, product development, legal and accounting (calculating the profitability of a key account). The authors emphasise the importance for the key account manager's task of “integrating” – ensuring collaboration and communication between them – these different, and often highly differentiated [Lawrence 1989] support systems, which are seen as resources potentially at the key account manager's service, into a KAM approach. The management of this internal resource potential can be automatic, but may sometimes call for specific coordination on the initiative of the key account manager, via meetings, set-up of special workgroups etc. Shapiro and Moriarty point out that the very structure of the supplier firm in this way conditions the difficulty of the key account manager's task. The more the functions are “differentiated”, the further away they are from the concerns regarding key accounts specifically, and the more divisions there are, the more difficult is the key account manager's task. In these cases in particular, Shapiro and Moriarty point out the importance of top management involvement, with the power to influence the way the company's units work together, for effective management.

To summarise, the overall result in terms of the literature discussed so far is a rather simple – and even simplistic – view of KAM, as summarised in fig. 1(a) below, or at best a slightly more complex view as depicted in fig. 1(b).

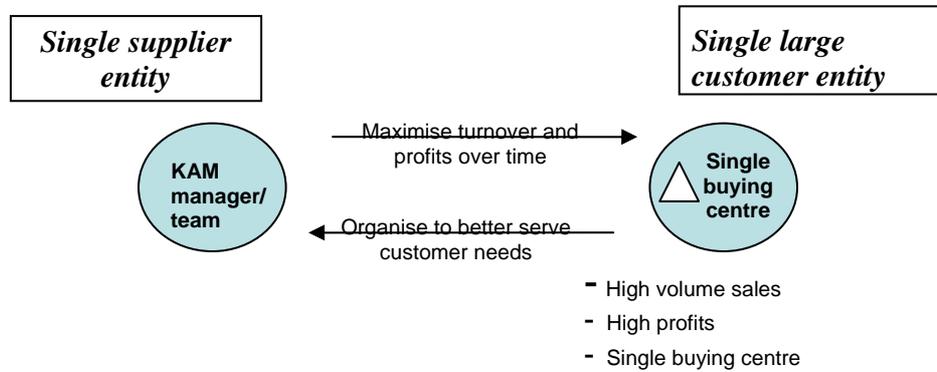


Fig 1(a) Traditional view of KAM : Simple form

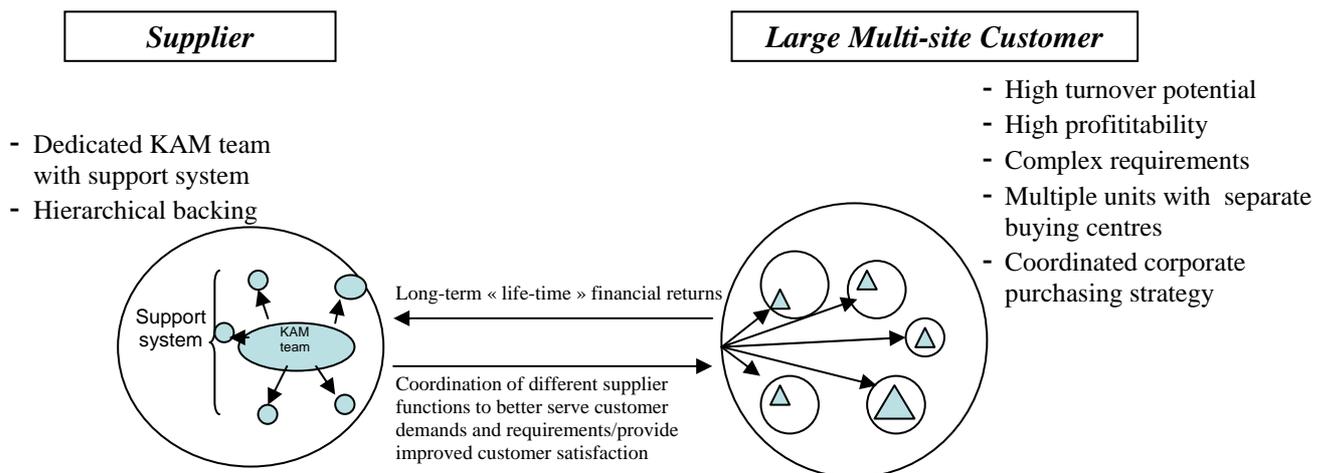


Fig 1 (b) Traditional view of KAM: Complex form

Going beyond the vision provided above, Pardo [1994], building on work by Pardo, Salle and Spencer [1995] and Mazet, Salle and Spencer [1995], considers KAM and the key account manager's role from the point of view of an interface between "outside missions" (relative to the key account) and "inside missions" (within the supplier firm). The key

account manager's role is thus one of "relationship facilitator" between the networks of actors within the firm, and the network of relationships "outside" the firm.

Amongst some of the most interesting work in KAM recently is work by Homburg et al [2002], who observe that even in 2002 "sound academic research on this topic is still surprisingly limited" and suggest "KAM is one of the most fundamental changes in marketing organisation". They go on to discuss key accounts as "large customers (who) often rationalise their supply base to cooperate with a limited number of preferred suppliers" [Homburg 2002, p2], and pursue "these demands from important accounts raise an organisational design problem for many suppliers".

They identify in the literature three bodies of research. The first one relates to key account managers, the second to dyadic relationships between suppliers and key accounts, and the third to the design of key account programmes.

Noting Shapiro and Moriarty's [1984, p 34] observation that "the term national account management programme is fraught with ambiguity" is still valid, they note also that much of the empirical work done – and which has driven concepts – is based on large companies with formalised key account programmes, leaving to one side small and medium-sized companies. We would add here that the tendency to study that kind of company also has the advantage, of course, of handily skipping essential questions as to , for example, the exact nature of key accounts as key accounts are often "pre-identified", no questions asked, by the company under observation.

The main thrust of their approach to the issue, again though, is a KAM implementation-organisation one using a supplier intra-firm Actors-Activities-Resources perspective. They consider KAM from the perspective: What is done? Who does it? and With whom is it done? (mobilisation of internal resources of the firm, as per the support systems discussed earlier) They add "Degree of formalisation" of KAM as a further research question. They then go on to establish a taxonomy of different KAM approaches adopted across a sample of 385 US and German firms, derived from answers to the key constructs operationalised. This taxonomy reveals several categories of KAM approach by the firms interviewed: Top Management KAM, Middle-management KAM, Operating-level KAM, Cross-functional Dominant KAM, Unstructured KAM, Isolated KAM, Country-club KAM, and No KAM. This empirical classification of KAM approaches puts into question, according to the authors, the "ideal types of KAM (assuming that) KAM approaches line up on a continuum from pre-KAM to synergistic KAM".

An analysis is then run of KAM approach related to issues of performance. They conclude that no-KAM, “these companies do not manage their key accounts”, (p.13) and isolated KAM, “rather isolated local sales effort, in these companies that, despite some effort from top management, struggles for cooperation from central business units”, perform worst. This performance is defined not simply as profits, but as outcomes relative to the key account with “such outcomes as long-term orientation and continuity, commitment ... and conflict reduction” (p.9). The authors also integrate a measure of outcomes of KAM at “organisational level”, meaning improved adaptiveness to changing market situations, better performance in terms of overall market outcomes relative to competition, and better overall profitability (translated as average returns on sales overall over the three preceding years).

As regards the strategic dimension of KAM, they integrate this as being the involvement of top management, without particularly elaborating on this. Quoting Millman and Wilson [1999, p 330] that KAM “is a strategic issue and the process should be initiated and overseen by senior management” they then simply make the link with Hambrick [1984] that “...writers on strategy implementation who argue that the organisation is a reflection of its top managers”.

Work by Rehme [2001] focusing on sales coordination and key account management programmes in MNCs also touches on the need to integrate more recent theoretical developments into the area and argues for more consideration of KAM as a customer-based organisational issue rather than a product-, function- or geographical-based one [Rehme 2001, p.6], and study of how relationships develop in KAM programmes.

The emphasis in his thesis is nonetheless one relating essentially to organisational as opposed to strategic management issues with “...focus particularly on the differing coordination patterns and organisations in KAM programmes based on structural development within the same corporation” and this “...includes the way in which KAM has implications for the development of the front end organisation” [Rehme 2001, p 9]. KAM strategy as such is considered in the light of “... how strategies affect and are affected by KAM”. Along this line he goes on to consider coordination problems between supplier and customer, and between different functional and sales units in the firm [Rehme 2001, pp. 12 and 13), leading to a coordination/differentiation debate. He rather nicely summarizes his vision of KAM with his opinion that “Key account management deals with the “how” question in marketing management” [Rehme 2001, p 31]. This, we suggest here, should in fact be questioned to include the “why” and “what” which translates as

acknowledgement of the *strategic* and *strategy formulation* component of KAM, which goes beyond KAM as such, as hinted at in the preliminary literature review above.

Only then will his subsequent statement that “KAM is one of the more widespread marketing programmes that puts marketing strategy and the emphasis on dyadic relationships into practice” start to make sense.

3.3 CRITIQUE OF THE KAM-FOCUSED LITERATURE

As regards the KAM-specific literature, and in the initial light of the developments, albeit perhaps insufficient in certain areas, in the industrial marketing literature discussed earlier, the following preliminary comments can be made relative to what we consider here as being apparent shortcomings. These will at the same time serve as the setting for the empirical contributions and as bases for analysis and proposals in the following section. Summary table 1 provides a broad overview of the main areas of focus of this KAM-specific literature discussed above.

Traditional KAM-specific literature	
	Common assumptions on characteristics and activities
“K”-dimension	<ul style="list-style-type: none"> • Relatively large size of customer company (turnover, staff...) • Broad geographical spread of customer organisation • High existing sales volume/value to customer • High potential sales volume/value to customer (life-time value) • High profit value of customer • Beta-test value of customer to supplier (new products) • Assumption that company-allocated “Key” status is a pertinent indicator of strategic value of customers
“A”-dimension	<ul style="list-style-type: none"> • Large customers (assumption that size dictates complexity) • (One) complex buying-centre with dispersed buying functions • Centralised (HQ) vs. decentralised (operating units) buying centre • Multiple customer sites/plants/operating units (generating complexity in the buying centre/one buying-centre per unit) • Multiple customer divisions (buying-centre complexity) • Highly dispersed buying functions across the firm • Systems purchase (complex purchasing context) • Assumed unified strategy (coherency in corporate and purchasing strategy across the firm) of the customer firm (and supplier firm) • Upper-management involvement in purchasing decisions by customer
“M”-dimension	<ul style="list-style-type: none"> • Salesforce efficiency • Salesforce organisation (internal/external roles) • Rationalisation of sales strategy with customer purchasing strategy and context • Sales of systems and of complex offerings • Matching customer requirements/ensuring total customer satisfaction/best customer service • Identifying profiles for key account managers • Structuring the KA team (KAM team profile, size ...) • Operational interfacing of the KA team and the customer organisation • Operational support of KAM team by other functional departments of the firm (support systems) • Communication optimisation between supplier and key account • Segmenting key customers • “One-best-way” KAM organisation assumption • Assumption of feasibility of “One KAM-solution ” for the full portfolio of the supplier firm’s key accounts • Corporate management hierarchical backing for KAM operations • Building integrated KAM programmes (staffing, procedures...)

Table 1: A summary of main KAM-specific literature focus

This table prompts comments of various kinds, in particular with respect to the industrial marketing literature in general. These comments are listed as nine points below under the headings of K-, A-, and M- related issues.

“K- Issues”

A narrow, short-term, vision of value

Firstly, despite one or two incursions into the area by certain authors, the importance or – as we prefer to term it here – the “value” dimensions of customer entities are almost systematically reduced to their short term economic dimension. Where other value issues are mentioned they usually take a back seat. In almost all cases these value issues are considered in a secondary way. Moreover, little consideration is given to the fact that customer value of this kind is a *subjective* issue. This value will depend on the supplier’s situation and strategy. Any attempt to establish a standard list, for example, or ranking of value factors is thus doomed to failure. Indeed, as a supplier firm’s situation is inclined to evolve over time, so is the perceived value of given customers, even if the customer himself remains “stable”.

In general it might be considered strange that, at a time where most academics agree that the notion of value is a relative one, many authors in the field of KAM want at all costs to make the notion of *Customer value* an absolute one, providing specific criteria to define firstly what a key account is, and secondly what constitute – often limited – value dimensions and factors, whilst often considering the former and the latter interchangeable.

A static vision of customer relationship potential

Secondly, linking in to the previous comment, the dynamics of *relationship development potential* under different strategic management scenarios are little considered. Potential is mostly seen as a “given” (e.g. what are the customer’s total purchase volumes and how much of those can we deliver), with a certain fixed value in most cases. The idea that a relationship can be used to actually develop increased potential (e.g. help the customer to develop his sales on his own market, thus developing the supplier’s own potential with that customer) is little explored.

Non-consideration of key relationships as means-to-ends

Thirdly, even when mention is made of strategic value of the relationship itself, this is rarely expressed in terms of the value it has as a means of accessing other relationships of interest to the supplier firm, i.e., the relationship as a means to an end – a conduit to access third-party resources – rather than an end in itself.

Disregard of the “relationships as burdens” issue

Fourthly, though much is said about importance of a key account to the supplier firm, precious little is said about “negative value” aspects, or the downside – or the “burden” – of customer relationships. Considering relationships as resource potential is fine, but it is naïve to ignore the potential negative effects they may exert on the supplier firm’s situation in the market place.

“A-Issues”

A simplistic vision of “the firm”

Fifthly, despite the fact that it is recognised that certain factions in the company may resist others, or even – though rarely if ever – be “enemies” of other entities (usually other divisions, or other functions etc.) in the firm, the tendency is still to see the firm as some form of cohesive whole, hierarchically linked and controllable, with the absolute need to coordinate action to be effective. This is true for both the supplier firms discussed, and the customer firms. At best the discussion in the literature regarding the customer firm, for example, considers multiple buying centres within an overall customer setup, each buying centre corresponding to an operating unit.

Size and complexity as synonyms of key account characteristics

Sixthly, a questionable assumption that size and complexity characteristics are automatically attributable to key accounts, and a parallel association of size and complexity with the “key” value issue. This leaves little space for consideration of relationships with customer firms which though “simple” and small, may contribute significantly to positioning the supplier firm in its environment.

“M-Issues”

A limited vision of the extent to which the key relationships are closely entwined – inextricably so in fact – with the strategy of the firm as a whole

Seventhly, and invariably, corporate strategy is seen as evolving in an “upper sphere”. At best reference is made to the need for upper (corporate) management involvement, but essentially to enforce operational coherency between potentially disparate divisions or functions within a given supplier firm. Little or no reference is made to the need to explicitly integrate KAM strategy at corporate level, and vice versa.

A “step-wise” and hierarchical approach to strategy-setting regarding key accounts

There is, eighthly, little regard for the real-time and “in-the-field” factors at play and key account management becomes very much a “stand-alone” issue, not explicitly linked into other areas of customer management such as segmentation or CPM. At the same time the illusion of “step-wise” strategic management – when mentioned at all – is cultivated and perpetuated, as contrasted to a situation where “low-level” players in the field make decisions everyday with often radical strategic consequences, both for the firms involved and for the relationship at hand.

A focus on managing the firm and not on managing the relationship, and a limited vision of strategic relationship management

Finally, though considerations regarding operational aspects of managing exchange with the customer are made, in virtually no instance is the idea of key *relationship* management (as opposed to key customer management) evoked, and particularly one of setting relationship strategy. This may seem to be a case of hair-splitting, but we would argue here that it is perhaps *the* critical issue. Just as a supplier does not throw all of his resources, body and soul, into serving just one customer, in the same way he certainly does not, for example, manage a customer in all his splendour. He can however ensure resource accessing, for example, via an effective management of the *relationship* that he has, or more importantly, that he is capable of developing, with that customer. Note here that when discussing management of the relationship, we are taking a strategic management perspective, and not one which simply looks at what organisational approach is required to

“satisfy” the customer needs and profile, which we consider to be rather a “supplier-side” organisational consideration, even if it take the customer’s needs into account.

Added to these specific comments are the broader issues relative to KAM literature which are firstly that as noted the greater mass of the literature substitutes the “M” in KAM with “organising the supplier firm for KAM”. Perhaps ironically this obsession for the organisational structure issue would be understandable if the notion of strategy setting and implementing as a real-time, “in-the-field” issue were adopted and developed. Unfortunately, as stated earlier, the “top-down” vision is invariably adopted, there is little sign of a common framework emerging which positions KAM relative to the other areas of industrial marketing literature discussed, and though the title itself refers to “strategic” issues, this idea of strategic importance is treated rather superficially by most, i.e., is mentioned in broad terms, in passing.

Precious little attention is in fact paid, then, to the strategic dimension of KAM, even if certain authors recognise the issue as reflected by Millman and Wilson [1997, 1999, p. 30] who see KAM as “a strategic issue and the process should be initiated and overseen by top management”. Even if we restrict ourselves to the “traditional” approach to strategy as compared to a “step-by-step” muddling-through approach, the strategic issues raised in KAM literature seem to relate especially to the strategy implementation stage. The analysis and formulation (decision-making) stages are given little in-depth thought to, except for the discussion regarding need for upper-management involvement, itself focusing on effective strategy implementation issues, and especially organisational structure and processes.

4. METHODOLOGICAL ISSUES: RESEARCH DESIGN AND PROCESS

4.1 QUALITATIVE AND QUANTITATIVE APPROACHES WITHIN THE IMP2 PROJECT CONTEXT

The discussion on method aims at describing research design on the one hand, and on the other explaining and discussing the choices made and constraints encountered during the research process, thus allowing a better assessment of the results of the research. The origins of the research results discussed here, along with much of the empirical data collected, are to be found within the framework of the IMP2 research project described in more depth below, for which I was the French coordinator for the duration of the project’s

design and empirical phases, and for which a full description can be found in the IMP2 Project research Guide [IMP Group, 1989]. The objective of the IMP2 programme was a dual one, with two approaches being implemented simultaneously. On the one hand a qualitative approach which targeted a deeper understanding of the findings relating to the nature and importance of international supplier-customer relationships revealed by the first IMP project run a few years previous. On the other hand a quantitative (standardised) approach was developed with a view to more systematic data collection, more exhaustive quantitative analysis, and hypothesis testing and development on some of the first IMP project findings.

These quantitative and qualitative approaches – designed as stand-alone tools but with a parallel structure and which were complementary [Bryman 1989] – in contrast with the first IMP project, also explicitly introduced the existence and explored the role of intermediaries in international relationships. Moreover the supplier and customer firms in relationship interviewed, also in contrast with the first IMP, were to be “matched pairs”, using mirror-image questionnaires and research guides to obtain both supplier and customer perspectives of the same relationship and associated factors under observation.

At the same time, a major evolution in conceptual terms was the emergence of the network approach in the industrial marketing field, which was duly integrated into the IMP2 project as an area of concern and study.

All of the above may seem fairly generic to supplier-customer relationships overall, and not specific to key or strategic accounts. The specificity for the key account theme emerged from the fact that firstly it was decided amongst the IMP group members to privilege supplier-customer relationships which were “rich”, given the exploratory nature of the project. Whilst this leaves the field wide open for interpretation, the decision in France was to leave the choice of “richness” to the respondents. The perhaps inevitable result was selection of relationships which, for one reason or another, were “important”. The relationships considered important for most respondents in sample firms were, of course, perhaps almost inevitably associated with the status of key customer account.

Another important factor which conditioned the sample of firms and corresponding relationships was the institutional context within which the IMP2 project took place. Each of the several international institutions had its own operating background and constraints. The French situation was qualified by the fact that we were a research centre –IRE (Institut de Recherche de l’Entreprise) – run on a profit-centre basis within the Lyon Graduate School of Business. This translated in practical terms as raising much of our own research

funding via consultancy relationships with French firms. “Clubs” of companies were formed on different research themes, and the company members of the club provided financial resources necessary for pursuance of the themes. I was in charge of the International industrial Marketing club at the time, and responsible for running the French component of IMP2 and enrolling companies for the purpose. Given the relative down-to-earth pragmatism of companies in the club the end result was a series of consulting jobs run for the companies, whilst at the same time pursuing the research objectives, with marrying of the two tasks as far as possible. This became rather easier when, for some company members, the request for consulting focused specifically on strategic account management issues.

It would be fair to say that the key customer account research theme and questions emerged over time. In the early stages, when the first contribution to this thesis was underway, the theme was a fortunate side-effect generated essentially by the involvement in the IMP project. As time went on, however, the theme became a focal one, run within the context of IMP2 initially, then continued outside IMP2, using similar data collecting techniques, later.

The research club solution evoked above, whilst difficult to manage, was advantageous in that it firstly provided me with ready access to the firms in the club and usually guaranteed their full cooperation when carrying out the consultancy/research. Though I sometimes found that what was considered willingness to participate by the upper management teams working with us could occasionally translate as reluctance or hindrance from respondents in the field, this was rarely a major problem. This cooperation included such issues as identifying “rich” relationships, and accessing respondents and setting up interviews both within their firm and with counterpart firms. For reasons linked to costs of club membership, costs of data collection, and corresponding required budget, the firms in the research clubs were almost exclusively multinational firms of French origin.

Both the standardised and the qualitative empirical data have been used in generating research output, but it would be fair to say that the great majority here corresponds to data collected within the qualitative component of IMP2 via the case study approach. The standardised component of IMP2 – for which a full description can be found in Sandstrom [1990] and in Havila [1996] was nonetheless by no means devoid of interest from a method perspective, as it was run with respondents as a preliminary to implementation of the more qualitative research guide in almost all cases, providing background and structure to the qualitative interviewing process.

The empirical data, then, stem directly from the results of the method used for IMP2 and indeed the IMP2 project itself, with one major difference in that, given the facilitated access to respondent firms the opportunity and decision was taken to extend the data collection beyond the number of interviewees originally planned. Hence, using a snowball technique to identify individual respondents, not just the minimum of two interviews originally planned were performed with a given firm, but typically ten or more interviews per firm or relationship. This was particularly true for the supplier firms and their international intermediaries (usually subsidiaries). This resulting multi-respondent situation had the advantage on the one hand of allowing cross-checking of data, and on the other – invaluable for some of the contributions presented here – the highlighting of differences of opinion or perspective between actors in a same firm or relationship. The fact of being able to return to the supplier companies interviewed within the framework of the consulting activity also allowed cross-checking of data, and completion of data identified to be missing upon transcription and analysis.

The data collected via the interview process was, however, backed up with documentary information requested systematically of the firms interviewed, regarding general company context and organisation, activities, and strategy. This typically took the form, for example, of such documents as organisation charts, brochures on products and activities, and company yearly reports.

4.2 WHY A CASE STUDY APPROACH?

So much has been already written on the advantages and drawbacks of case study research that we will not go into great length regarding description here. Case studies are of interest when examining real-life situations involving organisational change, organisational and managerial processes and individuals [Yin 1989, p 31]. Case research is particularly well adapted to exploratory situations where the “how and why” issues are predominant, as observed by Yin [1989, pp 13-18] and where “operational links (need to be)... traced over time, rather than mere frequencies or incidence” (ibid., p.6)., and contemporary events are under focus. Where empirical evidence or knowledge is lacking on phenomena, conflicting theories exist, and situations of longitudinal change are involved, a case study approach is considered especially appropriate [Eisenhardt 1989].

In the case of customer and key account management the qualitative approach seemed suitable in that, on the one hand, though research in the area does exist it tends to be

largely descriptive as opposed to theory-building (see the rather extensive discussion on the state of the art in the literature in section two of this thesis), and little attempts to address the “how and why” issues raised earlier. On the other hand the sparse literature of a theoretical nature which does exist seemed, and in general indeed still seems, to take little heed of parallel progress in the supplier-customer relationship handling literature and the network literature, hence qualifying both on the above “lack of theory” and the “conflicting theories” counts mentioned above.

4.3 AN EMERGING PROCESS

The description above gives a hint as to the research process adopted. In reality, the process can validly be considered as one of the “muddling through” type, as contrasted with a deliberately set strategy from the outset with clearly pre-determined objectives and the “way to get there” precisely pre-defined.

As mentioned earlier, participation in the IMP2 project strongly impacted the process, both in terms of research object and method. Three stages can be identified, in fact. The first stage was the early days of the design and data collection process of the IMP2 project. Key account management issues not being the focus of the project as such, focus was rather on supplier-customer relationships and influence networks in general. Progressively the realisation that key account management, and the fit with customer management in general, was a potential research object of interest in its own right emerged in France with the accumulation of empirical data on the one hand, accompanied by a familiarisation of the area on the other. The interest for the theme was likewise confirmed by most of the companies comprising the research club described earlier, or interviewed. This stage lasted more or less up to the data collection and analysis which served for the first three contributions to this thesis.

This first stage led to an initial investigation into the state of the literature in the area. This revealed that the so-called KAM literature neither reflected the vision of the companies interviewed thus far – neither supplier nor customer firms – nor that portrayed by the predominant literature and corresponding theoretical development – or lack of it – in the area of industrial marketing and purchasing.

Encouraged – from a research perspective – by the apparent interest for, and virgin state of, the theme area in general led to more precise research questions being asked, without radical change in design of the data collection approach – which was rather comprehensive

already – other than the addition of certain questions specifically addressing strategic customer management structure and processes, their fit in the organisation, and their evolution over time. These research questions were then explored more specifically and exhaustively in the third stage, using data collected in the later phase of IMP2, and also including some cases explored beyond the official “end” of the project. It is true to say, though, that the data actually collected in many instances almost literally “shouted out” at me the pertinence of analysis and development of certain themes. Such was the case, for example, of the contribution relating to the *key accountisation* process.

4.4 THE “IN-DEPTH” CASE STUDY COMPONENT OF THE IMP2 PROJECT

What follows is a brief description of the design of the case study component of the IMP2 research project which underpinned much of the work presented here. A more complete description can be found in the IMP2 Research Guide [IMPGroup 1989]. The project was launched in 1987, focusing on the relationships between supplier, intermediary and customer firms in different country markets. The overall objectives of the project, as partly discussed earlier, were:

- firstly to check on certain relationship properties and their functioning, as a follow-up to the first IMP project run some years earlier,
- secondly to explore the ways in which single relationships are inter-connected, thereby constituting networks or parts thereof, and the influence this interconnection has on specific relationships
- thirdly to explore these relationships in their international context to provide better understanding of the international development process and behaviour of the firm

4.4.1 General Design of IMP2

The countries involved in the project originally were France, Germany, Italy, Japan, Sweden, the U.K. and the USA. Partner institutions in these countries included the Groupe ESC Lyon, (France), the University of Karlsruhe (Germany), Bocconi Business School (Italy), Hitotsubashi University (Japan), Uppsala University (Sweden), The Universities of Bath and UMIST (U.K.), and Penn State University (USA). Some country partner institutions later came in onto the project adopting the IMP2 method, to expand the data

base, specifically in Holland and Australia, but this was essentially limited to the standardised component in most instances.

4.4.2 Design of the Case Study Component of IMP

The design of the project was symmetrical with all partners collecting data on relationships in their own country markets for their own initial company sample, but also reciprocally for counterparts (intermediaries and customers) of firms' relationships identified by partner participating institutions. A minimum of three full company cases were targeted per country. A "full" case meant initial interviewing of a selected supplier firm by the research team in its country market, identification of corresponding intermediaries where applicable, and customer relationships in the domestic market and each of the markets abroad, and interviewing of the managers knowledgeable relative to each identified relationship. A total of four relationships per supplier firm per country were targeted, all four of which were to be subject to the standardised method, and one to the in-depth case study method. Thus, per research team, 28 in-depth case studies were planned as standard, backed up by 112 closed-ended questionnaires relating to the standardised component of the project. Unfortunately due to the scale and complexity of the international coordination between research partners and the setting of certain partners, this original objective proved difficult to attain. "The best laid plans of mice and men ..."

Nonetheless a considerable number of case studies were collected overall, and the French component comprised more than twenty in all. Respondent identification for interviewing purposes followed a snowball process, with initial pinpointing of a manager – typically marketing or sales – with knowledge of the customer base and specific relationships, followed by progressive identification of other respondents in the supplier, intermediary and customer firms best placed to be interviewed to provide complementary data. These included typically engineers, after-sales, and production staff supplier end, and purchasing, technical and production staff customer end. No pre-defined respondent sample was suggested given the wide variety of firm variety and contexts expected.

4.4.3 The IMP2 Project: Key Issues Explored

The data collected covered several main areas of investigation. These included the following broad categories summarised in table 2.

<p><i>The focal relationship</i></p> <ul style="list-style-type: none"> - The history of the relationship - Start and history of start-up - Pattern of development - Expectations about the future - The context of exchange processes taking place within the relationship - Importance to the parties involved - The customer's needs - The content of the supplier's offering - Transaction/exchange processes - Adaptations 	<p><i>The parties in interaction and background information</i></p> <ul style="list-style-type: none"> - Structural and organisational data on the supplier and customer companies (Group and unit levels, general/marketing/ purchasing/technology management dimensions) - Foreign market involvement - Technology (product, process ...) - History - Markets served - Competitive features - Connected operating units
<p><i>The organisational setting of interaction processes</i></p> <ul style="list-style-type: none"> - Role of the intermediaries (if present) - Contact patterns <p><i>The atmosphere of the relationship</i></p> <ul style="list-style-type: none"> - Power/dependence - Cooperation/conflict - Distance/closeness - Trust - Commitment 	<p><i>Connected relationships (network influence: key dimensions)</i></p> <ul style="list-style-type: none"> - Technical, Knowledge, Marketing, Volume... connections, - External (outside the company/Group) and internal (within the company/group) relationships - Main actors involved - Role of the network for the focal firm and relationship - Position and role of the focal relationship in the network - Position and role of the company in the network - Use/management of the network by the company - Structure and dynamics of the network

Table 2. IMP2 Project: Main Categories of Data

4.4.4 The French Research Process and Case Study Data Base

In the French context the international intermediary was invariably a subsidiary for the reasons explained earlier. The situation was often rendered a little complex in terms of identification of relationships for further investigation due to the fact that the subsidiaries were often the only actor capable of meaningfully identifying and discussing relationships. Head office often had little or no information to provide. Hence real-time adaptation of the original design was called for, and coordination from France with the different subsidiaries

was required to identify appropriate international customer counterparts, and at the same time reinforcing the decision by the French team – myself and another member of my team – to participate actively in the administering of the research guide abroad where possible. This ensured more pertinent data collection and continuity, due to information and hands-on knowledge of the context collected in previous supplier and intermediary interviews concerning the same supplier and/or relationship.

At the same time the decision was made to investigate more than one supplier-customer relationship in-depth per supplier firm. As well as the reasons described earlier, this had the advantage of providing a span of in-depth data across international markets for a same supplier firm relative to its customer relationships useful for comparative and cumulative analysis purposes, and thus giving a broader and deeper view of customer relationship issues per supplier per country market.

Choice of supplier-customer relationships followed the general guidelines of the IMP2 project in that they should be “rich” (IMP2 Research Guide, p5), which invariably translated as “important”, and in other words strategic, in the eyes of the respondents used to identify these relationships initially. Choice of respondents was also left to the interviewer (IMP2 Research Guide, p.6), with the same objective of richness and data in mind. Given the French context described above and the orientation towards key accounts adopted, the process usually involved initial interviewing of the Sales, Marketing or Key Account manager (located in the international subsidiaries in cases where Head Office had little or no knowledge of specific relationships with customers), and subsequently the main marketing or sales manager(s) responsible for the particular customer relationship selected. His counterpart purchasing side was identified via this main manager, along with other potential interview candidates at the supplier’s and/or customer’s.

5. EMPIRICAL CONTRIBUTIONS TO THE THESIS: FIVE PAPERS WITH RELATIONSHIP AND NETWORK FOCUS

5.1 AN OVERVIEW OF CASE CONTRIBUTIONS

The five papers included in this thesis are the results of research over time into the KAM area.

Title of paper	Form of contribution	Key themes explored and developed
1. “MTF: Understanding Complex Relationship Dynamics” (MTF case)	Empirical data in case study form	<ul style="list-style-type: none"> - Complexity and dynamics of actors in interaction - Intra-firm network characteristics and dynamics - Strategic logic gaps across the firm - Stages in S-C relationship evolution
2. “The Vegan Case”	Empirical data in case study form	<ul style="list-style-type: none"> - In-depth study of inter- and intra-firm interdependencies - Accessing value via intra-firm relationships - Resource-sharing and bonds across inter-firm networks - Network strategy setting and implementation - Roles of S-C relationships in networks
3. “The Key-Accountisation of the Firm” (Phonics case)	Empirical data with theoretical and managerial discussion and development	<ul style="list-style-type: none"> - Structural aspects of organizing for KAM - Organisational learning and evolution to handle KAM - Stages in KAM maturity - Roles and functions of KAM managers
4. “Key Accounts : effectively managing strategic complexity” (Compelec case)	Empirical data with theoretical and managerial discussion and development	<ul style="list-style-type: none"> - Consequences of inter-firm complexity for customer management - Impact of network characteristics on supplier strategic management tasks - Management as linking and coordinating - KAM and customer management as integrated network handling
5. “International KAM : Relationship and Network Handling Issues” (Data Global case)	Empirical data with theoretical and managerial discussion and development	<ul style="list-style-type: none"> - Integration vs. differentiation vs. network logic - Heterogeneity across the international supplier or customer firm - International inter- and intra-firm relationship management - Influence of local nets on relationships - International dimensions of KAM

Table 3. A summary of the five contributions: main themes and content

This research has progressively led from a preliminary vision and investigation of relationships and network issues, focusing on relationships between suppliers and “important” customers, to more in-depth KAM-focused issues. Of note is the fact that the ideas developed and conclusions actually precede, in many instances, and are often corroborated and reinforced by some of the ideas and findings evoked in particular in the “KAM-impacting” literature described earlier. A summary of the papers as regards key themes discussed and main KAM development issues is provided in table 3, and a short description of each, presented chronologically, follows.

5.1.1 The MTF Case: Actor Bonds and Management of Intra-Group Networks

The first contribution – MTF, a supplier firm in the metallurgical industry – was originally a conference paper, subsequently presented as a case in book form. The data result directly from an enhanced version of the IMP2 method. For the purposes of the book chapter it was used as discussion material primarily focusing on the actor bonds issue. Original issues discussed however also related to power play and positioning strategies between a given key supplier and a given key customer account. Focus lies in the analysis of the situation between two major international groups of companies, each displaying a complex network of intra-group relationships, between units of varying degrees of autonomy and varying profiles. With the meeting of these two groups, a veritable “inter-group” network of relationships can be seen to emerge over time. Within this inter-group network a relationship between a supplier and a customer unit at local level can be seen to heavily impact – provoking for example a total freeze of business between the two groups at one stage – group-to-group relationship situation and policy, which in turn impacts the development of the local level relationship. Differences in strategic logic at different levels and at different locations across the organizations are thus highlighted, along with their consequences. Distinct stages in the power-dependency struggle between the organizations are identified, with various intra-firm actors involved at each stage, sometimes locally-based, or alternatively located at HQ level. What clearly emerges is the picture of simultaneous management of a global relationship on the one hand, and a local relationship on the other, each with its own logic, with problems arising when the two relationships come to meet.

5.1.2 The Vegan Case: Accessing Resources via Relationships

The second contribution –the Vegan case – presents data resulting from a study, within the framework of the IMP2 project, of four of the most important relationships with customers in the Swedish market identified as such by the Swedish subsidiary of a major French Multinational supplier of chemicals. The original discussion section to the case, presented in appendix here, focused on the fact that these 4 complex multi-dimensional relationships were in fact far from stand-alone, but interdependent, embedded in a closely knit network. Change in one relationship provoked shift in another, and indeed relationships – with key customers, or linked to key customers – were explicitly used as levers for strategic action on other relationships. It was also presented as a case in book form, and discussed, in the context of the book, in terms of resource-accessing via activation of relationships both within and outside the corporate supplier entity.

5.1.3 The Key Accountisation of the Firm

The third contribution to the thesis, focusing on KAM explicitly, takes a slightly different view via an in-depth study involving interviews with 10 key account managers and upper management staff in a large firm in the telecom industry. Using interaction and network theory as theoretical base, the KAM approach – including specific organizational structure, procedures, resource allocation, manager functions etc. – adopted by the firm over time is identified and explanatory factors sought to explain evolution. One of the major findings is that the process is far less planned and deliberate than is broadly suggested in the literature. Nor is this process a rational, linear one (“about-turns” can occur), leading to ultimate extreme formalization of KAM, with dedicated structures and procedures, for example, inside the firm. Rather it is a case of “muddling through”, of ongoing adaptation faced with changes within and outside the firm.

5.1.4 Key Accounts: Effectively Managing Strategic Complexity

Contribution number four, an investigation into a Swedish MNC, Compelec, with four divisions, in the data processing and computer equipment field, takes a closer look at the KAM strategy setting and implementation issue, and questions some of the predominant views in the literature. It demonstrates amongst other things the necessity for “fit” between

strategy for key accounts and market segmentation and customer portfolio approaches, and the need for coherency with corporate strategy. It questions the usual assumption that key accounts automatically call for and deserve “better treatment” and increased resource allocation by the supplier firm. The notion of value of a customer account, going beyond pure economic aspects, is likewise explored.

It also reinforces the issue of different – not always coherent – strategies at different locations (hierarchical levels and geographical areas) in the firm, and the need to take this into account. The fact is that the customer is not just often a complex organization but, just as the supplier, one that may well have problems developing and implementing coherent strategy across its organization, especially when the organization spreads across international boundaries. This is a major consideration when setting strategy for and managing such accounts. Any attempt to characterize in any standard way the four Compelec customer organizations under study finds itself confronted with the fact that not only is each of the three customers radically different from the other two, but also that *within* each customer company can be found quite different – often multiple – buying centres. And the buying centres do not necessarily follow a “one operating unit equals one buying centre” logic.

The article concludes with managerial implications and recommendations regarding guidelines for management of strategic accounts integrated within the framework of corporate and customer strategy.

5.1.5 International KAM: Relationship and Network Handling Issues

The fifth and final contribution takes a closer look at the international dimension of KAM, via the in-depth study of the context of Data Global, a French MNC, and its operations regarding KAM across international boundaries and geographical operating units. Snowball interview techniques with twelve respondents (9 supplier-side and 3 customer-side) provided qualitative data revealing a situation which progressively evolves with globalization of the supplier and customer firms involved. In particular, KAM is subject to effects relating to the growth by acquisition of Data Global, of subsequent rationalization of activities within the firm, of different cultural contexts of subsidiaries, and of differing degrees of international spread, profile and international maturity of key account customers. The result is an embryonic international KAM management system in the firm

which is experiencing considerable difficulty in establishing a *raison d'être* and asserting itself.

5.2 AN OVERVIEW OF RESEARCH FINDINGS FOR AN ALTERNATIVE VISION OF KAM

The discussion which follows – on the basis of the earlier preliminary criticism of the literature combined with empirical findings from the five contributions to the thesis – to provide answers to the research questions in section two of the thesis. At the same time an attempt is made to redefine the overall field and different dimensions of KAM as discussed earlier. A “K”, “A” and “M” breakdown is again adopted to structure the discussion and facilitate comparison.

The summary tables below, which link into the earlier criticism of the literature and leads into the more detailed discussion below, give a condensed overview of some of the key divergences with traditional KAM literature, along with the cases in the thesis illustrating these divergences, and can be seen to contrast quite radically with table 1.

The three-way K-A-M split adopted for categorization purposes shows its limits however. Integrating the *relationship* and *network* dimensions of KAM – little present in previous KAM work – proves difficult. Items and sub-headings under the “K” and “M” sections specifically address these aspects.

KAM Characteristics and Activities: a Revised View						
	Identified characteristics and activities	Key illustrative papers				
		P1	P2	P3	P4	P5
“K”- Dimension	<ul style="list-style-type: none"> • Multi-dimensional nature of strategic value from the relationship: technology, information, renown, turnover and profitability ... • 1st, 2nd and 3rd-order value of “K” <ul style="list-style-type: none"> Value of multi-dimensional resources held by relationship partner (1st-order), i.e., the <i>customer</i> as a resource Value of resources generated via collaboration <i>within</i> the relationship (2nd-order), i.e., the <i>relationship</i> as a resource Value of direct or indirect <i>network</i> resources accessed via the relationship, and strategic value of the relationship in <i>positioning</i> the firm in the network (3rd-order) e.g. reference value of the customer, i.e., the <i>relationship/network</i> as a resource • Short-, medium- and long-term strategic value of key account relationships • Development <i>potential</i> of relationships with strategic customers • Perceived, subjective vs. real, absolute dimensions of the multiple types of strategic value • Relative value/perceived value <i>shift</i> over time due to change in strategies (supplier and/or customer) and/or context • Negative aspects of strategic value of the customer to the supplier 		X		X	
			X			
		X	X		X	
			X		X	X
		X	X			
		X			X	
					X	
		X	X			
		X				

Table 4(a). A revised view of the “K” Dimension of KAM characteristics and activities

KAM Characteristics and Activities: a Revised View						
	Identified characteristics and activities	Key illustrative papers				
		P1	P2	P3	P4	P5
“A”- Dimension	<ul style="list-style-type: none"> • Key customer companies of variable size, including large and less large • Individual customer firm profiles ranging from large, complex with multiple units to relatively simple, small , single units • Varying degrees of geographical spread of customer, from one central unit to multiple national and international units, • Varied buying centre situations across the key customer base • Varied combinations of buying centre situations across a same customer organisation (<i>and</i> corresponding selling centres across the selling firm) <ul style="list-style-type: none"> ○ Multiple buying centres <i>between</i> and <i>across</i> company units ○ Single, simple buying centre ○ Mixed degrees of buying centre autonomy • Varying degrees of non-unicity of strategy and/or conflicting strategy within and across units in the buying – and the selling – firm • Varied levels of purchasing complexity – from simple product purchase to systems purchase – within the key customer organisation, and across the key customer base • Varied degrees of upper management involvement within and across customer organisations in the customer portfolio 		X		X	
		X			X	
					X	X
					X	
					X	
						X

Table 4(b). A revised view of “A” Dimension of KAM characteristics and activities

KAM Characteristics and Activities: a Revised View						
	Identified characteristics and activities	Key illustrative papers				
		P1	P2	P3	P4	P5
“M”- Dimension	<p>Linking-in KAM strategy-setting with broader areas of company strategy</p> <ul style="list-style-type: none"> • Handling coherency between corporate strategy and KAM strategy • Linking of general market and customer-base strategies to key account strategy • Identifying key customers from amongst the customer portfolio • Real-time in-the-field adjustment of strategy for key customers • Adapting management practice as a function of strategic importance and return on investment (vs. providing total customer satisfaction) <p>Managing supplier resources and customers</p> <ul style="list-style-type: none"> • Designing overall key account organisation structure and procedures to handle the key customer base • Adjusting key customer management structures and procedures over time to cater for shift in context, strategies and experience • Adapting/adjusting structures and procedures to handle <i>specific</i> customer profiles (handling heterogeneity <i>across</i> the key customer base vs. a “one best way” approach for all key customers) • Analysing structure and strategies of individual key customers • Management of <i>single</i> customers with heterogeneous organisational profile (segmenting the individual key customer) • Managing supplier staff (sales <i>and</i> other functions) in contact with key customers • Managing dedicated <i>and</i> non-dedicated supplier resources and staff to serve key customer requirements • Federating of supplier units and functions to provide coherency of approach to key customer base and to specific key customers 			X		
				X		
			X	X		
				X		
		X		X		
			X		X	X
				X		
			X	X		

Table 4(c). A revised view of the “M” Dimension of KAM characteristics and activities

KAM Characteristics and Activities: a Revised View						
	Identified characteristics and activities	Key illustrative papers				
		P1	P2	P3	P4	P5
“M”- Dimension (contd.)	<p>Handling relationships and networks</p> <ul style="list-style-type: none"> • Relationship handling to facilitate resource-exchange (multiple types) between supplier and key customer • Relationship handling to optimise on resources generated <i>within</i> the relationship • Relationship-development potential: identification, strategy-setting and management • Management of key customer relationships to <i>improve network position</i> (link with corporate strategy and strategic management of customer portfolio considerations) • Handling of <i>network</i> relationships (between various actors including other key customers) to consolidate/optimize on key customer relationship outcomes (exchange, development and network position) 				X	
		X			X	
		X	X		X	
			X		X	X
			X		X	X

- The above tables summarise those papers providing best illustrations. This does not mean that examples are not to be found in the other papers not listed.

- The above components of key customer management are separated out for purposes of simplicity and clarity. They are not independent, but often clearly strongly intertwined in practice e.g. organisational design issues and strategy setting for the key customer base, or supplier-customer relationship interface and single relationship strategy-setting

- For memory: Paper 1 (MTF Case), Paper 2 (Vegan case), Paper 3 (Phonics case), Paper 4 (Compelec case), Paper 5 (Data Global case).

Table 4(c) (contd.). A revised view of the “M” Dimension of KAM characteristics and activities

5.2.1 Re-assessing the “Key” In KAM: Far More Than Immediate Sales and Profits

The first research question related to identifying criteria designating customers as strategic or “key”. This “K”, rather than the “A” or the “M” is the factor which, we would argue here, is most central to the debate. The “special” nature of certain customer accounts, i.e., what gives them importance in the eyes of the supplier, is what earns them KAM status, and not, for example, the mere size of the account as some suggest. After all, *all* accounts, key and “non-key” alike, may display differing organizational characteristics –large or small, geographically spread or not, centralized or decentralized, differentiated or integrated – and they all likewise call for appropriate management approaches, without necessarily being considered “key”.

A closer look at the “value to the supplier” issues reveals value across various dimensions, and of different kinds within each dimension,. These dimensions are cumulative, forming together the total strategic value of a customer relationship.

Thus the sources and nature of the value relate firstly to the customer and simple exchange of resources of various kinds – financial (sales revenues and profits), technological, informational, etc. – he has to offer, on the one hand. Secondly the value may be situated at the level of the resource the supplier-key account *relationship* represents. Finally the value may be conveyed by the relationship and the role it plays in linking the supplier firm to resources located elsewhere in the network of relationships in which it evolves, i.e., as a vector facilitating the positioning of the firm in its network, enhancing its strategic identity [Håkansson, 1989].

This multi-dimensional value issue translates inevitably as multiple levels of focus for the management of strategic supplier-customer relationships. Any given relationship may well demonstrate either one or all dimensions at a given moment in time, and will thus call for appropriate management considerations. Table 5 below provides a summary overview of these value and management dimensions. Relationships demonstrating high levels of all three dimensions – relative to the portfolio of all existing relationships – will be those of critical importance to the supplier firm.

<i>Customer’s value for supplier</i>	<i>Supplier’s management focus</i>
Customer-held resources	Managing short-term exchange and internal resource base
Results from cooperative development	Managing the relationship
Network position	Managing relationship in network context

Table 5. The three cumulative dimensions of relationship value and management

From a temporal perspective, value issues can reflect immediate needs of the firm, or else be embedded in more medium or long-term intentions and strategic plans. Of considerable importance also is the fact that the value at all three levels is not absolute and definitive, and that interdependency exists between levels. Value and perceptions of it can change over time, independent of the continued existence – or else accessibility – or not of the resources concerned. A shift in key account customer relationship context can thus condition access to “customer” resources or “network” resources, as can a shift in customer strategy (the latter perhaps provoking the former). Likewise a shift in network position can bring about a change in strategy, for example, by the supplier firm, itself leading to the non-pertinence of resources accessed via a given supplier-key account relationship (and thus to the “rating” of the importance of that relationship).

Of course, the notion of what is of value may well vary also *within* the supplier firm, depending on the perspectives and the degree of coherence of the different intra-firm actors involved, of particular relevance when a firm is seen as being rather “disjointed” in nature (see the “A” discussion below). The question is then raised, from a management perspective, as to the desirability of imposing one vision for value on the firm as a whole, or the necessity to cater for the separate visions of autonomous entities.

The contribution which probably best illustrates the value issues at stake here is the Vegan case (Paper 2) , used for the general discussion on resource ties and the use of relationships as assets to access resources by Håkansson and Snehota [1995]. Multiple episodes are reported demonstrating the use – often explicit – by Vegan on the one hand of different relationships with customers, suppliers and other actors to influence specific relationships with important (key) accounts, and the parallel use of these same relationships with the key accounts to influence other customer relationships. On the “customer” value level, with its ten leading customers representing 20% of total turnover, the immediate economic value of purchase by customers cannot be ignored. In Vegan’s case though, of perhaps more importance than profitability generated by their key accounts is the fact that they guarantee, in the initial stages of setup in a market at least, volume demand and thus minimum threshold production output. This provides the necessary platform to serve other “non-key” customer accounts. Once the market has developed, this criterion of volume of key accounts becomes less critical, illustrating the shift over time in value issues defining key account status. Vegan’s major customers can also be seen to provide Vegan with invaluable resources in the form of information on the market

situation, for example, of a technical and commercial nature, and technology and technological know-how that Vegan exploits and implements in other situations, with other customers for example, “key” and “non-key” alike.

The Vegan case also demonstrates the value of the relationship as distinct from the value of simple resource accessing via exchange with the customer. This takes several shapes, for example technological developments resulting from cooperation with the customer within the framework of the relationship. The relationship itself, and not the customer, is the site of resource-generating. Economic aspects of value, whilst undeniably present, are often seen to take a back seat. This last example also highlights the intertwined, often overlapping, nature of the different levels of value, in that the “network” value also emerges. Vegan develops the relationship it has with one major customer account precisely because that customer enables better integration into the industrial network as a whole, enabling development of relationships with some – with Scanex, for example – and facilitating them with others. Indeed, in the Vegan case, each of the four important customer account relationships can be seen to be either directly or indirectly connected, forming an observable web of interlinked relationships with the four supplier-customer relationships at the centre and actors of various kinds, including other suppliers and customers, around. This interconnectedness between key customers, between key customers and other customer accounts, and between both of the latter and other non-customer actors in the environment provides food for thought, in particular relative to the non-consideration of this factor in the literature to date, when considering customer portfolio analysis techniques discussed earlier.

Clearly, also, the value issues are not all positive, as highlighted for example in the MTF case (Paper 1). Key relationships have their downsides – the burden dimension – which have to be assessed and weighed up against positive aspects. And the negative aspects do not simply relate to “cost-to-serve” issues. A supplier-customer relationship, even positive, can have negative effects on another. And negative aspects, such as dysfunctioning, of relationships with certain customers – or even parts of customers as with MTF – can have damaging effects on others.

5.2.2 Re-assessing the “Account” in KAM: an Alternative Look at the Notion of Key Customer Account Entities

The contributions to the thesis provide greater insight into the second research question suppositions regarding the characteristics of customers of strategic importance to the firm. In contrast with the traditional view of the customer firm as one integral unit, or at best different geographical units each with its own buying centre within one organization, necessitating (for the “Management” part of KAM) coordination by the supplier for overall planning and deployment of organizational resources across the “whole” customer, a rather different view emerges here.

Paper 4, with the Compelec case, provides a rather good illustration of this with quite complex, ambiguous customer intra-firm situations with its customers Delta, Retro and Alpha. Delta is considered by Compelec as *a single* key account customer. However, Delta’s four totally independent operating sites demonstrate what at first sight could be taken for four units each with its own distinct – and sometimes conflicting – strategy overall, and in particular a virtually autonomous buying centre. Even closer examination however reveals, for DELTA South, the largest of the units, not one but multiple project-based set-ups, each with independent decision making capacity as regards purchases and supplier base, i.e., multiple buying centres for the one unit. This already provides a scenario of heterogeneity of buyer behaviour across the customer firm itself, and one somewhat different to that discussed by the majority of advocates in KAM literature.

Customer Retro, with its eighty or so sites, displays a rather different picture. Again, rather than the simple situation usually portrayed of *one* customer entity requiring concerted, coordinated action by the supplier firm a three-way split situation *within* the customer firm can be observed. Each of the larger sites with all required technical and organizational competencies can be seen to operate quite autonomously, forming so many separate customers to all intents and purposes, from Compelec’s point of view.

The smaller sites, however, although relatively autonomous also, from a financial and decision-making power perspective, lack in necessary technical skills and inevitably refer back to Head Office, and at the same time exchange information between sites, thus forming a complex web of buying centres with Head Office at the centre. Indeed, Retro’s Head Office draws up “Umbrella” agreements with suppliers which act as starting point for negotiations with the different sites. Final choice of supplier and equipment still remains with the individual sites all the same. A subtle mix of autonomy and hierarchy. A third

sub-set of Retro actors is the international subsidiaries – majority-owned joint ventures for the most part – each enjoying virtually total autonomy, along with influence by the JV partner, and in no way linked to the complex web described earlier.

The third customer, Alpha, presents yet again quite distinct characteristics, but perhaps more easily categorized. Alpha has thirty or so geographical units worldwide, with in theory total autonomy of each. In practice though heavy Head Office influence is exerted, be it by initial choice of approved suppliers worldwide or by provision of essential technical advice and information. This “cartwheel” shaped example is perhaps the one that can most be considered as a process coordinated in a homogeneous way across the customer firm, as compared to the heterogeneity of the other two key customer examples.

What emerges from the above is the idea of heterogeneity potentially not only *between* key account customer profiles, but also, and perhaps more importantly, *across* a given account. Characterizing the customer as simply more or less “centralized” is clearly inadequate to cope with the issue. Depending on the customer firm in question, its component parts may function in more or less a hierarchical mode, coordinated by Head Office, others function totally autonomously, and yet others behave in a cooperative way, with information exchange for example between units or with Head Office. And these three modes may well *co-exist* to varying degrees within a same customer organization as described. At the same time “multiple buying centre” logic can be seen to go beyond “unit-based” logic, with buying centres inside and across units, within the same firm. The same observation may also be made regarding the nature of the supplier firm. Compelec, for example, is composed of two quite distinct units both serving the customer accounts in question, each with a distinct, and sometimes conflicting strategy. A similar situation can be seen with the Vegan case in Paper 2, discussed earlier, and with the “MTF” case in Paper 1, each of these firms displaying certain units which operate on a relatively autonomous basis, with little evidence of what can be called coherent corporate strategy operating. This has significant consequences, of course, in terms of *relationship* management, discussed below under the “Management” heading. Firstly because what could erroneously be considered as management of *one* supplier-customer relationship translates in fact as management of multiple, distinct relationships (see simplified representation in fig. 2 below. At the same time this raises the issue of management of supplier-customer relationships via the other intra-firm indirect relationships identified.

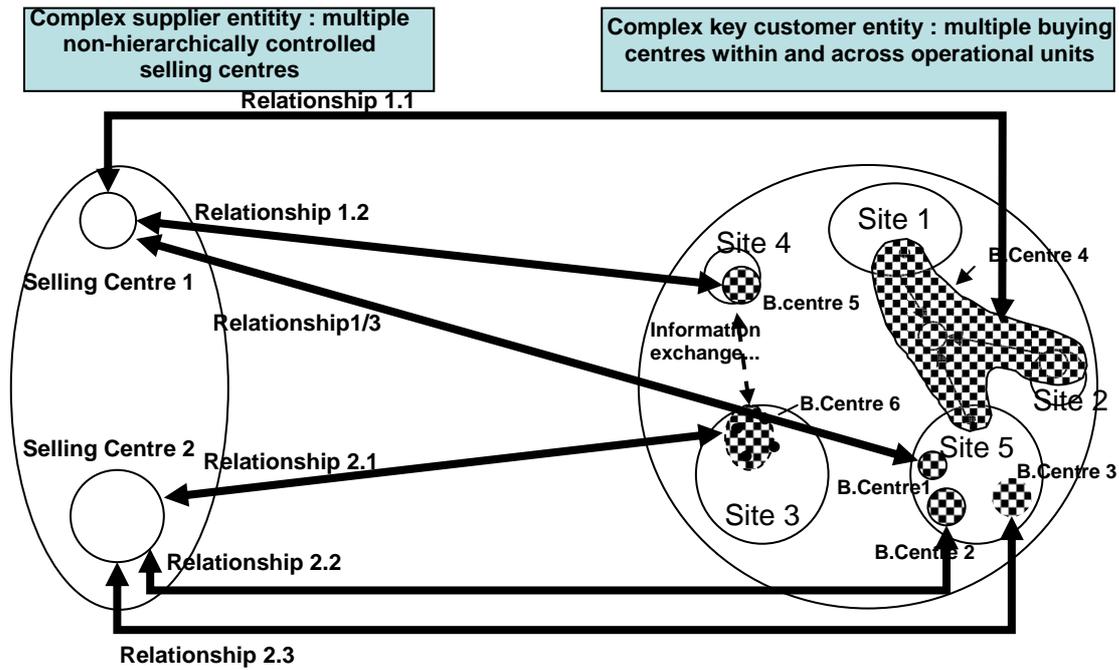


Fig. 2. Multiple distinct relationships in a single supplier-key account relationship context

5.2.3 Re-assessing the “Management” in KAM

The findings above regarding on the one hand the nature of accounts, and what makes them “key” to the supplier firm leads us naturally – in response to the third research question – to an associated re-assessment of what this implies in terms of their strategic management, some of which is already hinted at in the “K” and “A” sections above. This means a shift from the idea of “serving the customer” and “managing the supplier organisation” to one of managing strategic relationships and networks. As stated previously, the literature dedicated to key accounts tends to focus on the real-time management of the supplier firm’s organisation and internal resources to “optimally” serve (in other words “do more for”) the lucky customer in question. In other words – though organisational design itself includes some of the first two stages of course – focus is rather on the “implementation” stage. This state of affairs – focus on the supplier entity, and on the customer entity – is perhaps in some ways inevitable insofar as the KAM-specific literature considers in fact the “A” – the customer – and in fact leaves little place for consideration of the *relationship* itself and its characteristics, role, evolution over time, and management. The contributions to this thesis, associated with some elements of the more general industrial marketing literature, lend themselves to a somewhat different conclusion

as to what strategic management of key accounts is all about, starting further upstream in the analytical and decision-making process.

Analysis and strategy for KAM context: KAM strategy embedded in Corporate strategy

The “start” to this strategic management process can be seen to be essential, as identified in the Compelec case (Paper 4), in the first place not at the “one-to-one” level, but rather linked directly into corporate strategy, at the level of the demand market as a whole. The identification of key accounts – and the resource-accessing potential they represent – needs to match the firm’s overall strategic context. Poor or ill-defined corporate strategy will hence lead to retention of inappropriate key account selection criteria, as seen with Compelec. Likewise, the profiles of a firm’s key accounts at any moment in time contribute to definition of corporate strategy.

Market segmentation and CPM: imperfect pre-requisites to one-to-one KAM

The customer segmentation process can also be seen to act as initial filtering (in the absence of more detailed information regarding individual customer relationship value potential) of all customers with an interesting profile for the supplier firm, enabling a preliminary rough matching of the firm’s resource base and objectives with generic customer types.

Ideas relating to selection and management of the full set of a firm’s identified customer relationships with key account status – the key account portfolio – have been seen to be lacking in the KAM-specific literature as compared to the reality portrayed in the enclosed contributions and CPM techniques, which focus on *existing relationships* with customers in the firm’s customer base provide a further preliminary, complementary, approach to KAM management, with the advantage over segmentation of a more focused target population, and of information on the actual relationship with the customers in the portfolio upon which to base decisions and future action.

Shortcomings of segmentation and CPM

Both of these approaches have the merit of attempting to account for market phenomena, and structure appropriate response. Both of these approaches can be seen to lead progressively to a selection of preferred accounts, and ultimately a definition of key accounts, according to criteria directly derived from corporate strategy issues (see, in particular the Compelec (Paper 4) and Phonics (Paper 5) examples amongst the enclosed

contributions). Any shift in corporate strategy can of course induce a shift in sought profile of preferred customers, customer portfolio, and key accounts, *and vice versa*.

Both of these approaches, however, can also be seen to display limitations in utility for two main reasons. Firstly because they inevitably provide a “snapshot” at a given moment in time, and as such cannot validly reflect the often fast-changing environment depicted in the majority of the thesis contributions herein, and especially shift in terms of relationships between actors –supplier and other customers, but likewise other actors, as frequently illustrated in the MTF, Vegan and Compelec cases (Papers 1, 2, and 4 respectively) – which can drastically affect the value or potential of a given supplier-customer relationship, and at the same time the requirements for optimising on that potential. They are, in other words, far from the “real-time, in-the-field” phenomena described on numerous occasions in the contributions here which are responsible for the fate of many relationships. Secondly, focusing in as they do directly onto the customer, or at best on the relationship with him, in large they account little neither for the effects the accounts have on actual relationships with others, nor for the effects other direct or indirect relationships may have – positive or negative – on a given customer relationship, i.e., the network effects which can be seen to predominate in most of the contributions herein, with abundant examples on national and international levels as clearly illustrated in the international text (Paper1), as in the Vegan, Compelec, and Data Global cases, (Papers 2, 4, and 5 respectively).

Though interesting, then, there is nonetheless scope for significant improvement, along these lines, of these segmentation and CPM (this latter includes ranking techniques for customers to identify, qualify and monitor existing and emerging key accounts) approaches towards handling the customer base.

Organising to handle key accounts

Firstly, the organisation and deployment of the supplier firm’s internal human and material resources is certainly an issue, but this is not limited to finding an optimal once-and-for-all, applicable-across-the-board, organisational structure, as many would tend to suggest. Indeed, in this respect the Phonics example (Paper 3) demonstrates that given the heterogeneity of customer profiles, the “perfect” organisational solution is unattainable. Rather it is a progressive adaptation process along the supplier firm’s learning curve faced with key account handling problems. As the strategy and structure of the supplier firm and the profile of the key accounts shift, along with the state of relationships with them, so

does the value of the relationship to the supplier and appropriate handling requirements, including appropriate structural solutions. The extreme variety of profiles of, and heterogeneity *within*, key accounts described earlier can also lead to the need to simultaneously implement a double approach – centralised *and* decentralised, for example – for the same customer account (see the customer Retro in the Compelec case). This has similar implications for the qualities of a so-called Key Account Manager, debated in the literature. A “typical” profile would seem far from obvious when, even for one single key account relationship such as Retro, a mix of strategic analysis and planning capabilities, upper management relational skills, “in the field” technical and operational skills, and in-firm coordination expertise are required. The problem is amplified when multiple customers each with specific and varied profiles, defying simple classification, are to be found in any one manager’s portfolio sub-set.

One-to-One Key Account Relationship handling issues

These issues, preciously little considered in the KAM literature outside of the “how to organise for” debate mentioned earlier, can be clearly be seen to be relevant.

The stage-by-stage description of relationship evolution in the MTF case (Paper 1) provides a perfect example of the complexity of relationship dynamics, of the shift over time taking place within a key account relationship, and the necessity for tracking and anticipation of this shift. It also reveals the difficulties encountered in attempting to plan ahead for this. Objectives and expectations are continually changing relative to the partner firm, along with appropriate ways of handling the relationship which, in MTF’s case here, evolves as two quite distinct, but interconnected, relationship levels. Strategy relative to key accounts does not necessarily translate either as investing more to better satisfy customer requirements, but on the contrary sometimes providing less and implementing fewer resources, based on analysis of customer profile and relative relationship value issues.

To be taken into consideration also are the issues relating to the multiplicity of actors and distinct relationships observed in several of the contributions, and which the Vegan, MTF and Data Global contributions show up particularly well. These relationships can be observed on the one hand *within* supplier and key account firms, between separate geographical units, for example, and on the other *between* different units of the supplier and customer firms. Under these circumstance “handling the key account” is tantamount

to handling multiple – and not an individual – relationships, rather, within a supplier/key account network, “balancing” relationships and relationship effects where required.

Last but far from least, in a similar manner, the key account relationship handling process can be clearly seen to translate in practice as indirect action, via the management of other relationships, be it with customers, other suppliers, government actors etc. This shows quite clearly in the Vegan paper, where Vegan uses on the one hand its relationships internally between subsidiaries to access technology developed with customers in other countries, and on the other – explicitly, and in a pre-meditated manner – its relationship with, for example, Contours, a domestic customer, to pursue its strategy of relationship development with Carco.

Of course, key account management is not limited to simple development of the relationship of the key account. It also translates as placing the relationship itself at the disposal of the firm to develop its market position further. In other words the relationship targeted with Vegan’s Carco is not only an end in itself, but a means to an end also, a resource and potential “lever” to be managed to benefit the firm as a whole, facilitating the development of other customer relationships in this particular instance. This, clearly, goes beyond the scope of the key account manager alone, and reflects handling issues rarely evoked in KAM-specific literature, and again emphasises the link between KAM strategy and corporate strategy.

5.3 TOWARDS A REVISED CONCEPTUALISATION : FROM KAM TO SMCR

Not surprisingly perhaps, in the light of what has been discussed above, we would argue that either the conceptual background – or perhaps rather the lack of it – upon which traditional KAM-specific literature bases its proposals is deficient, or else the KAM object under study is not the same, and is defined in too limitative a sense. Whatever, we would argue that it merits an improved and more thorough definition.

This literature background – at the risk of repeating ourselves – is over-simplistic, suffers from being too normative too soon, is often managerially oriented to the extreme, and does not reflect the reality of the forces at play in industrial markets. It seems to find its roots in traditional approaches where demand markets are seen as being atomistic in nature, which is rather ironical given the “relationship” theme in question. Recent developments in the industrial marketing field, relative to the nature of industrial markets,

customer management issues in general, and CPM approaches in particular provide some of the means for improved conceptualisation.

From a view of KAM as a “stand-alone” process of organising the “unified” supplier firm with a view to providing special (better) treatment to the “unified” large customer which, in the final analysis, possibly has very little “strategic” about it we propose – via the enclosed contributions making up the body of the thesis – a view of KAM as a network analysis and handling issue.

This network context, involving actors, activities, resources and relationships both “inside”, “outside”, and “between” and “across” firms, and other market actors, on the one hand links KAM inextricably with the corporate strategy of the firm, and with other areas of marketing strategy. KAM strategy cannot thus be considered separately from corporate strategy. At the same time it links in with the reality of strategic decisions made by agents in the field directly or indirectly involved in these key relationships, on a real-time basis, shaping the firm’s relationship network context, and shaping the strategic identity of the firm. In turn corporate strategy and strategic context provide – or should do so – necessary guidelines for key account identification and management.

The different contributions presented here have been produced over time and as such demonstrate a progressively emerging vision. Indeed some of them, as stated earlier, precede the emergence of literature referred to here. They are nonetheless compatible with it. They are also in our view still very much leading-edge topics and proposals which can contribute to future research in the area.

On the basis of what precedes we make the proposals summarised in the four following sections (5.3.1 – 5.3.4) regarding key account management, which we prefer to term “Strategic Management of Customer Relationships” (SMCR), for purposes of clarity, to distinguish from KAM literature so far, and to deservedly embed it more explicitly within the overall customer management context.

5.3.1 Supplier and Customer Firms in Strategic Relationships

The firm, within the framework of its activities and development in the market, entertains relationships with actors of various kinds, including – but not limited to – other firms. These relationships form the firm’s context, and shape its strategic identity, by acting as both constraints to its development, but also as conduits to access directly – the customer –

or indirectly – third party – resources, in the broad sense of the term, allowing the firm to adjust its position in the market.

Customers, and relationships with them, form part of the context of the firm. Relationships with all customers are thus of some strategic importance. However, all customers are not of the same importance, and certain customers represent relationships or relationship potential of particularly high importance. These customers represent the firm's key account base. Cut-off points between strategic, less-strategic and non-strategic customers are "fuzzy", progressive and context specific, depending on such issues as number and heterogeneity of the customer base, supplier strategy, resource availability, and market dynamics.

5.3.2 The Strategic Value Issue in Managing Customer Relationships

The factors relating to strategic value – *the* critical issue here – of relationships with customers are multiple, varied, change over time, and are subjective in nature and importance depending on those assessing value in the supplier firm.

Different dimensions of value in terms of its source and effects can be identified: value of the *customer entity* in terms of simple transactional exchange capacity (for example, revenues in exchange for products or services provided), value of the *relationship* with the customer (for example technological competencies and innovation developed in collaboration with the customer within the framework of the relationship, consolidating and improving the supplier's position relative to the customer), and *network* value, affecting the strategic identity of the firm in the market and in particular its relationships with other actors, including other customers (for example technology developed within the framework of a relationship subsequently implemented to develop relationships with other customers). These levels of value are not mutually exclusive, and may involve short-term, and especially for the latter two levels, long-term investment and returns. Dimensions of value and potential value are not absolute nor static, but rather perceived and dynamic.

The form the value takes is varied, and more or less tangible, including resources not only of an economic dimension but also such dimensions as information exchange, technological development, and market renown. The forms of value are likewise not mutually exclusive, and no pre-determined hierarchy of level or form of value exists, such that, over time, shift may occur or be provoked calling for appropriate management response.

The complex nature of relationship value, coupled with this shift on a real-time basis, and its subjective nature depending on the actors involved, translate as measurement and management difficulties.

Assessment of value is subject in all cases to assessment of potential *cost* issues, generated when accessing the value, themselves subject to the *same* “dimension” and “form” effects discussed above.

5.3.3 The “Account” Issue in Management of Strategic Relationships

The account issue in management of strategic relationships with customers involves both customer *and* supplier entities. Structural and strategic characteristics of *both* types of entity will have management consequences, affecting cost issues, and will thus impact to some degree on value issues evoked above, though aspects such as size or complexity alone are not sufficient to designate value of a relationship with a customer.

In the simplest of cases structural characteristics may be portrayed as distinct individual supplier and customer units, face-to-face, each with a clearly identifiable buying or selling centre. However, this simplest form of relationship situation can be contrasted with other more complex forms. This complexity relates to internal complexity either supplier and /or customer side, taking the form of multiple operating units within the firm with greater or lesser degrees of autonomy. The complexity can be compounded with the existence of multiple buying centres or selling centres within the firm, some of which may not necessarily respect the “one-buying-centre-per-unit” logic, with hybrid situations arising within any one firm. The result is a range of possible situations, best described in terms of an *intra-firm network*, within the firm, going from very simple to very complex.

Combining supplier-side and customer-side situations generates a resulting relationship situation which likewise goes from the very simple to the very complex, to the point where, in the simplest instance, a single relationship is readily identifiable. In more complex cases however, multiple quite distinct relationships between supplier entities and customer entities (selling and buying centres and/or operating units, each of varying size and characteristics) may be observed, or else even a combination of both, with varying degrees of interconnectedness and interdependence.

Under these latter circumstances customer “relationship” management – and not necessarily of the “key” kind, of course, in line with the comments made earlier – is best described as management of a supplier-customer *inter-firm relationship network* .

The nature of the intra-firm and supplier-customer inter-firm networks will of course vary more or less depending on such factors as size of actors, types of activity performed, geographical spread, cultural differences between actors, and implicit or explicit strategies of actors, generating greater or lesser complexity.

5.3.4 Strategic Management of Customer Relationships and Key Accounts

Key accounts from our perspective, based on our findings, are those relationships with customers representing the most strategic value to the supplier firm. They thus require special attention from a management perspective. By “special” here, we imply “adapted” from a “return-on-investment” perspective, and not necessarily “more and better”. The nature of this special attention can vary, and targets the optimal exploitation of the key account base. This optimal exploitation has a triple connotation due to the sources of value identified earlier: it refers to both optimisation of the key accounts and corresponding relationships themselves, and optimum utilisation of key accounts to improve the overall position of the firm in its market relationships and network context.

Strategic management of key accounts relates to all forms of strategic and operational activity which aim at identifying and optimising resource-accessing and allocation via the key account base.

This thus includes a varied range of tasks, which go beyond simple organisational and operational arrangements to better serve a given account, but including analysis and planning tasks. In general terms it translates as management at the three network levels identified so far, where appropriate, each of which can display varying degrees of complexity: the network of relationships between actors within the framework of each of the supplier and customer entities; the network of relationships formed between supplier and customer actors; and the network of relationships evolving beyond this supplier-customer relationship network and which impact on it, or alternatively which are influenced by it.

More specifically the tasks involved cover several broad areas of concern which go from the analysis and planning of the overall customer base and selection process for identification of key and potential accounts, through the analysis of the relationship context within and between supplier and customer, to the setting of strategy for individual relationships, and implementation and adjustment of appropriate organisational responses along the way.

6. CONCLUSIONS

6.1. MANAGERIAL IMPLICATIONS

In practical, managerial terms the arguments presented in this thesis mean that the following tasks should be considered simultaneously and taking into account interdependencies between them:

- Providing of a clear vision of *corporate strategy* acknowledged by all in the firm in direct or indirect relationship with customers, identification of possible divergences, and monitoring and identification of possible drift which may occur over time;
- Identification, assessment and ranking of the *strategic value issues* (customer, relationship, network) pertinent to customer relationships, in line with corporate considerations;
- Initial analysis of the overall *customer market situation* (segmentation-type issues), explicitly integrating these value issues where possible, along with monitoring and analysis of the *potential customer relationship base*, and identification of opportunities and subsequent confrontation with the existing customer portfolio;
- Ranking and structuring of the *set of relationships with existing customers* (customer portfolio), in the light of these value issues, with monitoring on a continuous basis;
- Highly *flexible and adaptable organisational solutions* in terms of structure and procedures to allow awareness of and adjustment to fast- and ever-changing relationship situations;
- Specific *analysis, strategy setting and implementation plans*, with constant monitoring, for *individual key account situations*.

The above points involve consideration in particular of factors relating to the possible degrees of complexity of key account customers themselves, of the supplier firm, and of the potentially multiple relationships forming a network both within and between supplier and key account, i.e., managing multiple network positions both within and between firms. They also imply at the same time awareness and managing of positions within the network forming the broader relationship context of the firm. Successful strategic key relationship management, then, requires overall network relationship coherency.

6.2. FUTURE RESEARCH ISSUES

The issues raised here, building on relationship and network literature in the industrial marketing field, provide a somewhat different and broader view, and in our opinion improved and more realistic, of KAM compared to the traditional view, this latter evidently having been strongly conditioned by consumer marketing thinking. However, though the research findings presented here and discussed in section 3 above provide some answers, questions are also raised along the way, some of which go beyond KAM strictly speaking. These points are summarised below.

- Relative to KAM specifically, for example, the research here is exploratory, and for the purposes of richness of data and accessibility the samples in the contributions presented are especially large multinational supplier and customer companies, often international. What situation prevails for smaller firms, on more or less concentrated customer markets?
- Management of key accounts by activation of outside resources in the form of or via other relationships takes us beyond the traditional “What internal structure and processes to mobilise internal company resources” KAM debate, to one involving mobilisation of outside resources as a management task, an area which has received little attention so far, and is worthy of more.
- The issue of handling key accounts also inevitably leads to the discussion as to the management of non-key accounts, where to “draw the line”, and the transition stage between one “state” and the other.
- Interdependencies via relationships between customers leads to a network logic predominating at customer portfolio management level, rather than a “relationship-by-relationship” logic. The same principles necessarily apply at the level of market segmentation. Yet the literature offers no solutions at present in this respect. Under what circumstances might network logic prevail, and how cater for this from a managerial point of view are questions well worth addressing.
- The “real-time” and “in-the field” character of strategy in industrial markets is evident in the enclosed contributions. Analytical methods proposed in the form of segmentation and CPM are seen to be inadequate in coping with this, even if caution, and constant monitoring, with adjustment where required, is proposed. What organisational solutions to better integrate these factors for improved KAM and customer management in general?

These and associated issues will provide some of the focus for future work in and around the area of handling customer relationships.

REFERENCES

- Anderson, J. C. and J. A. Narus (1990). "A Model of Distributor Firm and Manufacturer Firm Working Partnerships." *Journal of Marketing* 54 (1): 42-58.
- Anderson, J. C. and J. A. Narus (1991). "Partnering as a Focused Market Strategy." *California Management Review* 33 (3): 95-113.
- Axelsson, B. and G. Easton, Eds. (1992). *Industrial Networks: A New View of Reality*. London, Routledge.
- Barrett, J. (1986). "Why Major Account Selling Works." *Industrial Marketing Management* 15 : 63-73.
- Brown, L. (1997). *Competitive Marketing Strategy*, Nelson ITP: 17.
- Bryman, A. (1989). *Research Methods and Organization Studies*. London, Unwin Hyman.
- Burnett, K. (1992). *Strategic Customer Alliances – How to Win, Manage and Develop Key Account Business in the 1990's*. London, Pitman Publishing.
- Campbell, N. C. G. and M. T. Cunningham (1983). "Customer Analysis for Strategy Development in Industrial Markets." *Strategic Management Journal* 4: 369-380.
- Coletti, J. A. and G. S. Tubridy (1987). "Effective Major Account Sales Management." *Journal of Personal Selling and Sales Management*: 1-10.
- Cunningham, M. T. and E. Homse (1982). An Interaction Approach to Marketing Strategy. In Håkansson H. (1982), *International Marketing and Purchasing of Industrial Goods..* New York, John Wiley and Sons.
- Dubinsky, A. and T. Ingram (1984). "A Portfolio Approach to Account Profitability." *Industrial Marketing Management* 13: 33-41.
- Eisenhardt, K. M. (1989). "Building Theories from Case Study Research." *Academy of Management Review* 14 (4): 532-550.
- Fiocca, R. (1982). "Account Portfolio Analysis for Strategy Development." *Industrial Marketing Management* 11: 53-62.
- Ford, D. (1980). "The Development of Buyer-Seller Relationships in Industrial Markets." *European Journal of Marketing* 14 (5/6): 339-354.
- Ford, D., Ed. (1997). *Understanding Business Markets: Interaction, Relationships and Networks*. London, The Dryden Press.
- Håkansson, H., Ed. (1982). *International Marketing and Purchasing of Industrial Goods*, John Wiley and Sons.
- Håkansson, H. and J. Johanson (1984). *A Model of Industrial Networks*, Department of Business Studies, University of Uppsala, Sweden.
- Håkansson, H. and J. Johanson (1992). A Model of Industrial Networks. In B. Axelsson and G. Easton (1992), *Industrial Networks: a New View of Reality..*, Routledge: 28-38.
- Håkansson, H. and I. Snehota (1989). "No Business is an Island: The Network Concept of Business Strategy." *Scandinavian Journal of Management* 4 (3): 187-200.
- Håkansson, H. and I. Snehota (1995). *Developing Relationships in Business Networks*. London, Routledge.
- Hambrick, D. C. and P. Mason (1984). "Upper Echelons: the Organisation as a Reflection of its Top Managers." *Academy of Management Review* 9 (2): 193-206.
- Hanan, M. (1989). *Key Account Selling*. New York, Amacom-American Management Association.

- Hartung, J. W. (1974). *The National Account. Tomorrow's Marketing*. B. E.L. New York, The Conference Board.
- Havila, V. (1996). *International Business Relationship Triads*. Department of Business Studies. Uppsala, Uppsala University, Sweden.
- Homburg, C., J. P. Workman and O. Jensen (2002). "A Configurational Perspective on Key Account Management." *Journal of Marketing* 66 (April): 38-60.
- Hunter, M. W. (1987). "Getting Started in National Account Management." *Business Marketing*, November: 61-64.
- IMP Group (1989). *IMP2 Research Guide, Case studies*. Uppsala University. Final version 880815 .
- Johanson, J. and L.-G. Mattsson (1985). "Marketing Investments and Market Investments in Industrial Networks." *International Journal of Research in Marketing* 3 (2): 185-195.
- Johanson, J. and L.-G. Mattsson (1987). "Interorganisational Relations in Industrial Systems: A Network Approach Compared with a Transactions Cost Approach." *International Studies of Management Organisation* 17 (1): 34-48.
- Kohli, K. A. and B. J. Jaworski (1990). "Market Orientation: The Construct, Research Propositions, and Managerial Implications." *Journal of Marketing* 54 (April): 1-18.
- Kotler, P. (2003). *Marketing Management*. New Jersey, Pearson Education.
- Lang, R. H. (1973). "National Account Selling." American Management Association Seminar, Chicago, USA.
- Langdon, K. (1995). *Key Accounts are Different*. London, Pitman Publishing.
- Lawrence, P. R. and J. W. Lorsch (1989). *Adapter les Structures de l'entreprise: Intégration ou Différenciation*. Paris, Editions d'Organisation.
- Lilien, G. L., P. Kotler, and K. Moorthy Sridhar (1992). *Marketing Models*, Prentice Hall, Englewoods Cliff.
- Lilien, G. L. and A. Rangaswamy (2001). *Marketing Engineering: Computer-assisted Marketing Analysis and Planning*.
- Lindblom, C. (1959). "The Science of Muddling Through." *Public Administration Review* 19: 79-88.
- Lindblom, C. (1979). "Still Muddling, Not Yet Through." *Public Administration Review* 39 (November-December): 517-526.
- Mazet, F., R. Salle, and R. Spencer (1995). MTF: Understanding complex relationship dynamics between industrial groups – powerplay and positions. In Håkansson H. and I. Snehota (1995), *Relationships in Business Networks*. Routledge: 205-221.
- Millman, A. F. and K. J. Wilson (1997). "Defining Key Account Attractiveness in Business to Business markets". 33rd Annual Conference of the NAMA, Fort Lauderdale, Florida.
- Millman, T. (1994). "Relational Aspects of Key Account management". 4th Seminar of the European Network for Project Marketing and Systems Selling, Pisa, Italy.
- Millman, T. and K. Wilson (1999). "Processual Issues in Key Account Management: Underpinning the Customer-facing Organisation." *Journal of Business and Industrial marketing* 14 (4): 328-337.
- Pardo, C. (1994). "The Key Account Manager: Managing Internal and External Networks". 10th International IMP Conference, Groningen, Holland.

- Pardo, C. (2000). Du gestionnaire de comptes clés à l'équipe compte. La reconfiguration d'échanges interorganisationnels en échanges intraorganisationnels dans un contexte industriel. *IAE, Faculté de Sciences Economiques et Gestion*. Dijon, Université de Bourgogne: 355.
- Pardo, C., R. Salle, and R. Spencer (1995). "The Key Accountisation of the Firm: a Case Study." *Industrial Marketing Management* 24 (2): 123-134.
- Pegram, R. M. (1972). *Selling and Servicing the National Account*. New York, The Conference Board.
- Porter, M. E. (1980). *Competitive Strategy: Techniques for Analysing Industries and Competitors*. New York, The Free Press.
- Rangan, V. K., B. P. Shapiro, and R.T. Moriarty (1995). Industrial Marketing Research: Beta Test Site Management. *Business Marketing Strategy*, Irwin Publishers: 320-329.
- Rehme, J. (2001). *Sales Coordination in Multinational Corporations*. Institute of Technology, Linkopings Universitet, Linkoping, Sweden: 277.
- Salle, R., B. Cova, and C. Pardo (2000). Portfolio of Supplier-Customer Relationships. In A.G. Woodside (2000), *Advances in Business Marketing and Purchasing: Getting Better at Sense-making*. Stanford, Jai Press.
- Salle, R. and C. Rost (1993). "Une Méthode de Gestion des Portefeuilles de Clients en Milieu Industriel." *Gestion 2000* (2): 69-87.
- Salle, R. and H. Sylvestre (1992). *Vendre à l'Industrie – Approche Stratégique de la Relation Business to Business*. Paris, Editions Liaisons.
- Sandstrom, M. (1990). Atmosphere in International Business Relationships. *Department of Business Studies*. Uppsala, Uppsala University.
- Shapiro, B. (1988). Close Encounters of the Four Kinds: Managing Customers in a Rapidly Changing Environment, Harvard Business School.
- Shapiro, B. P. and T. V. Bonoma (1984). "How to segment Industrial Markets." *Harvard Business Review* 3 (May-June): 104-110.
- Shapiro, B. P. and R. T. Moriarty (1980). National Account Management, MSI.
- Shapiro, B. P. and R. T. Moriarty (1982). National Account Management: Emerging Insights, MSI.
- Shapiro, B. P. and R. T. Moriarty (1984). Organizing the National Account Force, MSI.
- Shapiro, B. P., K. V. Rangan, R.T. Moriarty and E.B. Ross (1987). "Manage Customers for Profits (not just sales)." *Harvard Business Review* (September-October): 101-108.
- Snehota, I. (1993). Markets as Networks and the Nature of the Market Process. In Sharma D. (1993), *Industrial Networks*. Greenwich, Connecticut, JAI Press. 5: 31-42.
- Stevenson, T. H. (1980). "Classifying a Customer as a National Account." *Industrial Marketing Management* 9: 133-136.
- Stevenson, T. H. (1981). "Payoffs from National Account Management." *Industrial Marketing Management* 10: 119-124.
- Stevenson, T. H. and A. L. Page (1979). "The Adoption of National Account Marketing by Industrial Firms." *Industrial Marketing Management* 8: 94-100.
- Tosdal, H. R. (1950). *Introduction to Sales Management*. New York, Mc Graw-Hill Book Company.

- Turnbull, P. and J. P. Valla (1986a). The interaction approach to marketing strategy - an introduction. In P. Turnbull and J.P. Valla (1986), *Strategies for International Industrial Marketing*. New York, Croom Helm: 1-10.
- Turnbull, P. and J. P. Valla (1986b). Strategic Planning in Industrial Marketing: an Interaction Approach. In P. Turnbull and J. P. Valla (1986), *Strategies for International Industrial Marketing*. New York, Croom Helm: 265-289.
- Tutton, M. (1987). "Segmenting a National Account." *Business Horizons* (January-February): 61-68.
- Urban, G. L. and S. H. Star (1991). *Advanced Marketing Strategy*, Prentice Hall.
- Vancil, R. P. and P. Lorange (1977). *Strategic Planning Systems*. New Jersey, Prentice Hall, Englewood Cliffs: 23-25.
- Weilbaker, D. C. (1997). "The Evolution of National Account Management: a Literature Perspective." *The Journal of Personal Selling and Sales Management* 17 (4): 49-59.
- Wilson, D. T. (1994). Comment on J. Johanson and L.G. Mattsson's "The Markets-as-Networks Research Tradition in Sweden". In G. Laurent, G. L. Lilien and B. Pras (1994), *Research Traditions in Marketing*. Kluwer Academic Press: 343-346.
- Wilson, D. T. and V. Mummalaneni (1986). "Bonding and Commitment in Buyer-Seller Relationships." *Industrial Marketing and Purchasing* 1 (3): 44-58.
- Wind, Y. (1978). "Issues and Advances in Segmentation Research." *Journal of Marketing Research* 15 (August): 153-66.
- Yin, R. K. (1989). *Case Study Research: Design and Methods*. London, Sage Publications.
- Zolkiewski, J. and P. Turnbull (2000). "Relationship Portfolios: Past, Present and Future", 16th International IMP Conference, Bath, U.K..

Paper 1

MTF: Understanding complex relationship dynamics between industrial groups-powerplay and positions.

Original publication

Mazet, F., R. Salle and R. Spencer (1995). Relationships in Business Networks.

H. Håkansson and I. Snehota, Routledge: pp.205-221.

5.2.1 MTF: understanding complex relationship dynamics between industrial groups – power play and positions, by Florence Mazet, Robert Salle and Robert Spencer

Introduction

By illustrating how the content of the relationship between local units of two industrial groups can be explained through the analysis of the relationship between other actors in their own group, this paper intends to contribute to the global understanding of supplier/customer relationships in the business-to-business marketing field.

The case describes the relationship between a local factory of a French group – MTF – with a local branch office of a supplier's group – Chimior – over a given period of time, and the various connected relationships influencing the local interaction.

It illustrates in particular how the strategy established by each group at corporate level to handle relationships with their customers or suppliers influences the local relationship studied, through plays on the position and power-dependence level of such counterparts.

The MTF Group: structure and organization

MTF is a French metallurgical group with a turnover of nearly FF100 bn, and employing approximately 100,000 employees worldwide. MTF's strategy is focused on two areas: the development of its European and worldwide activities, and the implementation of an ambitious innovation programme.

The MTF Group's organization has the following key characteristics:

- corporate headquarters based in the Paris area;
- various production subsidiaries in each country;
- two 'functional' subsidiaries: the legal centre in charge of all corporate activities related to legal issues, and the corporate research centre.

In France, four production subsidiaries manage several production sites from joint national headquarters in Paris. Each subsidiary is specialized in the production of one 'family' of products. Traditionally the various managers in the local factories (factory manager, production manager, purchasing manager, etc.) have enjoyed considerable autonomy in their day-to-day operations.

The relative autonomy of the local factories tends, however, to be increasingly limited due to recent evolution in the MTF Group's organization. The Group is explicitly and progressively tending to centralize negotiations with a view to obtaining increased power over its suppliers.

The Chimior Group: structure and activities

With a turnover of nearly FF20 bn, and a presence in most industrialized countries, the Chimior Group carries out the majority of its activities in the industrial gas sector. For coordination of its national and international activities, Chimior's organization comprises:

- corporate headquarters, based in France;
- one corporate research laboratory (CRL) also based in France;
- autonomous production and sales subsidiaries in each country.

Each subsidiary is composed of divisions, based on the technical specificities of the families of products each division markets.

The French subsidiary – Chimior-France – has two main divisions that we can roughly describe as:

- the 'Basic Products Division' (BPD) corresponding to commodity goods generally consumed in very large quantities thus justifying, in most cases, delivery via a network of pipelines;
- the 'Special Products Division' (SPD) corresponding to products with special chemical and physical properties (in terms of purity or composition) thus requiring, in most cases, technical assistance from Chimior to adapt the product to the customer's production processes.

Despite shared national headquarters in the Paris area, these two Chimior divisions are

207 Actor bonds

entirely independent, commercially speaking. Therefore, any given customer group can simultaneously and independently deal with both the Basic Products and the Special Products Divisions. Given the strategic importance of the contracts it deals with, and the particularity of its delivery mode (pipeline), the BPD traditionally negotiates direct with the corporate purchasing managers of customer groups and is not represented by sales offices at the local level. On the other hand, the SPD has set up several branch offices at the local level coordinating both technical and commercial exchange with customer units. Local branch office activities include: making and following-up contacts with customers, programming delivery schedules, invoicing and coordinating with the corporate research laboratory on technical aspects concerning customer accounts. The CRL helps in the implementation of new technical solutions at the customers' and the transfer of know-how and skills to Chimior's commercial staff. Based in France, for historical reasons, the CRL represents one of Chimior-France's key market-entry resources.

Strategy

Chimior-France – and in particular its special products division – bases its strategy on 'differentiation through technological leadership'. In implementing this strategy, the SPD concentrates on developing and maintaining relationships with customers at a local level as far as possible, avoiding dealing with customers on a centralized basis. Several factors lie behind this approach: First, the technical specificities of the SPD's activities, which necessitate the development of close relationships with the end-users of the products in order to adapt Chimior's technologies to the specificities of each customer (this requires that Chimior carry out tests on customers' production processes). Second, the strategic intentions of the supplier. These can be summarized in two points:

- . • testing of technological product, 'packages' developed by the corporate research lab;
- . • minimizing the customer's global negotiation power by individual negotiation with separate customer sites.

This strategy sometimes comes into conflict with the strategy and practices of those Chimior customers wishing to centralize negotiations at a national or global level, as in MTF's case. The MTF–Chimior case illustrates the dynamic confrontation of these two conflicting strategic choices: on the one hand, that of Chimior trying to minimize price concessions by avoiding customer headquarters as far as possible, and on the other hand, that of MTF centralizing negotiations in order to increase power over its suppliers and optimize gain from the corporate relationship. The case is presented in six evolutionary phases. These phases each reflect significant identified changes in the characteristics of the local relationship (type and status of actors involved, atmosphere of the relationship, nature of exchange).

Strategic partners

The MTF Group, a customer of the Chimior Group since the 1940s, ranks among Chimior's top ten customers in France. Likewise, Chimior is the MTF Group's major gas supplier, supplying more than 80 per cent of their needs in 1989. Chimior, via its two commercial divisions, works with the majority of the MTF Group's French factories. Some of these factories are supplied by pipelines directly linked to Chimior's production units, thus guaranteeing the customer uninterrupted supplies. These deliveries mainly concern simple commodity products and are handled by Chimior's Basic Product Division.

Given the high level of investment required to offer such a service (set-up of a production site close to the customer's facilities and installation of a pipeline network), the two groups have agreed on long-term contracts for supply to these factories. These contracts represents the large majority of MTF's purchases with Chimior (more than 70 per cent) and are of ten to twenty years' duration. The other French factories of the MTF Group are supplied in tanks by the local branches of the Special Product Division. Delivery conditions are formalized in three-to five-year contracts, depending on the level and on the specificity of technological support provided by Chimior.

Depending on type of delivery, then, two situations regarding the degree of dependency exist: highly dependent MTF plants, tied down with a long-term contract and pipeline supply, and less-dependent plants with shorter-term contracts. But the partnership between the two Groups does not stop there. Indicative of their degree of interdependency on a global level is the fact that Chimior sells other ranges of products to MM On the other hand, MTF also sells back to Chimior a large amount of waste, or by-products, which Chimior reprocesses, purifies and commercializes. Thus the two groups' industrial activities are intimately inter-twined. This case focuses in particular on the evolution of the local relationship between Chimior-North, a local branch representing the Special Product Division of the supplier in the north of France, and MTF-Douai, a customer factory located 100 kilometres away from the supplier's branch office.

Phase One: a strictly local relationship

Chimior-North has worked with the Douai factory since its start-up in 1950. Douai belonged to another iron and steel firm at the time, and was sold to the MTF Group in the late 1970s.

At first a simple supplier of goods providing no significant technological support to the customer, Chimior-North proposed, in the early 1980s, implementation of new production technology in the Douai factory. Thanks to a new mix of Chimior's component products, this technology would enable the customer to produce new metal alloys in strong demand on the market at that time, thus providing MTF with a significant competitive edge.

209 Actor bonds

Initial negotiations between Chimior-North and MTF-Douai for the implementation of this technology took place on the one hand between Chimior-North's technical engineer and MTF-Douai's production manager (negotiation of technical aspects), and on the other hand between the manager of the supplier's branch office and the Douai's factory manager (price negotiations).

With implementation tests being successfully carried out by Chimior-North's local engineers, the customer factory decided to go ahead and award the contract for product supply to Chimior. The actual integration of the technology into MTF Douai's production tool was handled by the supplier's local technical centre in coordination with the customer's 'Safety' and 'New Task' departments. As confirmed by one of Chimior-North's sales engineers, 'action at this time was purely local' and 'the signature of this contract led to an intensification of our relations on a local level with the Douai factory'.

Over the next two years the relationship remained a purely local one, with the same actors being involved. Regular meetings were organized between technicians, sales and purchasing managers to modify the frequency of deliveries according to evolution of the customer's needs, and to renegotiate prices.

Phase Two: a local relationship with national coordination

In its effort to maintain competitive advantage based on technical innovation, the corporate research lab (CRL) of the Chimior Group developed new technological expertise in the form of a technical 'package' suitable for a specific production process situation.

The CRL contacted the various local branches of Chimior-France individually so as to pre-select with them a 'pilot customer' using this type of process and agreeing to let them carry out tests. The MTF factory in Douai was finally chosen as it had excellent relations with Chimior on a local level, and its production process was particularly well suited to the new technology Chimior's CRL were promoting.

Negotiations were initiated at the local level between the usual actors from Chimior-North, accompanied by one engineer from the CRL, and the factory and production managers from the customer's site. At that time, faced with the concentration of many of its customer industries and the consecutive centralization of purchasing decisions, Chimior-France decided to progressively introduce a system of national account managers to manage its major customer accounts. The iron and steel industry, in particular, was undergoing rapid concentration. Anticipating these changes, Chimior-France decided to appoint a team of two national account managers for the MTF Group: a commercial account manager and a technical account manager. The role of these managers at that time was limited to the gathering of all relevant information concerning action carried out by Chimior's local branch offices with respect to the various customer sites.

After consulting all the French branch offices, the two account managers were up to date on all ongoing action with the Douai factory, but took no active part in the dealings, however. They also learnt that, in parallel, the eastern branch of Chimior (Chimior-East)

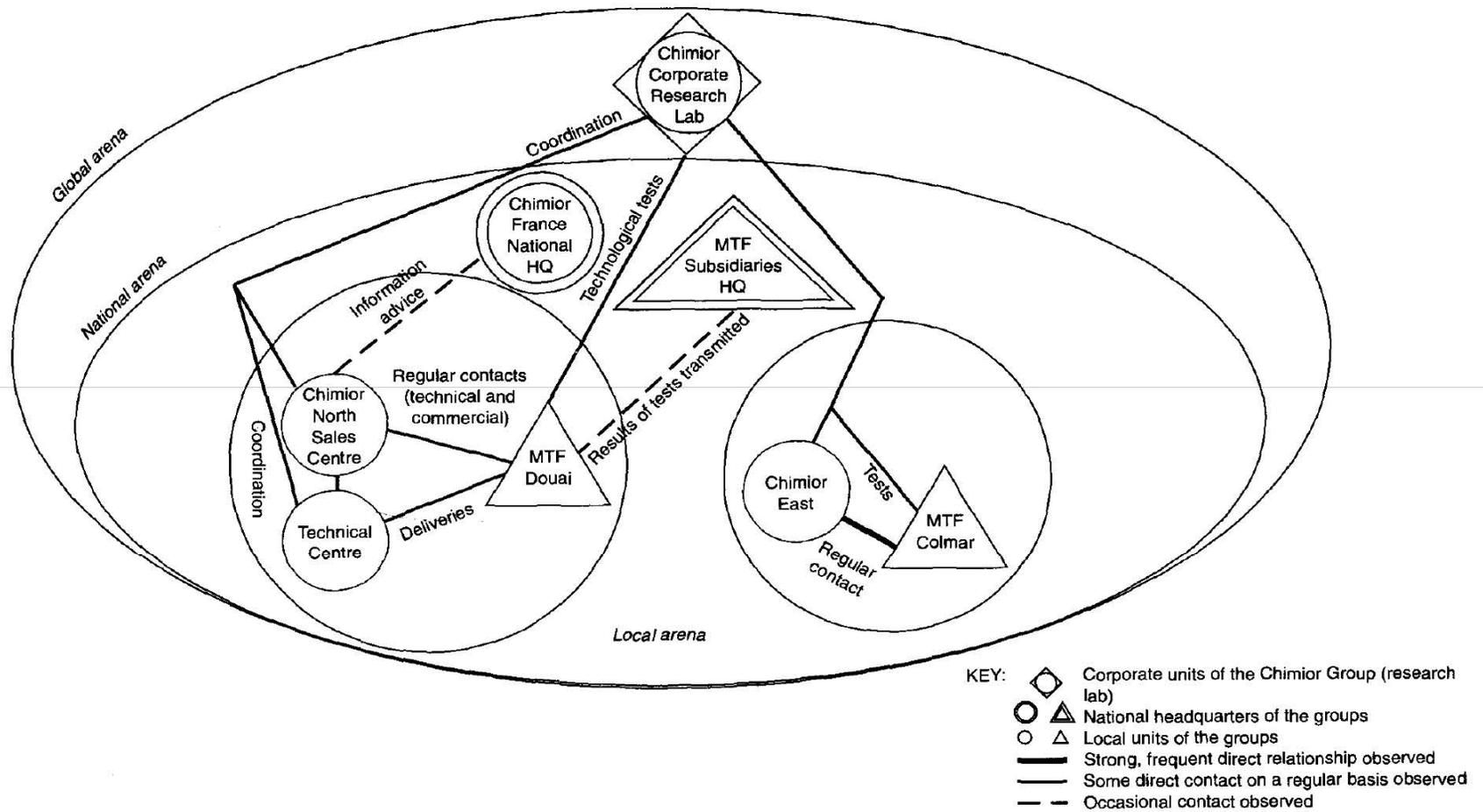


Figure 5.2 Second phase: a local relationship with coordination

211 Actor bonds

was in contact with another MTF factory in Colmar, where the CRL was experimenting with another new technology.

As regards the Douai plant, the usual local partners negotiated an initial series of tests to establish whether the new technology could successfully be applied to the customer's production process. These tests were carried out in the Douai factory by two engineers from the CRL over a total period of two months. Results were presented by CRL engineers five months later.

Given that one of the MTF Group's corporate management objectives was improved quality, the Douai factory manager presented the results of the tests carried out by Chimior to his national manager with the objective of influencing Group investment decisions in favour of the Douai plant. Local engineers from Chimior-North later noted that this collaboration led to 'an improvement in the contacts between Douai, their local branch and their corporate research lab'.

Shortly afterwards MTF-Douai's production manager was replaced upon the initiative of MTF's corporate management by somebody who, according to Chimior-North, 'had more influence on decisions' and was less willing to accept and cooperate with Chimior as a privileged supplier. 'The new manager was ready to sign with just about anybody!' was the remark made summing up the situation.

This was one of the first signs of the changes decided upon by MTF's corporate management with a view to increase centralized control over action carried out at the local level in the factories, and progressive increase in power over its suppliers. Following the appointment of the new production manager, a decisive meeting was subsequently organized between the Douai factory (the factory manager and the new production manager) and Chimior (one CRL engineer and one of Chimior-North's sales engineer) for start-up of a second phase of tests. At the national level, Chimior-France's commercial account manager was kept informed of ongoing negotiations and consulted for advice on price issues.

The situation can be summarized as shown in Figure 5.2.

Phase Three: the 'invisible' action of MTF headquarters and the first signs of conflict

From there on the customer Group continued implementing its new corporate strategic plan and took, more specifically, the following steps:

- the development of several research programmes on metallurgical processes, aimed at increasing the quality of end-products and reducing the quantity of raw materials used;
- the establishment of procedures aimed at protecting the technological ownership of R&D developments. The corporate legal centre thus occupied a more strategic position and benefited from increased power in the Group;
- the consolidation of information at national level concerning factories' relationships with all major suppliers including Chimior.

Unaware of these changes, and in line with its usual practice in these cases, Chimior's corporate legal department was asked by the CRL to set up a trial contract prior to

launch of the second phase of tests in Douai. Alongside clauses concerning commercial terms over the trial period, the trial contract referred to the use of patented processes belonging to the Chimior Group, and guaranteed Chimior the subsequent industrial ownership of all know-how developed during the phase of tests with the customer. This trial contract was transmitted to the customer's factory in Douai by its usual local partner, Chimior-North.

The Douai factory did not reply immediately. After forwarding the trial contract to its national headquarters, it informed Chimior-North that it refused to sign. The local actors from Chimior could obtain no further explanation, and declared themselves extremely surprised by this 'unusual customer reaction'. This situation led, in fact, to a total freeze of the relationship at the local level. In turn, and faced with this situation, the local Chimior-North branch office decided to contact their corporate technical account manager, in charge of the MTF account, for advice on how to proceed. The latter decided, in the interest of furthering its technological innovation policy, to push for continuation of tests with Douai, even in the absence of a signed contract.

With no contract, then, tests were carried out by CRL engineers, with the assistance of two engineers from Chimior-North (one from the sales centre and one from the technical centre). These tests led to Chimior coming into contact with new actors at the Douai factory: an R&D manager, a quality control manager, and a newly appointed 'new task' manager. These new actors were representative of the growing importance afforded to quality in MTF's corporate strategy.

These actors were responsible for checking that end-products manufactured with the new process were up to MTF's standards. The various engineers involved from Chimior were satisfied with the results of the tests, but their counterparts in the MTF factory refused to give them samples of the final products which would enable them to precisely assess product quality. Before going any further, MTF staff requested a copy of the text of the patent that was mentioned in the trial contract, giving full details on the technological aspects of the process implemented.

After having consulted their technical account manager, the local Chimior-North staff replied to the Douai factory that they were not in a position to reveal the content of the patent. The reason for Chimior's refusal was related to the Group's corporate strategy, based on technological innovation and leadership. To implement this strategy on a market-wide basis, Chimior needed to control all technological aspects and to remain the full owner of all developments in order to be able to implement them afterwards with other customers, and without competition. This meant that the Chimior Group had to be extremely cautious in the diffusion of its know-how, particularly during the initial development stages, where various changes to the patented technology were often called for. MTF Douai's demand to see the content of the patent, in line with MTF's own corporate strategy, thus clearly conflicted with Chimior's corporate strategy.

The supplier's refusal to comply triggered off a vigorous reaction from MTF, with the Douai factory manager forbidding access of any person from Chimior-North or from the CRL to the factory. Aware that the relationship with Chimior represented new stakes in a henceforth corporate game, the MTF-Douai production manager declared himself 'overwhelmed by events'.

213 Actor bonds

Phase Four: the dynamics of the conflict, or the spread from localized to generalized conflict

Chimior's technical account manager, perplexed, tried at that point to gain a better understanding of the customer's sudden change in attitude. Given the poor state of the relationship between their northern branch and the Douai factory, he made direct contact with MTF's national purchasing manager in an attempt to solve the conflict.

As a result of this meeting, he was advised to request an interview with the manager of MTF's legal centre (corporate level). When he finally met the latter, the MTF Group's corporate purchasing manager also attended the meeting.

Chimior's technical account manager was informed that MTF's legal centre had received, from its national subsidiaries, not one but two trial contracts from Chimior: one concerning the Douai factory and one concerning the Colmar factory. Both of these contracts mentioned patents and rights on industrial know-how that the customer was 'not ready to accept without further details and explanations'. Chimior's legal department had already refused to modify the terms of contract concerning the Colmar factory.

Another meeting was then set up between the two Chimior national account managers, two CRL engineers in charge of the ongoing developments in the customer's factories, the manager of MTF's legal centre and the manager of MTF's corporate research centre.

Confident in their conviction that the customer group would eventually concede, Chimior's staff emphasized the benefits the new technologies would bring to the factories, but still refused to disclose the patents. This led to a more extensive, renewed freeze in the relationships between the two Groups at corporate level.

Faced with this stalemate situation, and so as to 'continue to develop its research activities as fast as possible', and avoid freezing development on the whole technical package, Chimior's technical account manager decided to look for another pilot customer to replace the MTF factory in Colmar and to drop all action related to this factory.

In parallel, the CRL launched minor developments in a third factory (in the Nancy region) of the MTF Group, with the objective of 'obtaining indirect information on the work carried out in Douai'. Chimior kept MIT headquarters ignorant of this parallel action, and no contracts were drawn up with this other customer unit. As mentioned by one CRL engineer: 'information on these relationships was not thrown about a great deal at a central level'.

All this action took place in an atmosphere of tension between the two Groups. At the same time, the MTF corporate purchasing manager and the national sales manager of Chimior's Basic Products Division (BPD) were renegotiating their long-term contracts. Severe price conflict arose regarding one specific product, with MTF considering it was not getting a fair deal.

Several factors, then, had a cumulative effect on the deterioration of the atmosphere between the two groups: the situation with the Colmar and Douai factories and patent and technology rights, the long-term customer dependency generated by the long-term BPD contracts, and the price disagreement on the specific commodity mentioned above.

Chimior's Basic Products Division was seen by MTF as being highly inflexible, and unwilling to adapt and grant concessions. MTF consequently became very cautious

and suspicious in its dealings with Chimior in general. The Chimior Special Products Division suffered due to the Basic Products Division's poor image.

Phase Five: global-level intervention to exit the conflict

Quite a serious, far-reaching, situation had thus arisen between the two Groups. Finally, a meeting was set-up between the managing directors of the two Groups (Chimior and MTF) to solve the price conflict on the BPD contracts. At the end of the meeting, the two MDs agreed to set up an 'umbrella contract' not just related to prices but with a view to performing joint research projects. In particular, they agreed that any know-how developed prior to the joint research and development agreement belonged to the party responsible for its initial introduction, and could thus be patented by that party alone. This cleared the path for dealings with the Douai and Colmar factories.

Following this meeting, the atmosphere of the relationships between the two groups began to improve, and the national and global actors of the two groups started up a second phase of negotiations for the trial contract proposed to the Douai factory.

A meeting was organized beginning January to redefine the contract terms involving:

- . • for Chimior, the two national account managers (national level) and the engineer from the CRL who had initiated the technical developments in Douai (global level);
- . • for MTF, the national purchasing manager (national level), the corporate purchasing manager, the manager of the legal centre and the manager of the corporate research centre (global level).

The manager of MTF's legal centre, however, was very critical of Chimior, stating, to use his own words, that:

'Chimior has been robbing MTF for many years, and has technically abused us, taking advantage of us in a situation where the steel industry did not know how best to protect its own know-how. From now on the MTF Group is not ready to transmit its know-how for free.... The trial contracts drawn up behind our back by various Chimior branch offices with our factories constitute a danger for our Group. We are eager to work in collaboration with outside partners, provided we can control what we are jointly developing.'

This meeting enabled Chimior's technical account manager to identify those people in MTF that seemed to be the most open to their project in Douai. He also learnt through different sources (and in particular through the contacts they had recently established in Nancy), that their actions with Douai and Colmar had taken place at a very bad time in relation to the customer Group's new strategy with, in particular:

215 Actor bonds

- increased power granted to the legal centre;
- increased power granted to MTF's corporate research centre to promote innovation;
- the development by the MTF Group of a research programme in direct competition with the technology proposed by Chimior in the Colmar factory;
- increased centralization of information and decision-making for improved control and coordination.

The Chimior technical account manager later decided to meet the research director of the MTF Group – who seemed the most open and favourable to Chimior's project – alone. He took with him a copy of the much-mentioned patents, with the objective of 'calming' the heated atmosphere which reigned. During the meeting he learnt that the customer's unwillingness to sign the Douai and Colmar trial contracts was not only due to the conflict on patents alone, but also to the difficulty encountered by MTF with Chimior's BPD contracts.

The situation can be summarized as shown in Figure 5.3.

Phase Six: back to a local situation

Following these events, Chimior's technical account manager sent a letter to the manager of the MIT corporate research centre pointing out that:

- . • the contract for the Douai factory was handled by the Special Products Division of Chimior, and was therefore less restrictive in terms of contract length than those handled by the Basic Products Division;
- . • the patent mentioned in the contract did not involve any claim by Chimior for financial compensation regarding MTF;
- . • this contract did not concern any common research project between MTF and Chimior, but the mere application of a technology previously developed by Chimior, and concerning its own field of expertise. Therefore, it was not a new technology and did not fall under the 'umbrella contract' agreed by the MDs of the two Groups.

Following this letter, the technical and commercial account managers of the Chimior Group, on the one hand, and the corporate purchasing manager of the MTF Group, together with the manager of MTF's corporate research centre on the other, set up a final meeting during which they agreed to continue their collaboration in Douai.

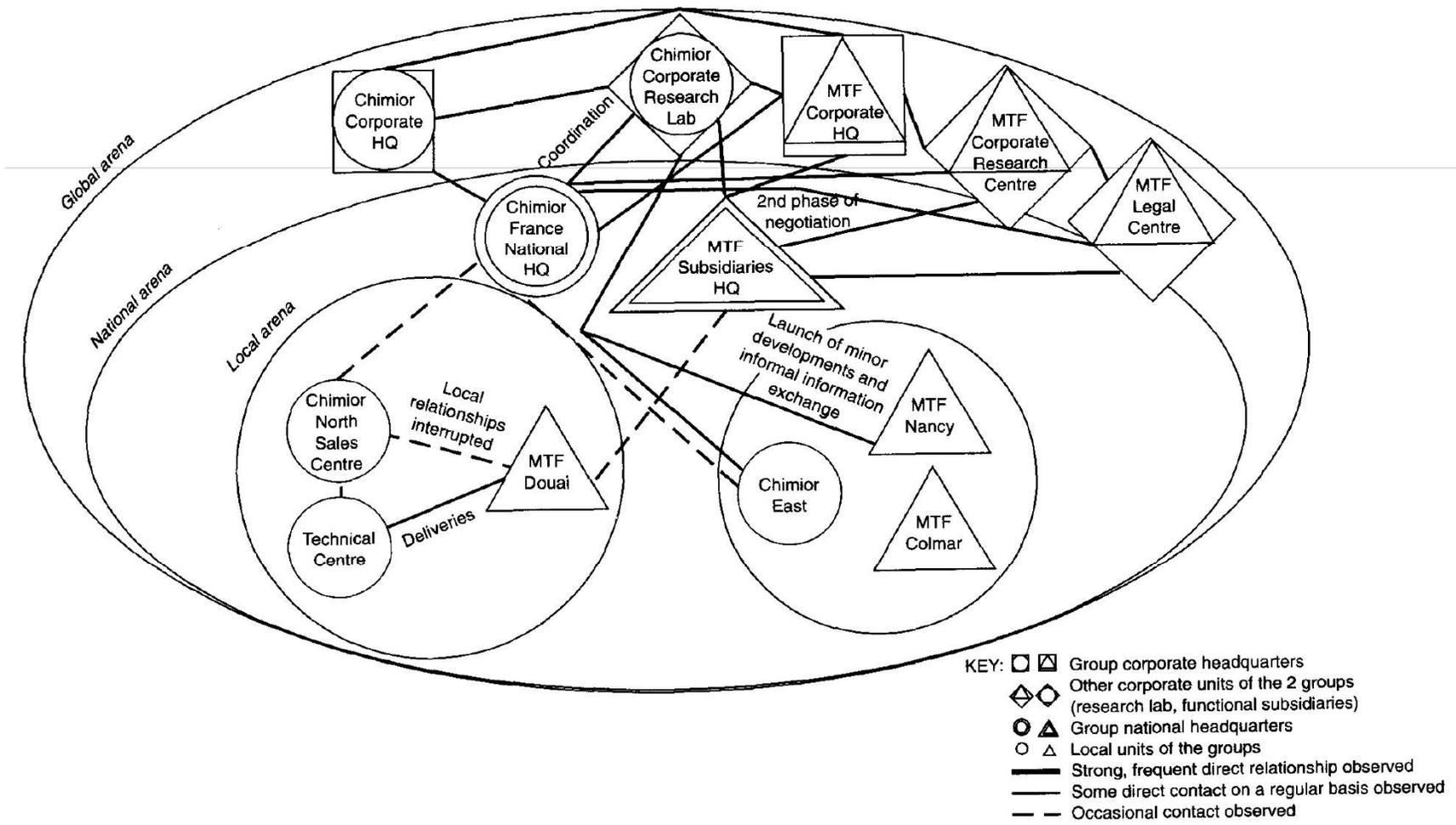


Figure 5.3 Fifth phase: global corporate action to exit the conflict

217 Actor bonds

The local partners were thus authorized – after a one-year freeze – to continue their relationship.

After a meeting with the manager and a local Chimior-North sales engineer, the Douai factory manager informed his employees that the two Groups had finally come to an agreement, and that they were free to carry on their dealings with the supplier 'as before'.

The engineers from the CRL and from Chimior-North were allowed access to the Douai factory. They were then given the results of the previous series of tests, enabling them to launch a new series of tests.

During these tests the atmosphere between the local partners slowly evolved. After the initial rather cold contact, tension progressively dropped. The relationships, however, were more formal than before the conflict, first because several new actors had replaced those the engineers from Chimior were used to dealing with, and second because the recent events had clearly shown the factories, and Chimior's branch offices, that MTF's corporate management was ready to take drastic steps to enforce its new strategic plan. Local factories no longer enjoyed the autonomy they had been used to.

In this context, the local factories now knew that they needed to be more cautious in their relations with their various suppliers, and in particular with Chimior.

Case analysis

Phase 1

The relationship between Douai and Chimior-North is maintained on a local level and is characterized by an atmosphere of trust mostly based on the technical expertise of the supplier. The relationship is old, tried and tested, the actors are known and are used to dealing with each other, which enables them to work in close collaboration with very little friction. The local partners share common and converging interests. The power balance is stable and the positions of each counterpart are accepted by the local actor on both sides.

On the customer's side, the actors involved locally are essentially concerned with production efficiency issues (product quality and productivity), and price issues are only secondary to them. No external group-level elements interfere with this local relationship situation. On the supplier's side, the local actors can use their relationship with MTF to test the technologies developed by their corporate research laboratory and as a technical reference for developments with other local customers or prospects.

The Chimior Group can also easily find other reference customers in France to carry out its technical developments programmes, both within the MTF Group itself, which at the time was made up of several independent units, and with other iron and steel groups that had not yet been acquired by the MTF Group. It has other alternatives and relative freedom of action.

218 Relationships in business networks

Phase 2

From 1986 to 1987, the relationship was handled mainly at the local level. 'Global' actors from the Chimior Group began to appear in the local relationship through the action of the CRL, but their involvement was purely technical and represented normal practice by the supplier in such cases, provoking no change in behaviour of the local actors involved. Meanwhile MTF, on the other hand, was looking for increased competitiveness and going through the first steps of restructuring. In particular, the MTF Group acquired several other firms in the industry, defined a new structure for the Group, reorganized the factories according to this new structure, and launched a production rationalization programme. In order to reduce costs and increase productivity, the customer Group implemented a programme aimed at improving quality. In line with its overall strategy, MTF also explicitly aimed at increasing its negotiating power over its suppliers by centralization and coordination of action. This reflected MTF's desire to modify its global position on the market and more specifically with respect to the supply market.

The first signs of MTF's plan to improve control over action carried out by its factories appeared at the local level with the arrival of new Douai factory staff, considered by the supplier as being tougher in negotiations, and less willing to cooperate with Chimior. Past investment made by local supplier and customer units suddenly were no longer taken into account when evaluating the worth of the supplier, as they had been in the past, and the formerly close, reciprocal atmosphere between the two local units suffered. In other words, changes in the various micro-positions held by the customer Group relative to its suppliers were the means used by the customer Group to effect a shift in its position relative to Chimior, on the one hand, and in its macro-position on the market on the other. However, the customer's process to better control and coordinate local factories had not yet been fully implemented. Indeed, several actions were carried out simultaneously by local branches of the supplier in two customer factories (in Douai but also in Colmar) which did not lead to any specific reaction at the customer's national or global levels. At the same time Chimior had not recognized, nor assimilated and accepted, the shift in MTF's strategy and desired repositioning. At this stage in the relationship, true to its own strategy, Chimior tried to convince MTF that customization of Chimior's products and technologies was necessary and could only be properly performed at the local level. This can be interpreted as the supplier's intent to demonstrate one source of power to the customer; this power found its roots in Chimior's technical expertise (attractiveness of proposed technical solutions).

To sum up, in spite of the involvement of global actors from the supplier's side, the relations between Chimior-North and MTF-Douai were still mostly handled at a local level. Thus, it seems that the overall relationships between the two groups were still characterized by a set of fragmented, independent relationships between the various pairs of selling and buying centres.

Phase 3

Chimior continued to handle negotiations with the customer's factories at the local level but was confronted by MTF's centralization strategy, specifically the creation of new job functions in the factories, new staff, and implementation of consolidation and coordination procedures in the customer Group. These measures as a direct consequence led to the 'densification' of relationships within the customer Group (increased communication and exchange between units leading to a higher level of interconnection) and the limitation of factory responsibilities and autonomy.

Relations between the two local units froze for the first time due to MTF's desire to shift negotiations to a higher organizational level. This can be interpreted as a desire to change the identity of the units with which the supplier was in contact – one of the factors conditioning position – both micro-and macro-positions in this case. Given the high stakes involved in the relationship between Chimior and MTF (high level of interdependence between the two Groups along several dimensions), Chimior was forced into activating its national account managers, and giving them increased operational responsibility and roles. This can be interpreted as a first acknowledgement of MTF's power. This power was based on MTF's volume of consolidated purchases from Chimior, its potential use as a key reference in the metallurgical field (with the restructuring of the steel industry, MTF had acquired several independent companies leaving few others for Chimior to work with), and its effective utility to Chimior as a test-bed for technological innovation.

To sum up, for the first time the situation observed at the local level cannot be understood easily without integrating more global perspectives concerning the strategies and actions of the two Groups. Due to MTF's restructuring, the power balance between the two Groups evolved and shifted in MTF's favour.

The micro-position occupied by MTF in Douai was no longer independent of the micro-positions occupied by the Colmar factory. MTF's internal network increased in density and the customer's local buying centres were more closely interconnected with the national buying centres. In turn, but with a slight time-lag, the Chimior Group internal network had also densified and national account managers were forced to take part in the dealings with the Douai factory. MTF, in fact, was behaving contrary to established norms in the Group-to-Group network and Chimior, not fully informed, adopted a reactive as opposed to a proactive approach to the situation at Group level.

Phase 4

In spite of Chimior's reluctance, the customer succeeded in 'shifting the relationship' from a local level to a national level. Only global and national actors from either side were now involved. The local relationship had become totally dependent on decisions taken at the national level. In attempting to have the trial contracts modified, actors

220 Relationships in business networks

within the customer Group were pushing for acknowledgement by Chimior of MTF's increased power. Once again local positions were being used as levers to modify the customer's Group-to-Group position. The supplier, however, refusing to disclose the content of the patents mentioned in the trial contracts, demonstrated refusal to accept the positional change of the customer Group and attempted to reassert a position of dominance by exerting pressure in turn on the customer. This would tend to confirm that an organization's position is not the mere result of its strategic desire or intent, but rather requires the acknowledgement and acceptance of this change in position by other actors in the network.

Further evidence of increased densification and interdependency of the MTF Group's internal network is provided with the incidents related to the BPD contracts and the price conflict. Both of the latter are seen to have had a negative impact on the state of relationships handled by Chimior's Special Products Division. The position occupied by the BPD at the national level in the Group-to-Group network had indirect implications on the positions occupied by Chimior-North and MTF-Douai.

Phase 5

The resolution of the conflict observed at the local level (between MTF-Douai and Chimior-North) is linked to – and indeed totally dependent on – the exceptional involvement of the managing directors of the two Groups. On this occasion, higher organizational levels (global levels) were involved both on the customer and on the supplier side.

The acceptance by Chimior's managing director to develop common research projects with MTF can be interpreted as the acknowledgement of MTF's technical expertise and can be seen as the first signs of the supplier's acceptance of MTF's new position in the Group-to-Group network. The customer thus benefited from increased power over the supplier as compared to the previous situation. A direct consequence of this was improvement in the atmosphere of the relationship both at Group level and at the local level between Chimior-North and Douai.

To sum up, the development of the relationship and atmosphere between MTF Douai and Chimior-North at this point was entirely conditioned by the decisions taken at the global level. The resulting Group-to-Group network between MTF and Chimior can now be considered as a set of interdependent relationships between the local, national, and global actors involved on each side and forms, in this respect, a tightly structured network. Each actor, to a large degree, had become repositioned within the Group-to-Group network and an attempt at matching strategies was underway for global coherency and stability.

Phase 6

Chimior finally agreed to show the text of the patent, and the trial contract was signed. Chimior thus proved that the technology proposed for the Douai factory

had been undergoing development for many years by its corporate research lab. The local actors were authorized to continue their relationship. Little by little, the relations between Chimior-North and MTF-Douai returned to normal, but with some major changes as compared to the previous state of affairs, due to MTF's new corporate strategy. It was 'business as usual' at a local level, but with each actor in the Group-to-Group network now aware of the fact that its network environment was rather tighter and more interdependent than before.

Perhaps a final mention should be made here regarding the local supplier and customer units. Often unaware or uninformed as to Group-to-Group stakes at play, these latter found themselves at a loss as to which position they were in and which action should be undertaken in practice. Group strategies thus conflicted with local strategies at times, leading to uncertainty and inefficiency. Certain actors interviewed at the local level did not understand the reasons for the one-year relationship freeze, for example.

Once again, this illustrates the need for strategic coherence within the supplier or customer Group, and the need for shared awareness, acknowledgement and acceptance of change in position in the network by all actors involved, be they actors within or between the supplier and customer groups involved.

Paper 2

The Vegan Case

**Original publication Mazet, F. and R. Spencer (1995).
Relationships in Business Networks. H. Håkansson and I. Snehota, Routledge:
pp.148-163.**

4.2.1. The Vegan case by R. Spencer and F. Mazet

'Given that we don't have unlimited resources, we have to be selective in our approach to the market. In any case, we can't advance too quickly, because if we took too large a market share in too short a time from PPM, our competitor, we would start a price war, and that would be in no one's interests.'

Such is the point of view of Vegan, subsidiary of the V.E. Group, on the Swedish market responsible for production and commercialization of V.E.'s product range. This will become increasingly evident as we delve into a more detailed examination of Vegan's dealings in the market, via analysis of its overall situation, key players identified in the market as a whole and its relationships with four customers in particular, all customers for metal processing applications: Screwco, Contours Ltd, Carco and S.S.S. This analysis reveals the complex web of relationships which prevails both on the Swedish market and abroad, conditioning Vegan's way of doing business.

Setting the scene: history, strategy, structure and market, and an overview of key market players

Vegan has its origins back in the early 1900s. Originally a firm jointly set up by the V.E. Group (75 per cent) and a well-known local Swedish family (25 per cent), it had the mission of distributing and, later on, producing the parent company's products – chemicals – on the Swedish market. Towards the end of the 1960s Vegan became a 100 per cent owned subsidiary of the V.E. Group. The V.E. Group is a world-wide organization, composed of a head office in France, subsidiaries (production and sales) in different countries world-wide, and R&D centres in France – the major one – the USA and Japan. One of Vegan's essential characteristics is its organization. Preference has been given to the creation of small, competent, cohesive, technical/sales teams based at subsidiary head offices, within each category of the company's activities, thus privileging Vegan's approach strategy to the market. This strategy consists of optimizing implementation of technical knowledge, know-how and competency

to ensure a competitive edge for customers.

These centralized teams have the advantage of being in direct contact with customers on the one hand, and with centralized services (logistics, finance, etc.) at Vegan head office on the other. This centralization facilitates the communication and coordination process. The different teams compare and exchange information on customers, and a given customer with needs catered for by several Vegan teams is allocated a 'pilot team' responsible for coordinating all aspects of the relationship. In this way emphasis within Vegan is placed on satisfying as far as possible a customer's total requirements, all activities combined, and exploiting the relationship with the customer to the full, i.e. using the total relationship with the customer as resource potential.

With a turnover of SKr 300 million and an overall market share estimated at 25 per cent, Vegan is behind the market leader and the only other serious competitor – PPM – which has a 70 per cent share.

This market share is evolving in Vegan's favour, however, with a regular increase of 20 per cent in turnover each year over the past ten years for Vegan, and gradual erosion of PPM's hold over the market. To give some idea of the concentration of Vegan's position relative to its customer base, Vegan's ten leading customers represent 20 per cent of total turnover.

Two production plants exist, one in the southern industrial sector of Sweden and the other near Stockholm. The siting of these plants is important as proximity to source of supply is often required by customers. Set up of plant, then, is often an important element in the commercial development process. The typical scenario is that of plant being set up to serve one or two major customers. This then triggers off a process of systematic commercial action in the surrounding area to supply other customers, with a view to soaking up excess capacity, reducing dependence on the major customers and thus lowering risk, optimizing return on investment and increasing market share.

Vegan has a commercial approach which focuses not on the chemical products they produce but rather on providing customers with know-how on how to apply them in their production process. Worth noting here is the joint venture between FPM and V.E. in Japan, with a view to jointly attacking the Japanese market, which proved to be an extremely difficult one, which has had as a direct result transmission of essential V.E. know-how in this domain to PPM. PPM in Sweden, and indeed worldwide, began applying the V.E. 'application' approach, thus considerably countering Vegan's competitive advantage and, according to Vegan, slowing down their progression on the market.

Nonetheless, one of the major strengths declared by Vegan remains that of its capacity to exploit the resources represented by the V.E. Group's 'application' know-how in the Swedish market. It is worth noting here, too, that for Vegan this is a two-way process in that they consider they also have know-how from the Swedish market to be developed and/or exploited at Group level. Contacts with the V.E. Group are thus encouraged and actively promoted by Vegan's general management.

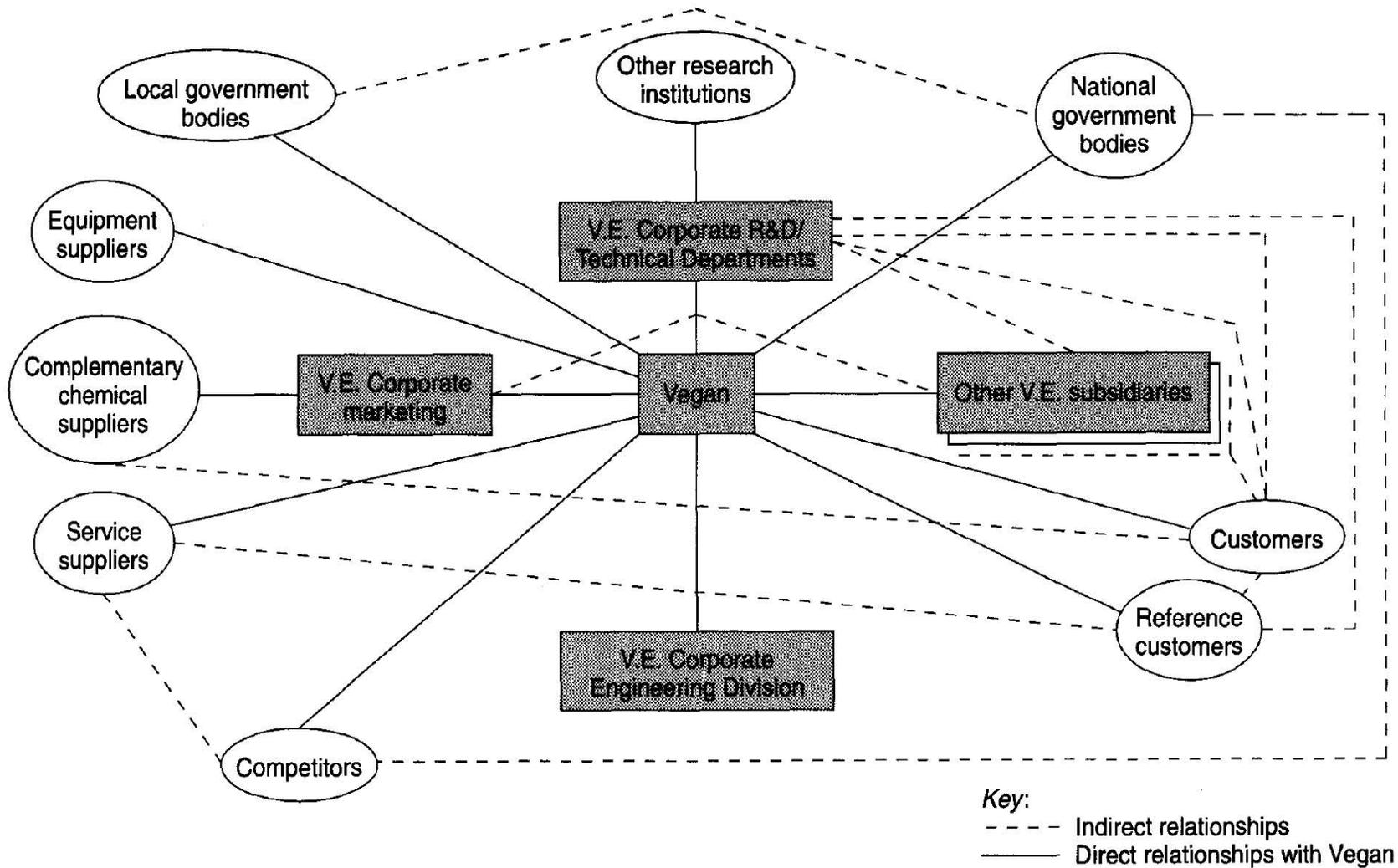


Figure 4.5 Vegan's network backcloth

An overview in terms of operating context – some key market players

Over the years Vegan has developed relationships with a certain number of actors in the market-place exerting a wide variety of influences on the way it operates, and its position on the Swedish market. An overview is given in Figure 4.5. Each of the players is commented on below.

Vegan/V.E. corporate R&D

Perhaps the most important link Vegan has within the V.E. Group is that with corporate R&D in France. In the absence of R&D resources of any importance in the Swedish market, the link with the French-based R&D department is crucial for Vegan, serving as a veritable umbilical cord, feeding Vegan with a permanent supply of new products and applications to fuel their activities in the Swedish market, and providing essential technical and technological back-up to handle problems posed by Vegan customers. Corporate R&D resources are, in fact, generated internally, but are equally the result of a 'pooling' phenomenon via relationships corporate R&D have with various other R&D centres (universities, private R&D organizations, etc.), and via technological information and experience coming from interaction with customers world-wide.

Vegan/V.E. corporate promotions department

Another important dimension to the V.E. corporate/Vegan link, is the relationship with the promotions department. This link, essentially set up with the corporate objective of promoting new applications of products on international markets, is used by Vegan to identify V.E. customers in other markets internationally who have already implemented a given V.E. application. This is obviously done with the cooperation of the other V.E. subsidiaries to a large degree. The advantages of this system of 'reference customers' – be they national or international – for Vegan are multiple: first, this provides a concrete example of the product application proposed to the customer, which has proved its effectiveness. Second, this serves in lowering perceived risk associated with Vegan's offering, and third, this consolidates V.E.'s and Vegan's overall image as a technically competent, innovative, reliable supplier, with the interests of its customers at heart. In other words, this is an invaluable element in the firm's communication strategy. At the same time there is a positive effect on the reference customer used in this process, proud of demonstrating technical prowess and leadership on the one hand, and pleased with the special attention received from V.E. and Vegan on the other.

Vegan/V.E. corporate engineering division

V.E. and Vegan produce commodity goods for industrial use. For these goods to be fully effective in any customer application requires the supply of various complementary elements of equipment (tanks, piping, etc.) also proposed by V.E. or Vegan, with a view

152 *Relationships in business networks*

to providing the customer with a complete offering. Most of these parts are produced by the corporate engineering division, based in France. Vegan, however, has been rather disappointed with the way the relationship with corporate engineering has evolved in the past, finding it difficult to work with them for several reasons, namely:

- the perceived technological inferiority of the equipment as compared to local Swedish equivalents;
- the relatively high cost of the equipment, even to Vegan, a subsidiary;
- the extremely long delivery deadlines and generally expensive service and maintenance costs on the equipment.

For these reasons the relationship with corporate engineering is very little used by Vegan, who have spent time and effort establishing what they consider more viable working relationships with suppliers outside of V.E. on the national and international market. These relationships with 'external' suppliers provide Vegan, in effect, with a more flexible, real-time offering adapted to local Swedish requirements.

Vegan/V.E. corporate marketing

The department plays a role of organizer of international 'theme' meetings between V.E. subsidiaries worldwide, giving Vegan the chance of exchanging information of various kinds concerning applications, customers, competitors' actions, etc.

Vegan/other world-wide subsidiaries of the V.E. Group

Direct relationships between subsidiaries are few. This is partly the result of the operational autonomy of each subsidiary on its country market, but also the result of deliberate policy by corporate H.Q. to limit and control this phenomenon for fear of diminished corporate control.

The state, local and national public authorities

Vegan has established ongoing relationships with government bodies of different types. These relationships can be multipartite in nature to the extent that other actors may be involved (e.g. PPM, the main competitor, participates in various meetings with national standards organizations to jointly define and discuss standards), and they often develop into what the respondents in Vegan termed as personal or friendly relationships.

Supplier firms to Vegan providing complementary chemical substances

Two companies are important. First there is P.D. Chemicals, a supplier of a complementary chemical frequently used by many customers alongside the base product supplied by Vegan, an essential component in the customers' production process. Vegan has established solid ties with this specific supplier with various resultant advantages:

- deliveries of chemicals by P.D. Chemicals either via Vegan, or direct to their common customers, with Vegan receiving a significant commission on these sales;
- exchange of information on the state of the market as a whole (technology, competition, etc.) and on common or potential customers in particular;
- technical cooperation between P.D. Chemicals and Vegan in the case of problems occurring in the customer's production process;
- guaranteed quality of the complementary product, and assured respect of delivery deadlines to the customers.

The second such company is PPM, the main competitor! PPM and Vegan have a long-standing, informal agreement to help each other out in the case of shortage of base product to the point where, on one particular emergency occasion, a Vegan customer was supplied using a PPM truck, whilst being invoiced by Vegan! PPM is also a supplier of another complementary chemical to Vegan (5 to 10 per cent of Vegan's total sales) as Vegan does not produce this item locally but imports. This apparent out-and-out competitor thus also reveals itself as a supplier, as a customer, and even as an ally, albeit an ally with whom all necessary precautions are taken!

Supplier firms to Vegan, providing complementary equipment and services

Among various equipment suppliers, the most interesting case is that of PPM Fittings. As the name suggests, this is indeed a branch of Vegan's main competitor on the market, specialized in the manufacture of complementary equipment, purchased by the customer for their production process. PPM is one of the local suppliers preferred by Vegan to V.E.'s corporate engineering division mentioned earlier.

Among service suppliers there are various companies, such as the delivery fleet composed of owner-drivers across the country, self-employed and working under contract. This solution, according to Vegan, provides more motivation and increased flexibility to Vegan's delivery capacities than would a Vegan-owned fleet. Similar essential long-term relationships have also been established with chemical flow-regulation cabinet installers and electrical installation experts, all necessary to provide efficient installation of complementary equipment to Vegan's customers.

Screwco: getting a foothold in the market

Specialized in the manufacturing of screws and washers of all types, Screwco, as part of its strategy to gain a competitive edge over its competitors, is constantly on the look-out for means of improving its technological prowess.

Vegan, via constant technical follow-up and exchange with Screwco over the years - which Vegan describes as being 'quite a costly process' - has been one of the major forces helping Screwco to improve their technical competency and know-how, and thus improve their control over their production process. Vegan's help, as well as involving simple exchange on technical matters, went as far as providing regular training of Screwco staff in the use of special chemical injection equipment supplied. Vegan at present considers itself to have a 'non-risk' situation with Screwco, in that the customer recognizes the considerable effort Vegan has made toward them, and it is considered highly unlikely that Screwco would switch to a competing supplier.

With the setting up of its new production plant near Stockholm, Vegan set about contacting all possible users of their chemicals including, inevitably, a majority of PPM customers. Screwco was amongst these, purchasing small quantities of a chemical for special applications. This action, incidentally, provoked a reaction by PPM, who systematically prospected Vegan's customers in retaliation.

Technical advices, testing and numerous visits by Vegan led to Screwco signing a four-year contract with Vegan for the supply of chemicals for its production plant. Subsequent contact between Vegan and Screwco was limited to meetings once or twice a year, and test proposals on new application techniques by Vegan, which were refused as Screwco did not feel 'ready' for them.

For the first ten years the only event of any consequence noted was a competitive offer by PPM at the end of the four-year contract with Vegan. In doing this, PPM was faithful to its strategy of bidding systematically, on a low-price basis, to Vegan customers at 'end of contract', thus obliging Vegan, at the least, to drop prices.

Some years ago with the arrival of a new metal processing market manager at Vegan, things began to change. This manager based his strategy on first developing the potential existing with key Vegan customers, and in subsequently identifying new high-potential customers. Screwco was in the former category.

All Vegan customers in the metal processing field were thus systematically contacted and an appraisal made of their development potential. Screwco was identified as high-potential and after study, a new technical production solution was put to them in writing. This was quite far-reaching insofar as it involved total replacement of certain items of heavy equipment owned by Screwco and supply of chemicals by Vegan. The advantages for Screwco were first that it provided greater production flexibility and second that it freed factory space for other use. The new technical solution — incidentally, developed essentially in Sweden — was later taken up by V.E. corporate R&D in France and diffused world-wide. An agreement was reached in which Screwco undertook to make some tests. As part of the process Screwco was invited to visit another ex-customer of Vegan, Rislon, who had installed a similar system designed also

by Vegan and which served as reference. Of interest here is that, through a complex chain of takeovers, Rislon was owned by PPM. This had meant the loss of Rislon as a customer for Vegan but, due to the good personal relationships existing between staff from Vegan and Rislon, authorization was given by Rislon for Vegan to visit their installation with Screwco. A perfect example of past investment, in this case with an ex-customer, paying off in other ways. Despite the loss of Rislon as a customer, Vegan was able to use them as a communication tool, and as a way of increasing Screwco's confidence in Vegan's technical competencies and in the technical solution proposed.

Vegan thus successfully became supplier of chemicals to Screwco on a large scale, having succeeded in convincing Screwco to modify their production process on the basis of a new technical solution. Vegan also negotiated a one-year contract to supply a complementary chemical used in the process, manufactured by their partner firm, P.D. Chemicals. The latter delivered direct to the customer, invoicing Vegan who subsequently re-invoiced. This arrangement on the one hand helped to 'tie down' the customer, and provided Vegan with an additional indirect source of information via the contacts between P.D. Chemicals and Screwco.

However, this contract for the complementary chemical was lost due to the departure of the workshop manager at Screwco, who was replaced by a new engineer from the same engineering school as Vegan's metal processing activity manager. This illustrates one case of this type of relationship having a strangely negative effect. The new engineer acted in this way, cancelling the contract, mainly as a means of demonstrating to his company that the relationship was 'clean and above board' and that no underhand dealings would take place. Having demonstrated his 'honesty' to management, the engineer in question was free to continue business as usual with Vegan on the base chemical product, with no questions asked.

Vegan maintained, then, its position as supplier of chemicals, and performed further technical tests with Screwco. These tests lasted a total of six months and required monthly visits by Vegan staff and technicians, but also equivalent investment in terms of time by Screwco staff. As a result of the tests, Screwco purchased equipment from Vegan for integration of this new chemical application solution into their production process. Vegan thus confirmed their position not only as supplier of chemicals, but also as supplier of complementary equipment, and especially of technical solutions to Screwco.

Since then, Vegan visits Screwco once or twice a year to maintain contact and discuss technical matters. These include new proposals as to technical solutions to Screwco based on information collected during the visits, and on several occasions staff from V.E. corporate R&D and the corporate promotions department have been present (thus consolidating Vegan's status as a multinational company, reassuring Screwco as to their interest in them as a customer and at the same time collecting interesting market data for V.E. corporate).

Several changes in staff have also occurred at Screwco, in particular the departure of the production engineer replaced by a friend of Vegan's metal processing manager,

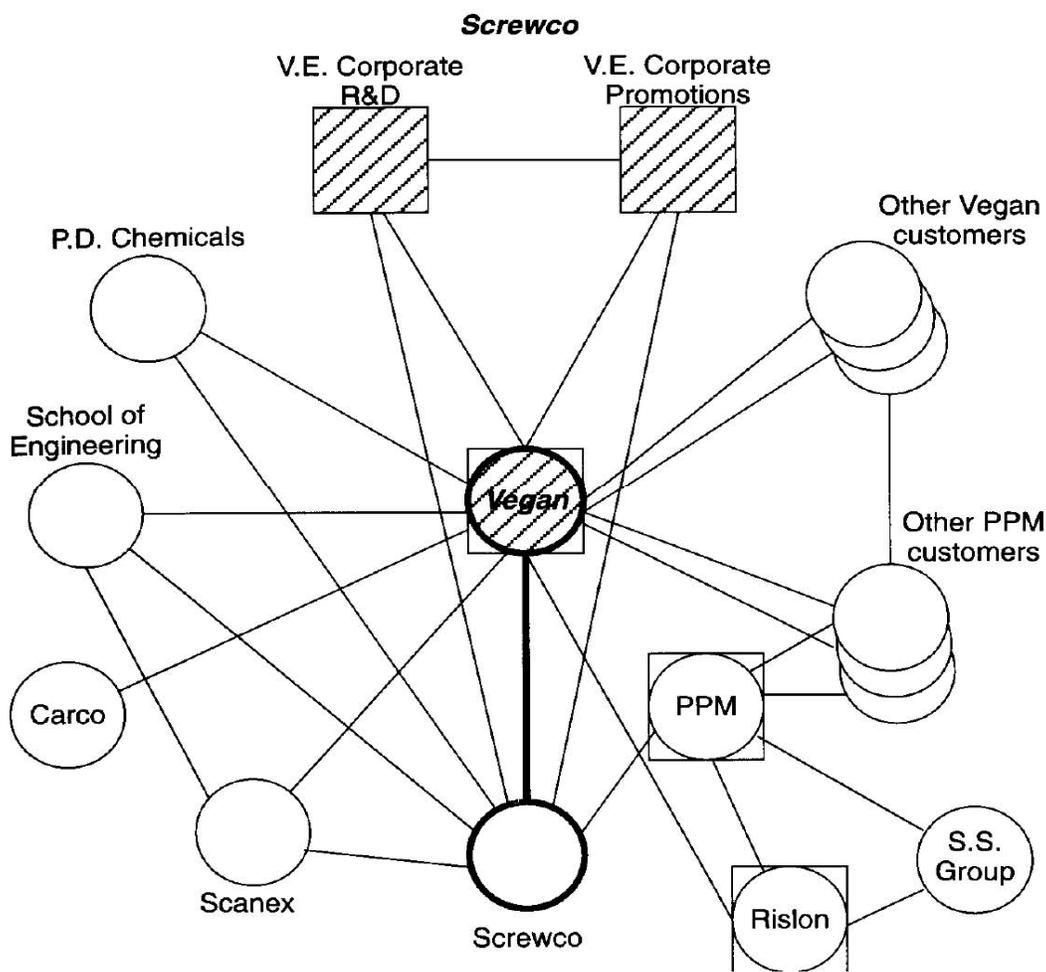


Figure 4.6 The main identified links and relationships in the Vegan/Screwco relationship

from the same engineering school once again. This time this greatly facilitated the relationship on both sides. This new production manager left Screwco two years ago, to be replaced by yet another ex-colleague from the same engineering school. And perhaps of greater interest still, the production manager had just left Scanex, the key potential customer on the market in Vegan's eyes – a resource Vegan has no intention of leaving unused in the not too distant future in its coordinated assaults on Scanex, along with other resources, the nature of which will become clearer over the following pages.

Contours: a strategic link in the networking process

Contours is one of Sweden's leading specialists in aluminium profile manufacture. The relationship between Vegan and Contours Ltd started thanks to frequent contact with another prospective customer, SKP, and in particular with the SKP production manager, later to become Contours Ltd's production manager. This personal relationship paved the way for Vegan in their initial dealings with Contours. But this situation was reinforced by the fact that the technical and general manager of Contours likewise also knew of Vegan and its competencies, due to having previously worked for another Vegan customer company – quite an important fact as Vegan was little known on the market at the time of the first contact with Contours. At that time, Contours did not use chemicals in its production process. After numerous visits, Vegan suggested that they carry out free trials for Contours, using a chemical-based solution. Contours accepted, and business between the two firms got off to a happy start with the tests proving to be successful, providing Contours with a cheaper production process and improved quality parts. The help and presence of technical staff from V.E.'s R&D and technical departments in France in setting up and running the tests – albeit at the expense of flying in head office staff – was one of the key deciding factors in these early stages. It was the suggestion of these same R&D and technical departments for Contours to visit an Italian customer of V.E.'s Italian subsidiary, known to them for having a similar technical production solution in place, set up by V.E.'s technical division and the subsidiary. This visit – costly both for Vegan and for Contours, as this implied two of Contours' Production Managers devoting virtually a full week of their time to the trip – was one of the elements which tipped the balance. It effectively provided proof of the technical feasibility of the proposal made, of the technical competencies of V.E. and Vegan, and of a 'totally satisfied customer using this new process', not just on a national Swedish level, but internationally. Once Vegan had established itself as a capable supplier of chemical products and technical know-how, a solid relationship built up between the two companies, with frequent exchange on technical matters and regular visits to Contours. This translated in parallel by the sales to Contours doubling over a five-year period and new technical solutions proposed by Vegan being adopted by Contours. One such solution, for example, applied not only to the treatment of products Contours manufactured for its own customers, but also of tools for use in its own production process. This enabled Contours to eliminate the need to call upon a subcontractor for this particular operation, giving them lower cost on the one hand but, more importantly in their eyes, increased production flexibility and guaranteed quality of their own production tool. In terms of customer value, Contours was of minor importance, consuming relatively low quantities of chemicals. Contours' real value to Vegan – a fact Vegan had been aware of since the outset – was that Contours represented, as specialists in their field on the market, an ideal reference customer. In fact, Vegan were targeting the market in general, and in an initial phase Carco – a major car manufacturer – in particular, and Contours represented in this sense a means to an end, out of proportion to their size and potential as actual customers. Vegan's choice of Contours as a future reference customer was also stimulated by the fact that Vegan knew Contours to be a company which had a deliberate policy of 'developing' those

suppliers which would provide them with technical know-how. This lined up nicely with Vegan's own policy of technical development with the customer.

Carco: consolidating positions

The initial stimulus to the start-up of the relationship between Vegan and Carco in the metal processing field came from two main sources. On the one hand Carco was fitted out with ageing, heavy production equipment which was coming up for replacement. This meant that more modern equipment, integrating the use of chemicals in the process, could be installed. At the same time Vegan had recently lost its 'star' reference customer – Rislon – to PPM, who had purely and simply bought Rislon out.

Carco, then, were looking for a safer, more economical solution, providing them with reduced down-time and an improved technology production process giving better quality results. Vegan, on the other hand, were looking for a prestigious reference customer capable of promoting Vegan's position in the market in general, but in particular relative to one very special Swedish company – Scanex – Vegan's priority target in the market. Carco was, of course, at the same time an interesting customer in its own right.

Carco's production capacity included two independent sites where metal processing took place, one in Stockholm and the other in Gothenburg. The replacement of the heavy production equipment concerned plant on the latter site, but Stockholm already had some experience of chemical supply from Vegan's major competitor, PPM. The start-up of the installation by PPM at the Stockholm site had not, in fact, been incident-free, with a good number of technical problems arising, resulting in a rather dissatisfied PPM customer. Given the close and frequent contact between technical and production staff on the two Carco sites, this obviously placed PPM in rather an unfavourable position as potential supplier to the Gothenburg site.

Nonetheless Carco Gothenburg consulted both Vegan and PPM. This generated initial exchanges with both PPM and Vegan. PPM responded with an offer to install an original pressurized chemical supply system. This system had in fact, ironically, been developed jointly with the V.E. Group within the context of the Japanese joint venture subsidiary operation between PPM and V.E. The know-how – largely supplied by V.E. – had been channeled back to PPM head office and was now being used against Vegan on the Swedish Market.

Vegan, however, aware of the technical characteristics and limitations of the system proposed by PPM, had recently developed an improved system based on pump technology, which provided more consistent pressure conditions and hence improved production results. Following a first visit to the Carco Gothenburg plant, Vegan took Carco technical staff to see Screwco, who were equipped with this pump technology. Seeing that Carco were not fully convinced, due to the difference in sophistication between the Screwco and the Carco context and production requirements, Vegan set up a joint visit with the corporate promotions department at head office in France and the French V.E. national sales subsidiary, to the Glass Spicer installation in France.

Glass Spicer is a major French customer to V.E., fitted out with a sophisticated version of the pump technology system. At the same time a visit was arranged between the Carco metal processing staff and V.E. corporate R&D, where a full day's discussions took place.

Once back in Sweden, Vegan's staff entered into full discussions on the type of equipment Carco required. The outcome of these discussions led to an agreement to develop with Carco a totally customized solution, with Carco providing their know-how, and Vegan theirs. This know-how was not limited to providing technical knowledge but went as far as providing, for example, special equipment manufactured by a specialized German producer known to Vegan from past experience.

PPM maintained their original technical proposal and towards the end of 1987 both PPM and Vegan put in price quotations for equipment and chemical supply. Carco selected Vegan — for a three-year contract — on the basis of their technical competence and potential. The purchasing department, involved only at the very end of the process, played a minor role in the selection process with decision-making power lying in the hands of the customer's technical staff. Given the sophistication of the system, technical staff from corporate R&D in France were flown in to assist local Vegan staff with installation. The chemical storage tank installed as part of the system — for reasons related to adaptation of height and bulk of the tank dimensions to meet customer requirements — was of PPM Fittings manufacture, a PPM subsidiary!

For the two years since production start-up with this system, Vegan have supplied Carco production staff with free training on the system's characteristics and operating principles — twenty or so Carco staff so far — to help 'cement' the relationship, and additional production plant has been connected up to the main system, increasing the customer's requirements for chemicals considerably. So as to provide continued technical input into the relationship Vegan has placed at Carco's disposal — free of charge for a trial period, and as a means of field testing the equipment — a special telemonitoring system allowed for in the original design of the system. This eliminates the risk of running dry of chemical product and interrupting production. This telemonitoring system is the one designed by Vegan to better meet market requirements, in preference to a similar system of French V.E. corporate design.

Among the problems arising since start-up with Carco, of which there have been relatively few, is that of difficulties with the local government agent responsible for annual testing and approval of Vegan equipment set up at Carco. This local problem, which could have had serious consequences both for the relationship with Carco itself and for other customers in the same region, hampering or momentarily compromising the supply of chemicals and halting production, was solved thanks to good personal and professional relationships between Vegan's head office and national-level government agents.

Another problem area related to the supply of complementary chemicals required in the installation, manufactured by P.D. Chemicals. Initial supply was with natural forms of product, which led to some production problems for Carco due to lack of sufficient

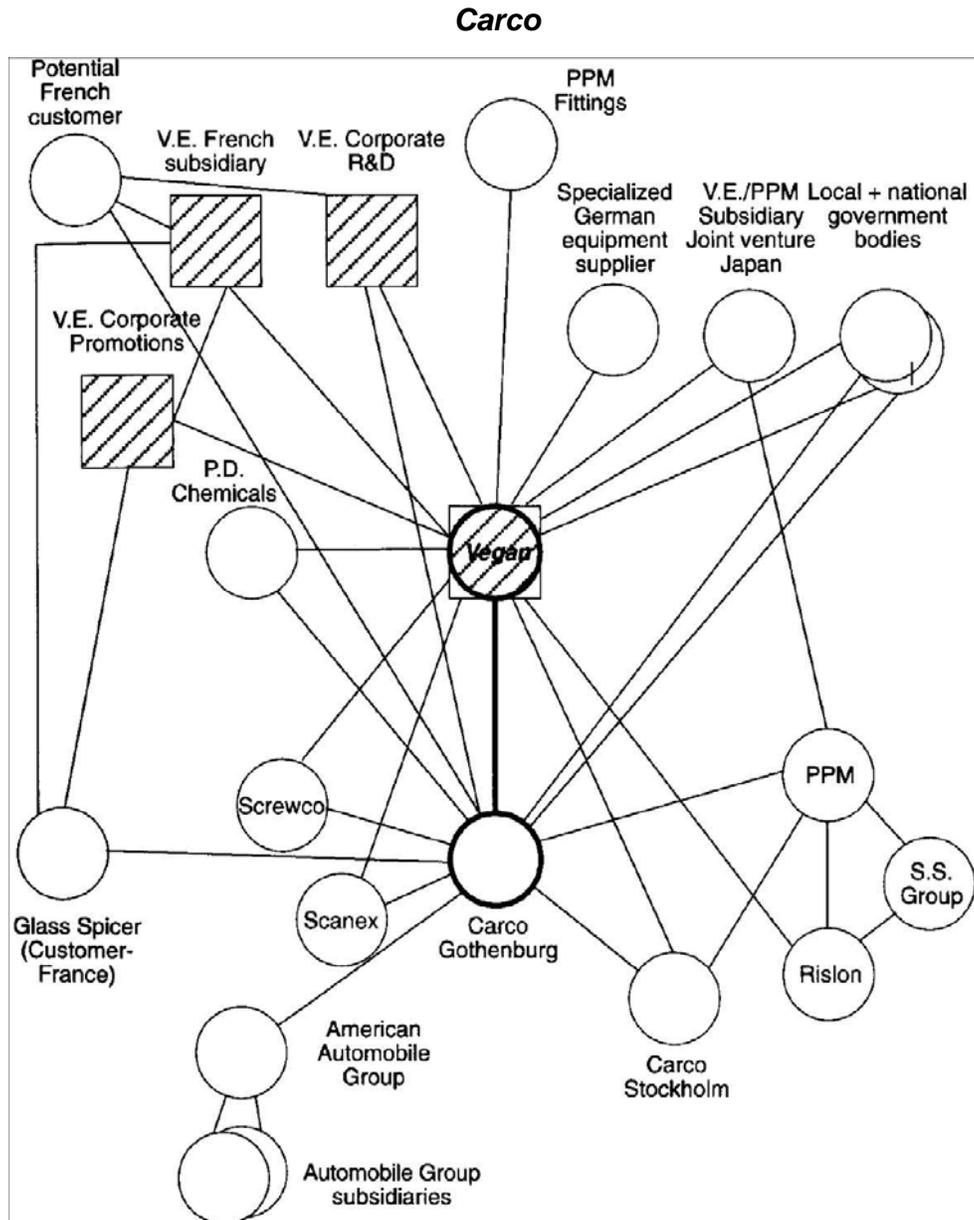


Figure 4.7 The main identified links and relationships in the Vegan/Carco relationship

purity, resulting in deposits being formed in flow meters in the system. Several days of permanent checking on the installation were required to trace the source of the problem, with P.D. Chemicals participating fully in the process, alongside Vegan, at the customer's site. The problem-solving, then, was a joint operation, much appreciated by the customer, who was comforted in the wisdom of selecting Vegan for coordinating both base chemical and complementary chemical supply (two individual suppliers could have led to problems in establishing supplier responsibility, and perhaps more importantly

delays for Carco in rectifying the problem). Vegan's effective handling of the problem resulted in fact in an even stronger relationship between Vegan and Carco. Strong to the extent, for example, that technical staff from Carco have recently left to work for Vegan, thus providing Vegan with in-depth up-to-date data on Carco's needs and practices as a customer.

A satisfied, important customer is obviously a good result in itself, but Vegan had no intention of stopping there and letting resources stand idle. Scanex and the Swedish metal processing market were the original end-target, and Vegan has already had Scanex visit Carco with them on several occasions to examine the joint Vegan/Carco technology set-up there. Direct discussions between Carco and Scanex, without Vegan, have even taken place, with Carco extremely happy to demonstrate its technological competency. Screwco, too, have visited the sophisticated Carco installation at Vegan's invitation, with a view to reinforcing their relationship via further technological cooperation and contribution. Similarly, with Carco's agreement, a major potential French customer company was flown to Sweden to visit the Carco installation, along with staff from corporate R&D and the French V.E. sales subsidiary. Not forgetting the S.S.S. company (see the following section) and various others, of course, including for example Carco's Stockholm site where, for the moment, the manager is happy with his present situation but, when the time comes, and Vegan being well informed via the Gothenburg plant . . .

With Carco's takeover, however, by a major American manufacturer, some shift in buying behaviour has been noted, with a certain tendency to centralize coordination by the American group, for example, and this is being monitored carefully by Vegan. On the other hand, in Vegan's eyes, this may offer opportunities to enter this American group on an international scale, and Vegan declares itself ready to provide all possible help to other V.E. subsidiaries abroad should they desire it.

Swedish Strip Steel: the 'penultimate' step

Swedish Strip Steel (S.S.S.) is one of the leading steel firms on the Swedish market and was the parent company to Rislon, one of Sweden's leading metal processing specialists and an ex-Vegan customer. S.S.S. itself was bought out by PPM, Vegan's main competitor, along with other companies in the Swedish Steel Group – parent company to S.S.S. – in the early 1980s, only to be sold off to a private investor, for reasons linked to low profitability, in 1988. PPM, however, stripped the S.S.S. group of its profitable power production subsidiaries in the process, abandoning S.S.S. to its fate. This sale was important to subsequent events not only for the fact that it freed S.S.S. from obligations of purchasing chemicals from PPM, but especially in that, resenting the circumstances of the sale, S.S.S. managers had few qualms about replacing PPM as supplier should an alternative source of supply arise, especially given that PPM now provides power to S.S.S. at a price S.S.S. considers somewhat excessive.

Knowing of this situation, and realizing that S.S.S. promised to be a customer

of some interest, the manager of Vegan's metal processing team got in touch with S.S.S.'s metal processing technical development manager. This S.S.S. manager, confirming their high potential, pointed out that chemicals were little used at that time, as they were entirely fitted out with heavy equipment not requiring chemical additives. This equipment, however, was old, inflexible, costly and demonstrated rather low performance, which resulted in medium-quality end-products. He confirmed that, with a view to improving end-product quality for customers, tests were being carried out on one immersion tunnel, with PPM, and accepted a proposed visit by Vegan's manager.

A meeting was arranged with, in all, twenty or so S.S.S. staff, including production, maintenance, and marketing, where a guided factory visit was performed to provide the Vegan manager with full details on S.S.S.'s production plant, activities and requirements. Subsequent to the visit, Vegan was asked to quote for price based on a similar technical solution as PPM had offered. Vegan declined. This would have placed them in a situation of competition based purely on price with PPM. Instead, Vegan, now knowing the technical characteristics of S.S.S.'s production process in some detail, quoted for one specific part of the production plant only – one for which S.S.S. had not even asked for a quote! That part, in fact, lent itself to adaptation to a specific, original, technical package offered by Vegan which yielded considerable potential chemical consumption, as well as production cost savings for S.S.S. This technical package was the fruit of collaboration between V.E. corporate R&D and another V.E. national subsidiary. Vegan got to know of this package via the yearly meeting organized by V.E. corporate marketing.

Vegan further mastered the situation by advising S.S.S. that there were potential ways of subsequently tying in the rest of the production plant to this initial system, thus resulting in quite considerable consumption savings (25 to 50 per cent), though this meant some investment in new piping to the plant. This would require, however, research into certain aspects of feasibility which would have to be carried out by V.E. corporate R&D.

S.S.S. could only agree, given the potential savings at stake, and thus Vegan blocked the negotiations with PPM, in their favour. Vegan, in fact, had shifted the emphasis from one of pure price and product considerations to that of technical competency and overall production efficiency for the customer. Vegan and V.E. corporate R&D set to work on the customer's problem – involving visits by corporate R&D France to the customer – and proposed a solution, after test-runs in France, in July of that year.

Corporate R&D had meanwhile developed in parallel a new chemical mixture for this technical package which eliminated the need for a complementary chemical product in the process. This had two results; first, the old piping could be used, with consequently no need for new investment there, and second, elimination of the complementary chemical, with added savings on costs. This represented, in fact, very substantial potential savings in all for the customer.

Prompted by the offer made integrating these two technological developments Vegan and the technical and production managers from S.S.S. visited Aeronautics

and ELF – two French reference customers – in France, and the corporate R&D unit near Paris. This led to the decision to carry out trials – calling for three Vegan staff fulltime on site – at S.S.S. to measure actual savings.

S.S.S. agreed to sign a protocol related to confidentiality of the technical details of the process. These trials were performed in August of the same year, with staff from V.E. corporate R&D having developed the process, and revealed savings of 30 to 40 per cent in consumption. No tests have yet been performed to test end-product quality although these are planned. S.S.S. installed the equipment required for the process themselves, which included, amongst other items, special pumps provided by V.E. corporate headquarters.

But the story does not end there. S.S.S. is not only a high-volume customer in its own right, but another good, effective reference customer to be used in the process of getting into Scanex, the target customer on the market. But to use Vegan's terms,

'if we get both the S.S.S. *and* the Scanex contract immediately afterwards we'll have problems in handling them both at once, installing the equipment, etc.... We will probably have to call upon corporate head office for help. And we can expect a violent reaction from PPM, too, should that happen.'

Against all expectations, and in spite of the quite considerable investment made by Vegan, subsequent information confirmed that the S.S.S. board turned down the Vegan proposal in favour of PPM. The reasons for this, at the present time, are not quite clear. Which only serves to demonstrate that the best laid plans .. .

Final remarks

The Vegan case illustrates the complexity and interdependency of networks of relationships which can dominate business-to-business markets. It likewise demonstrates Vegan's awareness of this and its virtually explicit – although perpetually revised and adjusted – strategy to cope with it in an integrated manner, linking up relationships in time and space to achieve a global objective.

Network consideration can be seen to be a necessary, integral part of marketing strategy formulation and implementation processes which both seem to occur on a real-time basis, and in parallel. Indeed, the art of network management would seem to lie both in prior knowledge of network 'reality', network potential, and potential networks, and in subsequent appropriate action by relationship selection and management skills. This obviously is an ongoing process and flexibility to adjust to evolution in the network is an essential factor for any marketing firm.

Paper 3

The Key Accountisation of the Firm: a Case Study

Original publication

Pardo, C., R. Salle, and R. Spencer. (1995).

Industrial Marketing Management 24 (2): pp.123-134.



NORTH-HOLLAND

The Key Accountization of the Firm

A Case Study

Catherine Pardo
Robert Salle
Robert Spencer

This article focuses on the adaptation process undergone by a company to manage a particular part of its customers' portfolio: the key accounts. It is based on an in-depth study of the evolution of a unit dedicated to the management of key accounts in a company belonging to the telecom sector. Data was gathered on a total of ten interviews with different managers of the key accounts unit using face-to-face interviewing techniques. After describing their theoretical framework grounded on the Interaction Model developed by an European research group (the IMP Group) and the networks perspective, the authors first concentrate on the description of the various stages of the process corresponding to different supplier organizational modes. Then the authors propose a categorization of the possible explanatory fac-

tors of this process. Several associated managerial implications are discussed. Particularly, the authors will show that the key accountization process is not uniquely a result of adaptation to the customers but also a process of adaptation to changes occurring at the supplier level or at the environment level. This process appearing more as a "muddling through" process than a carefully planned and implemented chain of events. Finally the authors will show that this process sometimes is also creating complexity by its very existence. This is raising the question of the desirable degree of organizational differentiation in key account programs.

INTRODUCTION

The key account management theme generated a certain interest, particularly in North American literature, from the end of the 1970s up to around the mid 1980s. Numerous authors were involved (Stevenson and Page 1979;

Address correspondence to Catherine Pardo, Research Fellow, Institut de Recherche de l'Entreprise, Groupe ESC Lyon, 23, Avenue Guy de Collongue, B.P. 174 69132, Ecully Cedex, France.

Stevenson 1980, 1981; Barrett 1986; Moriarty and Shapiro 1980, 1982, 1984), who covered various dimensions ranging from an overview of what they termed National Account Management to discussion on National Account Support Systems.

This literature is essentially normative in nature in that it describes how to organize and implement a specific management approach for major customer accounts (key accounts), and discusses the advantages and disadvantages of the approaches.

It would seem from this literature, on the one hand, that a key account management system within the firm is derived from analysis of the firm's situation at a given moment in time and, on the basis of the analysis, implementation of appropriate measures, i.e., a rather deliberate, methodological, controlled process, as opposed to one of on-line, real-time adaptation.

Another common factor running through virtually all of the literature is that the existence of and, more importantly, the definition of what represents a key account is largely taken for granted. Little work has been done on criteria enabling 'key accounts' to be distinguished from other accounts in the customer portfolio, nor on the selection process that takes place within the firm to identify these accounts.

One possible explanation for the latter lies perhaps in the fact that much of the research was performed on data relative to supplier companies who were members of the NAMA (National Account Management Association) in the United States, numbering a total of 250 of the largest U.S. firms (General Electric, IBM, Kodak, etc), and their respective customers. As these companies themselves had

CATHERINE PARDO is professor assistant and research assistant at IRE (Institut de Recherche de l'Entreprise), the Research Centre of the Lyon Graduate School of Business (France).

ROBERT SALLE is doctor of science and professor. He has been research director in industrial marketing for ten years at IRE (Institut de Recherche de l'Entreprise), the Research Centre of the Lyon Graduate School of Business (France).

ROBERT SPENCER, previously export manager in a French firm and responsible for international industrial marketing at IRE (Institut de Recherche de l'Entreprise), the Research Centre of the Lyon Graduate School of Business (France), at present lectures in international marketing purchasing at Lyon III University and is research fellow at Uppsala University, Sweden.

already established an implicit reference standard regarding what is or is not a key account—or national account to adopt their terminology—and related management practices, this reference standard was not put into question by the researchers involved.

No such organization (NAMA) exists in Europe. Firms operating in heavily concentrated sectors of activity, however—automobile, aeronautics, chemical, computer, telecom, etc.—often display special models of management relative to their most important customers. These “important” customers—who represent, in fact, high stakes and are thus of strategic importance for the supplier firm—generally speaking demonstrate two main characteristics: their size (in terms of real or potential turnover and/or profits for the supplier) and their complexity, be it technical or organizational (Moriarty and Shapiro 1982). The dimensions of strategic importance they display for the supplier company can be varied in nature. The approaches used by the supplier firm relative to these customers, in practice, are more a function of a reciprocal continuous adaptation process over time between the supplier and a collection of key account customers than an approach predefined at a given moment in time and applied to all key accounts.

With this article we propose to highlight the adaptation process undergone by a company in the telecom sector to manage its customer portfolio, and in particular its key accounts. We will concentrate on:

- Describing the various stages of the process, corresponding to different organizational modes of the supplier relative to key accounts,
- Highlighting and categorizing the explanatory factors of this process,
- Discussing various associated managerial implications.

Focus, in particular, is on the structural aspects of change in the firm in question, with some reference to operating modes and procedures. The latter, of the utmost importance, will be dealt with in greater detail in future work on the key account management theme.

THEORETICAL FRAMEWORK

Interaction Model

The Interaction Model developed by the IMP Group (Hakansson 1982) would seem to provide a valid starting point for a reference framework for the study of key accountization. This model (see Figure 1) has four basic elements:

The key accountization process is a result of adaptation, indeed, but relative to various actors.

1. The *interaction process*: which expresses the exchanges between the two organizations along with their progress and evolution throughout time.
2. The *participants* in the interaction process, it means characteristics of the supplier and the customer involved in the interaction process.
3. The *atmosphere* affecting and being affected by the interaction.

4. The *environment* within which interaction takes place.

Interaction Process

The interaction process can be analyzed using a double time perspective: short-term and long-term. Over time, the relationship is punctuated by a sequence of episodes and events that contribute to institutionalize or destabilize it,

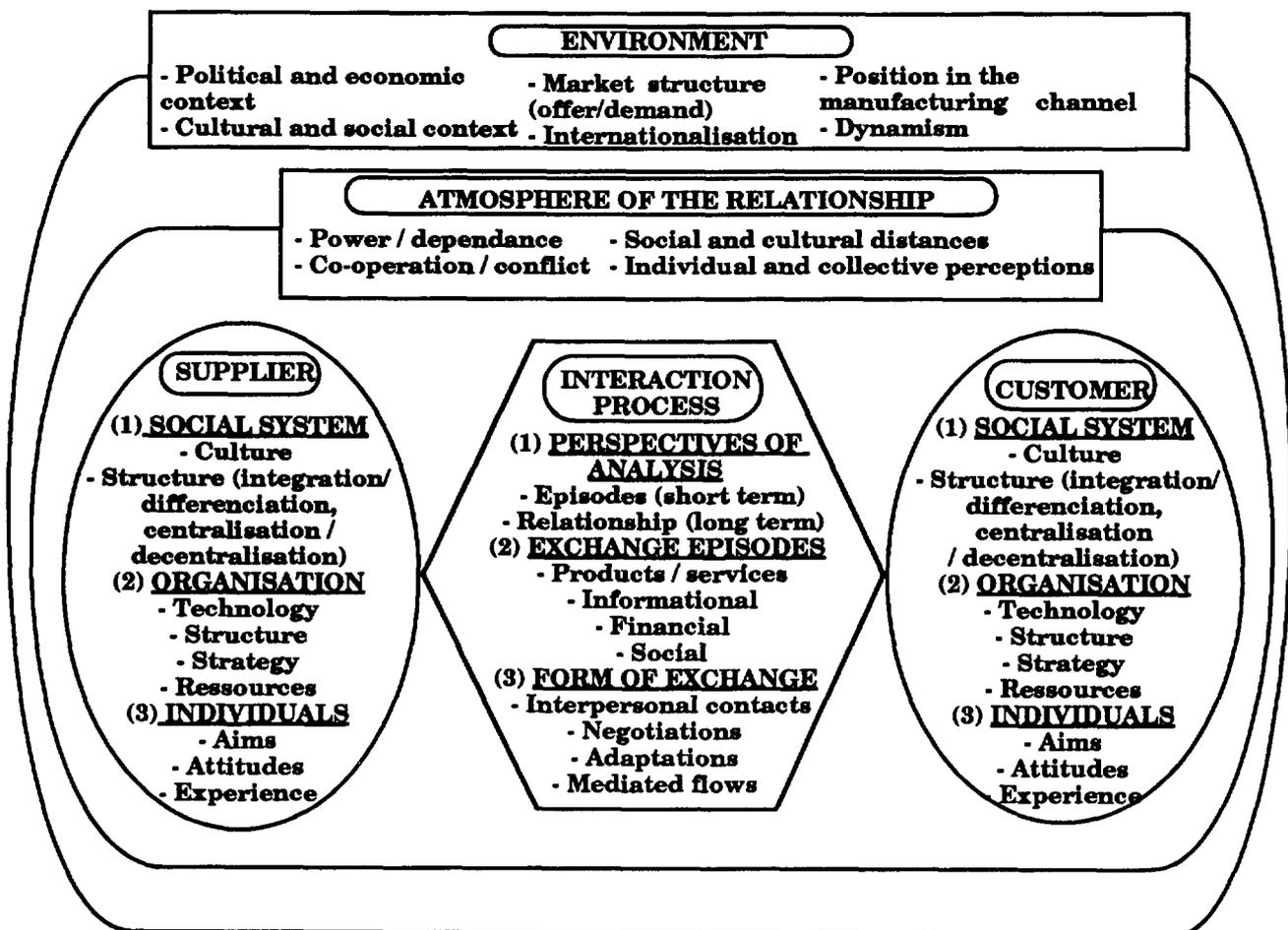


FIGURE 1. The IMP interaction model. Source: Turnbull and Valla (1986).

depending on the evaluations made by the two organizations in interaction (Ford 1980). These episodes may vary in terms types of exchange: commercial transactions, periods of crisis caused by technological, delivery, or price disputes, new product development stages, new supply modes, etc.

Four basic kinds of exchange can be identified: (1) product or service exchange; (2) financial exchange; (3) information exchange, and (4) social exchange. This last kind of exchange usually involves those people at the core of the interaction process, and constitutes the system via which communication takes place (Cunningham and Turnbull 1982).

Through social exchange with the supplier, the customer attempts to reduce decision-making uncertainty (Hakansson and Ostberg 1975). Thus, in these exchanges actors develop mutual trust relative to their capacity to meet requirements, and their degree of involvement within the relationship (Blau 1964). Over time and with mutual adaptation, a relationship-specific mode of operation emerges, reflecting relationship atmosphere and acting as a “shock absorber” in case of crisis. This mode of operation can take the form of special procedures, mutual developments, communication style between individuals, and more or less implicit rules. These rules are created, strengthened, and modified through past exchanges, and form the framework for future exchanges (Giddens 1975; Hallen and Sanström 1984).

However, not all supplier–customer relationships evolve toward such a level of specificity. Indeed the firms involved may want to limit interdependency or dependency, refusing the development of too great a specificity that could limit their scope for action relative to a given partner.

Interacting Parties

The participants’ characteristics strongly influence the way they interact. Three analytical perspectives of supplier and customer, at different levels, may be taken into account: the social system perspective, the organizational perspective, and the individual perspective (Valla 1987).

1. The *social system perspective* takes into account characteristics of the firm as a social group. Dimensions such as culture – languages, values and practices (Livian and Sarnin 1987) – and the operating modes of the firm are to be taken into account. These characteristics influence the nature of relations and express themselves as the distance between actors that will limit or encourage collaboration. In the case where relationships are established between firms of different nationalities, national culture partly influences

the representation one partner has of the other (stereotypes) and this influences the relationship (Perrin et al. 1979; Hofstede 1980; Kardane and Salle 1992).

2. The *organizational perspective* displays three dimensions: firm technology, structure, and strategy. The characteristics of each firm’s technology, i.e., products and production technology, strongly influence the nature of the interaction between the two organizations (Johanson 1982; Salle 1983; Valla 1986). The complexity of products sold, for example, conditions the very nature and the density of the interaction between supplier and customer. Relationship characteristics are also a consequence of the supplier and customer strategies. A supplier can choose to develop a stable relationship with a customer, for example considering it as a key customer because of turnover or because of the customer’s technological and innovative abilities. The opposite situation may also be encountered where the supplier makes “one shot” business with a customer purely to increase sales volume. In the same way, the customer can adopt similar behavior regarding purchasing strategy.

3. Finally, from an *individual perspective*, the individuals’ characteristics and especially their objectives, their specific needs given their status, their functions, their background, and their experience, will influence the way social exchanges and social contacts take place, and subsequently the development of supplier–customer interaction.

Atmosphere of the Relationship

The atmosphere (Williamson 1975) is the climate or the “emotional superstructure” (Sandström 1990) that has developed between the two organizations affecting and being affected by the interaction. This atmosphere can be described in terms of power-dependence, cooperation-conflict, trust-opportunism, and in terms of understanding and social distance (Hallen and Sandström 1988). The atmosphere is the perception of those people involved regarding the “set of rules” that exists between the two organizations, which has emerged over time. This “set of rules” may be shared and accepted or not, leading then to divergence and conflict. The atmosphere concept is central to the understanding of the supplier–customer relationship process. In the case of key account management, given the multiplicity and complexity of relationships involved, relationship atmosphere plays a particularly important role.

Interaction Environment

Supplier–customer relationships evolve in a general environment that can influence their very nature. Concrete

This adaptation would seem to take two forms: reactive adaptation and proactive adaptation.

aspects of this environment can be handled using a network approach, described more fully later. The following analytical dimensions are traditionally considered also: political and economic context, cultural and social context, market structure, market internationalization, market dynamism (growth, innovation rate). With regard to the key accountization process, certain of the supplier firm's structured adaptations, for example, find their origins in global environmental evolutions, in particular relating to technology.

Several specific issues of the IMP Group research work are of prime importance for the purposes of this study. As described earlier, the supplier-customer relationship can be seen as an interaction process (Hakansson 1982). Exchange episodes of various types punctuate the life of the relationship. The types of exchange involved are the result of the level of uncertainty of the actors, and of adaptation, given the types of problems to be solved (Hakansson and Ostberg 1975). Following a life cycle type of evolution (Guilhet De Monthoux 1975; Ford 1982; Dwyer et al. 1987) the two organizations—by a learning process, and successive reciprocal adaptations—will progressively set up a working mode specific to their relationship. This is obviously of particular importance when considering key customer accounts.

An organization's flexibility—relative to the previous factors—will enable it to demonstrate a greater or lesser capacity for adaptation in exchanges it has with the organizations it wishes to interact with (problem solving and transfer ability, adaptive aspects, in Hakansson 1982). In certain cases the capacity for adaptation may prove to be insufficient, calling for major changes relative to technology, strategy, structure, or individuals (Easton and Rothschild 1987). Taking a supplier's point of view, then, key accountization can be seen as the process of adaptation of the organization with a view to managing exchanges with high stake customers.

Given that the suppliers and key account customers them-

selves often demonstrate inherent internal complexity in terms of structure, with multiple units involved at multiple levels within the organizations, and that these suppliers and key accounts evolve in a highly complex environment, demonstrating high heterogeneity (Easton and Araujo 1993), it would seem necessary to complete the theoretical framework with a network perspective. In particular, we would consider here the notion of supplier-customer relationship networks (Spencer and Valla 1989) and of "group-to-group" and internal (intrafirm) networks and associated network spaces (Mazet and Spencer 1991; Mazet and Pardo 1993).

Thus whereas, ultimately, focus of attention is on exchange and the relationship between supplier and key accounts, the effects of multiple relationships of varying nature both within and outside the two firms in interaction are properly accounted for, in particular here relative to the key accountization process.

Throughout this article, then, we will use the term "key accounts" to designate those customers representing high stakes (of strategic importance) within the supplier's customer portfolio. "Key account management" designates special managerial practices by the supplier relative to these customers, and "key accountization" is the adaptation process the supplier firm goes through over time with a view to optimal management of these key accounts.

COMMENTS ON THE CASE AND THE KEY ACCOUNTIZATION PROCESS

The case details and summary tables in the appendix help us to illustrate a certain number of phenomena relative to the key accountization process. The first of these phenomena relates to the sources of change in the process. Clearly a good deal of influence is exerted by the customers and change in the nature of the relationships evolving over time, between supplier and customer, results in quite significant

STAGE 1: PRE KEY Account STRUCTURE, ERA PRE 1974	STAGE 2: CONTRACT MANAGEMENT UNIT 1974-78	STAGE 3: KEY ACCOUNT MANAGEMENT UNIT 1978-1990	STAGE 4: PRIVATE NETWORK DIVISION 1990-1993	STAGE 5: KEY CUSTOMER ACCOUNT UNIT 1993 ONWARDS
. "Biological" handling of "anonymous" key accounts using existing structures in the firm	- Set up of lightweight, centralized unit - High-level, central contacts and vision - Contract follow-up (calls for tender)	- Staff increased with increased number of key accounts - Negotiation (central) of "umbrella" contracts nationwide Monitoring of application by branch offices. - Contract-based focus becomes increasingly "relationship-based"	- Assimilation of "network" global offering by Key Account management unit (corporate level) - Emergence of intra-group coordination role - Integration of new technical competencies into "PND" teams - Focus on "total customer knowledge" (shifting, complex customer group organizations) - Increased weight and complexity of PND - Introduction of embryonic, formal, elementary planning	- Increased geographical delegation and coordination of key account responsibility ...
PHASE 1 "NAIVETY" PHASE	PHASE 2 "AWARENESS" PHASE	PHASE 3 "CONSOLIDATION" PHASE		PHASE 4 "FINE TUNING" PHASE

BROAD PHASES OF KEY ACCOUNT MANAGEMENT MATURITY (Learning cycle)

FIGURE 2. Main stages of structural organization (structural cycle).

adaptation processes taking place in terms of key account management (centralization of purchasing by the customer, location of key account staff in Paris by the supplier).

The component elements of the interaction model quoted previously would seem then to be appropriate. But these adaptation processes are not uniquely a result of adaptation to the customer(s). Two other areas of adaptation can be clearly identified:

1. Adaptation of the key account function, at corporate or group level, to various entities comprising the groups of companies in interaction (supplier and customer side) i.e., the group network (corporate head office, other divisions, etc.). The different strategies, structures, and other characteristics of the various entities at group level condition the way in which the key accounts function evolves by either imposing, encouraging, or allowing change, as does the overall configuration these entities adopt in terms of group network.

2. Adaptation of the key account function at the environmental level with respect to various bodies, and action by or toward them (the government, competitors, design offices).

The key accountization process then, is a result of adaptation, indeed, but relative to various actors, amongst which—but not only—are the customers and in particular the key accounts selected.

The second phenomenon relates to the manner in which the process takes place. Far from being a carefully planned and implemented chain of events, under full control of the organization in place to handle key accounts, it demonstrates itself as being more of a "muddling through" process over time, especially in the initial stages. The key account unit finds itself, in fact, in an ever increasingly stormy sea, surrounded by ever greater complexity and uncertainty. This uncertainty generates a permanent real-time attempt at adaptation in order to "stay afloat," along with occasional "major events." This adaptation would seem, then, to take two forms:

Managing key accounts henceforth meant working with an increasing number of more or less autonomous geographically dispersed sites.

1. Reactive adaptation, which is an on-line reaction to events unforeseen or out of the key account function's control.
2. Proactive adaptation, or anticipation (Bansard and Salle 1990), which evokes some sort of strategic action by the key account function, an "analysis of the situation and planning-ahead process," with corresponding implementation of action (major revision of structure, set up of strategic plan per key account, etc.).

A third phenomenon relates to the sequencing of the key accountization process, where four phases can be easily identified in a continuous learning process (see Figure 2).

1. A first phase, where no questions are apparently asked relative to major customers and their strategic importance, and position in the firm's overall customers portfolio. Consequently no special attention—as compared to the "average" attention paid to all customers—is paid to them, and no explicit or organizational modifications are made by the supplier.
2. A second phase, corresponding more or less to stage 2 in the case, where the supplier creates a separate key-account management entity. This could be called the "becoming aware" stage. Awareness sets in, but no full analysis of what is required is performed, and experience in the matter is limited or nonexistent. The supplier firm is "feeling its way," even in terms of what the objectives of key account management functions should be. This phase is essentially a reactive one. It is an attempt to maintain or improve control over certain relationships which are becoming increasingly difficult to handle. Focus of attention, however, is often on specific contracts rather than the relationships with customers.
3. A third phase corresponding to stages 3 and 4, where

the supplier comes to fully realize the potential of a distinct key accounts management entity in handling both the relationships with and within the customers—both directly and indirectly—but also those within its own overall organization. This can be considered as a consolidation phase. At this stage, anticipation is much more evident. Not unconnected with the ever increasing financial "weight" of so-called key accounts, it is accompanied by increasing structuralization and formalization of the key account function. This leads us onto the integration/differentiation theme discussed by, in particular, Lawrence and Lorsch (1973) and taken up by Moriarty and Shapiro (1984) in a discussion on organizational alternatives for key account management. The managerial issues linked with key account management here raise the question of the desirable degree of organizational differentiation in the light of costs and benefits of that differentiation, with one of the elements of "costs" being the complexity the separate "key account unit" generates by its very existence.

4. A fourth phase (stage 5) where the very fact of having created and developed a specific, distinct, formal structure having generated added complexity, leads to a more in-depth analysis and questioning as to appropriateness of the key account structure as a whole, and attempts to "fine tune" this structure. It is at this stage that a truly strategic vision emerges relative to the key account management. Managing complexity, in fact, is only a means to an end. Controlling and facilitating the exchange with certain key customers is fine, but to what end?

The notions of overall costs and benefits or return on investment are raised here, along with questions regarding optimum efficiency, of the KAM unit on the one hand, and

efficiency as compared to other alternative solutions on the other.

METHOD

This article is based on the in-depth study of the evolution of a unit within what is now called the Phonics Business Division (Phonics B.D.) of the Phonics Group of Companies.¹ Since the beginning of the 1970s this unit has the more or less explicit and exclusive responsibility for management of the company's key accounts.

The Phonics Group is world leader in the telecom field: Phonics B.D. is specialized in business communications. This division currently supplies PBXs and terminals, and at present is developing and promoting an offering of integrated networks for voice, data, and image transmission.

A total of ten interviews were run for data collection purposes, with managers of the unit at present responsible for key account management, across various functions including heads of sectors (responsible for key account portfolios in identified sectors of customer activities), sales engineers (reporting to the heads of sectors and in charge of several key accounts), the top manager of the unit, and the unit's strategic marketing manager.

A research guide was used, using face-to-face interviewing techniques, with a view to obtaining information on both the history of evolution of the unit and characteristics of the present unit.

Most of the respondents had personal hands-on experience of the units' evolution. Verification of historical data collected was thus facilitated by possibilities of cross-comparisons.

THE PHONICS B.D. CASE: STAGES IN THE KEY ACCOUNTIZATION PROCESS (see Appendix 1)

Stage 1, The Pre Key-Account Management Structure Period: Beginning of the Century to 1974

Since its entry into the French market in the early 1900s, Swedecom France (a subsidiary of a Scandinavian telephone equipment manufacturer), made rapid headway via a commercial structure of heavily decentralized branch offices

across the territory. This was tailored to the market characteristics at the time that demonstrated relatively unconnected, geographically dispersed and autonomous customer PBX sites across France.

At that time two or three main competitors were maintaining a "live-and-let-die" situation on a growing market, on the basis of a relatively little-sophisticated technology giving little scope for product differentiation.

This period of relative harmony was, however, shattered in the early 1970s with the entry on the market of a virulent German manufacturer. The latter attacked the French market aggressively. Indeed, new product and production technology allowed the launch of a higher-performance product at lower cost.

At that same period, sensitive to movements in the telecom industry, and aware of its strategic importance the French government set about a restructuring process of French telecom. Thus in 1974, Elecom—the French leader in electronics—bought out Swedecom France. The combined strengths of these two firms in the public and private sector—one that Swedecom had progressively developed via its branch offices (and now handled separately)—meant that the resulting company was one to be seriously reckoned with.

Stage 2, 1974 to 1978: The Origins of a Key Account Structure—The Contract Operations Management (COM) Unit

The mid 1970s saw the emergence of a number of phenomena which modified the telecom scene. First, the growth in size of certain customer companies was accompanied by a multiplication in their number of offices or sites. Maintaining relations with a customer now meant, more and more, maintaining relations with several geographically disposed customer sites simultaneously.

Moreover, the growth of these customers was most frequently accompanied by some sort of centralization or coordination of their purchasing process. Central services hence advised or imposed certain suppliers to ensure homogeneity and/or compatibility of equipment purchased, and to provide them an improved negotiating position on prices due to purchase volume.

Simultaneously, certain specific areas of activity went through a particularly heavy growth period, having a positive effect on telecom requirements for these customers. Such was the case for the banking and insurance industry for example. Business and hi-tech parks also went through a boom period, with the emergence of "intelligent" build-

¹ This article is based on a real-life situation. Names and other data have been modified for reasons of confidentiality.

The key account managers now found themselves at the interface between multiple units on both customer and supplier sides.

ings and major corresponding telecom equipment requirements and contracts.

These evolutions progressively brought Elecom to several conclusions regarding commercial organization and activity. Managing a key account henceforth meant working with an increasing number of more or less autonomous geographically dispersed sites. An overview of the situation relative to the customer as a whole was necessary. Key account management also often implied obligatory relationships with high-level contacts. It became necessary to get closer to customer decision-making centres, in the physical sense, often located at head offices in Paris.

As a result, the decision was made to set up a lightweight Paris-based structure—the Contract Operations Management (COM) unit—specifically dedicated to the handling of management tasks relative to those key accounts undergoing rapid growth. Its role was essentially that of coordinating action on given accounts. In particular it centralized calls for tender issued by key accounts, and transmitted them to branch offices (located next to the customers' geographic sites) for more "operational" aspects of business. It was also responsible for handling the high-level "relational" dimension of business, in particular with government-controlled accounts: the Ministries, etc., whose status obligatorily required that the Elecom contact hold a high hierarchical position in the organization.

Stage 3, 1978–1990: Reinforcement of the Key Account Structure—The Key Account Management Unit (KAM)

In the 1980s, the government, once again for political and strategic reasons, decided to merge Elecom's activities with those of another major French telecom manufacturer, Phonics. The merged company adopted the Phonics name, to be called the Phonics Group of Companies. Phonics now undisputedly occupied the leading consolidated position on the French and, indeed, international mar-

kets via an ongoing process of acquisition of telecom manufacturers (German, Italian, etc.). In this group, the Phonics Business Division (Phonics B.D.) is specialized in business communications.

Within Phonics B.D. the KAM unit's mission was focused on high-level relationship management (mainly the centralized Paris-based customer buying centers) and coordination of activities between branch offices and head office. The latter task consisted mainly of circulating information on calls for tender and ensuring that national price-lists negotiated with certain customers at head office level be respected.

Stage 4, Further Key Account Management Structure Evolution: The Private Network Division (PND)

One of the main factors characterizing this stage was a major evolution in Phonics offering. Technological progress in the communications field enabled the manufacturer to propose a "private network" offering, which allows a "total solution" to a customer company regarding interconnection of geographically disposed sites. This private network offering was not unique to Phonics, with most telecom manufacturers being capable, more or less successfully, of proposing the same or similar. It was rapidly adopted, however, as the spearhead of the company's commercial approach and, being particularly pertinent for larger customer companies, explains the subsequent change in orientation of the KAM structure, a fact underlined by a change in name of the latter to become now the private network division (PND). Certain customers—though not all—began to request total or partial private networks.

Promotion of a private network offering to customers required that the supplier have an excellent knowledge of the customer. The key account manager's task became thus that of building up his or her knowledge of the key account via directly maintained links with the customer's different sites,

and via coordination of the activities performed by the various Phonics B.D. units—branch offices, etc.—in contact with the customer.

Increased complexity and sophistication of the Phonics offering was accompanied by a parallel complexity of the organization. The company strategy was now that of promoting a global telecom solution or package, with a view to accessing deals of high financial value, and at the same time satisfying the customers' total communications requirements. This offering was feasible in particular due to the presence, within other Phonics' divisions of the Group, of the necessary components and activities associated with PBXs required to make up this global solution. The PND unit was designated for the role of interdivisional coordinator at corporate level, via its key account managers. These key account managers now find themselves at the interface between multiple units on both customer and supplier sides.

Faced with the previous evolutions, and given the high stakes these customers now represented, Phonics B.D. decided to reshape the PND unit structure around a much more formalized seven-sector structure, each sector managed by a separate team, with at the head of each team a sector manager, responsible for the whole sector, and under him or her several key account managers with responsibility for one or several key accounts. The logic behind the split in sectors was that of Phonics B.D.'s conclusions—after several years experience—concerning homogeneity of the customers in each sector in terms of characteristics, requirements, and appropriate handling techniques.

Stage 5, 1993 Onwards: Recent Modification in the New-Look KAM Unit

This ongoing stage mainly reflects action led, and thought underway, by the unit's management regarding its own organization and operations. Organization by customer sector has been retained based on the same logic, but the number of sectors has been reduced to five.

The decision has also been made by Phonics B.D. to fully delegate responsibility for management of certain key accounts—those with head offices based outside of Paris—to specially nominated managers chosen amongst Phonics branch office staff in the area where the customer's head office lies. This has the advantage of freeing key account structure's—now called KAM unit—staff for other tasks and providing greater geographical and cultural proximity with the customer's decision-making elements.

CONCLUSIONS

The previous case and analysis illustrate one possible path, traced by a given firm, along the key accountization route, and highlights explanatory factors. Whether all or many firms adopt the same or a similar path remains to be demonstrated in future work. Preliminary research with other companies would tend to illustrate that, whereas phenomena may be similar, the end result is often different.

Whichever, the component elements of the interaction model, coupled with a network approach, would seem to prove adequate as a theoretical framework to explain the process. Indeed, it is not merely one-sided, supplier-side, decision-making that triggers and stimulates the process, but rather a multilateral phenomenon, with stimulus and reaction, on a continuous basis, from both supplier, customers, and other actors of various kinds driving the process.

Perhaps of significance, too, is the fact that, contrary to virtually all existing literature on the theme, the process is one which can be seen to go quite clearly beyond the limits of the "supplier firm" both in space and in time.

Finally the case—an overview—clearly paves the way for future work in the field, by pointing out various interlinked subthemes for further, more systematic, study and in particular:

- What level of organizational specificity for the key account management function in the firm?
- What role(s) and responsibilities for key account managers?
- What basis for key customer account typologies and for segmentation of the key account portfolio?
- What validity for a key accountization life-cycle concept?
- What criteria and process for distinguishing the firm's key account portfolio from the overall customer portfolio, and what rapports between the two?
- What organization, methods, and procedures for the key account management function?

REFERENCES

- Barrett, J., Why Major Account Selling Works, *Industrial Marketing Management* 15, 63-73 (1986).
- Cunningham, M.-T., and Turnbull, P., The British Approach to Europe, in *Strategies for International Industrial Marketing*, P.W. and J. P. Valla (eds.), Croom Helm, 1982.
- Dwyer, F. R., Schurr, P. H., and Oh, S., Developing Buyer-Seller Relationships, *Journal of Marketing* 51, 11-27 1987.

The process is one that can be seen to go quite clearly beyond the limits of the "supplier firm."

- Easton, G., and Araujo, L., Interfirm Responses to Heterogeneity of Demand over Time, paper presented at the European Science Foundation Conference: *Forms of Interorganizational Networks: Structures and Processes*, Berlin, September 6-7, 1993.
- Ford, D., The Development of Buyer-Seller Relationships in Industrial Markets, *European Journal of Marketing* 14 (5, 6), 339-354 (1980).
- Giddens, A., *La Constitution de la Société*, PUF, Paris, 1987.
- Guillet De Monthoux, P.-B. L., Organizational Mating and Industrial Marketing Conservation. Some Reasons Why Industrial Marketing Resists Marketing Theory, *Industrial Marketing Management* 4, 25-36 (1975).
- Hakansson, H., *International Marketing and Purchasing of Industrial Goods: An Interaction Approach*, John Wiley, New York, 1982.
- Hakansson, H., and Ostberg, C., Industrial Marketing: An Organizational Problem? *Industrial Marketing Management* 4, 113-123 (1975).
- Hallén, L., and Sandstrom, M., Relationship Atmosphere in International Business, 4th IMP Conference, *Research Developments in International Marketing*, Manchester, 1988.
- Johanson, J., Production Technology and User-Supplier Interaction, in *International Marketing and Purchasing of Industrial Goods*. H. Hakansson, ed., John Wiley, New York, 1982.
- Kardane, N., and Salle, R., The Ambiguous Position of the Intermediary in Supplier-Customer Relationships. A Case Study of French Suppliers and Moroccan Customers, Communication au Colloque: *The Cultural Dimension of the International Marketing*, Odense, Denmark, 1992.
- Lawrence, P. R., and Lorsch, J. W., *Adapter les structures de l'entreprise*, Paris: Les Editions d'Organisation, 1973.
- Livian Y.-F., and Sarnin, P., Les Valeurs et Pratiques de Travail dans Cinq Entreprises Françaises, Document de recherche IRE, 1987.
- Mazet, F., and Pardo, C., La Modification des Rapports de Pouvoir au Sein d'Une Relation Interorganisationnelle à Enjeux Élevés, 9th AFM Conference, Marseille, 1993.
- Mazet, F., and Spencer, R., Understanding Complex Relationship Dynamics Between Industrial Groups, 7th IMP Conference, *International Business Networks: Evolution, Structure and Management*, SDA Bocconi, 1991.
- Perrin, M., Marcel, C., Salle R., Valla, J. P., *Les Entreprises Françaises Face à la Concurrence sur Cinq Marchés Européens*, IRE/CFCE, 1978.
- Salle, R., L'Interaction Fournisseur-Client en Milieu Industriel: Description et Recherche de Variables Explicatives, Document de recherche, IRE, 1983.
- Shapiro, B. P., and Moriarty, R. T., National Account Management, MSI Report 80-104, 1980.
- Shapiro, B. P., and Moriarty, R. T., National Account Management: Emerging Insights, MSI Report, 82-100, 1982.
- Shapiro, B. P., and Moriarty, R. T., Organizing the National Account Force, MSI Report 84-101, 1984.
- Shapiro, B. P., and Moriarty, R. T., Support Systems for National Account Management Programs: Promises Made, Promises Kept, MSI Report 84-102, 1984.
- Spencer, R., and Valla, J. P., The Internationalization of the Industrial Firm: an International Development Network Approach, EIBA Conference, *Dynamics of Industrial Business*. Helsinki, 1989.
- Stevenson, T. H., Classifying a Customer as a National Account, *Industrial Marketing Management* 9, 133-196, 1980.
- Stevenson, T. H., Payoffs from National Account Management, *Industrial Marketing Management* 10, 119-124 (1981).
- Stevenson, T. H., and Page, A. L., The Adoption of National Account Marketing by Industrial Firms, *Industrial Marketing Management* 8, 94-100 (1979).
- Turnbull, P. W., and Valla, J. P., *Strategies for International Industrial Marketing*. Croom Helm, 1986.
- Valla, J. P., The French Approach to Europe in Turnbull, in P. W. and J. P. Valla, eds., Croom Helm, *Strategies for International Industrial Marketing*. 1986.
- Valla, J. P., L'Approche Interactive, Document de recherche, IRE, 1987.

APPENDIX 1**Explanatory Factors for the Key Accountization Process: Recap by Stages**

Main Account Management
Characteristics/EvolutionsKey Explanatory Factors^a

Stage 1

Absence of formal structure.
Subsequent centralized sales structure to handle calls for bids and contracts.

Customers with geographically spread, autonomous (C) sites.

Suppliers with relatively simple structure, and technically simple single-product offering. National market arena and operations (S).
Resulting contract-by-contract approach to business, with short- to medium-term emphasis in relationships (R).
Network effect on supply market due to entente between national competitors (N). Government actors reshape organizational context via mergers (N).
Simple technological environment. Beginnings of internationalization (GE).

Stage 2

Setup of separate key account management team devoted to information pooling, and coordination (calls for bids/contracts) and management of customer H.Q. contracts.

Increased size and complexity of customer organizations with some centralization of purchasing at H.Q. (C)
Increased demand for sophisticated products and applications (C) and for adaptation to specific requirements (C).
Emergence of new markets (GE).

Stage 3

Increased size of key account management unit, and increase in number of key accounts in portfolio.
Setup of “umbrella” contracts.

Government intervention to merge national suppliers (N)
Increased internationalization of telecom industry (GE).

Stage 4

Direct link established between key account unit and corporate management.
Key accounts assimilated with “private network” customer requirements and associated supplier offering.
Nomination of corporate-level key account managers (supplier interdivisional coordination).
Increase in formalization of key account management unit.

Development of corporate strategy of sophisticated “private network” global offering (S).
Increasing supplier organization complexity (S).
Increased demand for technically sophisticated products. Some demand for “private networks” (C).
Promotion of a global solution (S).

Stage 5

New unit manager appointed with complementary technical/market background.
Delegation of responsibilities to regions (full key account managers, and correspondents) where customer H.Q. outside PARIS.

Corporate strategy requiring increased coordination across supplier divisions (S) (IN).
Perceived strategic necessity to locate close to customer’s H.Q. to improve relationship management (R) (S).

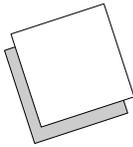
^a Key to categories of factors motivating change/situation: C, customer organization; S, supplier organization; R, S/C relationship; N, network; IN, internal network; GE, general environment.

Paper 4

Key accounts: effectively managing strategic complexity

Original publication

**Spencer, R. (1999). Journal of Business and Industrial Marketing,
Vol. 14, No. 4. : pp. 291-309**



Key accounts: effectively managing strategic complexity

Robert Spencer

Lecturer, School of Marketing, International Business and Asian Studies, University of Western Sydney, Sydney, Australia

Keywords *Business-to-business marketing, Key accounts, Relationship marketing, Marketing management*

Abstract *This case study is the result of in-depth investigation into a major Swedish multinational company in the data processing and computer equipment field. Addresses the issue of key account management and questions some of the existing views in the literature. In particular, it demonstrates that key customer account management involves much more than “better relationship management”, and extends far beyond sole consideration of sales to, and profitability of (for the supplier), the individual customer. Covers many considerations, which start at the corporate strategy level, going via customer portfolio management, and down to the management of complex networks of actors involved in the relationship between supplier and key customer account.*

Introduction

Relationship marketing is now being hailed as the new emerging marketing paradigm, supplanting the “4Ps” or stimulus-response model which has dominated the marketing literature for so long. Popular opinion would have it that relationship marketing is all about setting up and subsequently nurturing, with tender loving care, long-term, close relationships with customers, with a view to optimising on either sales or profitability. Representing high stakes for the supplier firm, key customer accounts – often referred to under other titles, such as national accounts, or strategic accounts – are natural candidates for relationship marketing attention.

The case study material discussed here addresses the issue of key customer account management and questions some of the existing views in the literature. In particular, it demonstrates that key customer account management involves much more than “better relationship management”, and extends far beyond sole consideration of sales to, and profitability of (for the supplier), the individual customer.

Indeed, a veritable “strategic” approach is appropriate, one which considers the customer not as financial potential alone, but as veritable resources to be made use of and managed by the supplier firm. This management is often – but not always – a difficult and frustrating process, due to the very complexity of the key account customer, and the fact that this latter has its own motivations and strategy, and indeed in certain cases going so far as instituting a “key supplier account management strategy”, more or less well defined, and more or less shared by the various units in the customer’s organisation. Permanent real-time monitoring and adaptation may be called for by the supplier faced with this situation.

Key customer account marketing management is thus discussed, covering a whole panoply of considerations which start at the corporate strategy level, going via customer portfolio management, and down to the management of

Key customer account management

The current issue and full text archive of this journal is available at <http://www.emerald-library.com>



Four interdependent dimensions

Actors involved in exchange processes

complex networks of actors involved in the relationship between supplier and key customer account.

The conceptual framework: interaction and networks

Interaction

The conceptual framework adopted here for analysis of the cases which follow is inspired from the interaction and network approaches developed by the IMP group of researchers (Hakansson, 1982; Turnbull and Valla, 1986). The interaction approach generated a model comprising four main, interdependent, dimensions:

- (1) *The actors in interaction*, i.e. supplier and customer firms which are characterised at three levels:
 - the social groups going to make up the supplier and customer organisations;
 - organisational characteristics such as product or production technology used by them, formal and informal structure and strategy etc; and
 - the individuals going to make up the organisations, and their experience, objectives, expectations etc.
- (2) *Exchange and the interaction process*, with short-term “episodes” (products, social exchange, financial exchange) and the long-term relationship life cycle perspective (Ford, 1980).
- (3) *Relationship “atmosphere”* (Hallen and Wiedersheim-Paul, 1982; Young and Wilkinson, 1997), generated by exchange processes over time, in particular social exchange, and conditioned by the actors in interaction and the environment. This can be characterised by such concepts as power and dependency, conflict and cooperation, trust, etc.
- (4) *The environment* of the relationship between the two parties. This has traditionally been described in rather “fuzzy” terms of political and economic context, market structure etc. This dimension is perhaps the element in the interaction model the most difficult to identify. The recent “network” approaches in the field, described below, focusing on actors, and relationships between actors in this environment, provide essentially, in fact, much-improved means of decoding this environment.

Networks

Partly drawing inspiration from the work on the industrial marketing interaction model, and partly influenced by various other, sometimes more loosely connected (Burt and Minor, 1982; Jarillo, 1988) fields, the 1980s saw the emergence of the network “approach”. This approach, broadly defined, is based on a vision of markets as sets of more or less specialised, interdependent, actors involved in exchange processes (Hakansson and Johanson, 1984, 1988, 1992).

These exchanges and this interdependency take shape via the relationships of different kinds between the actors – not just between suppliers and customers – conditioning their margin for manoeuvre and their evolution in the market. Thus Spencer and Valla (1989) speak of the “supplier/customer relationship network” to describe more specifically the network of actors influencing the relationship between a supplier and a customer or a set of them, considered as being of particular pertinence in the industrial marketing context.

Large groups of companies in interaction

A network thus is seen as “a set of interconnected relationships, involving men and organisations called actors, forming a sub-system in a broader system of actors” which “enables and facilitates the exchange of goods or services between a supplier and a customer, or a set of the latter” (Spencer and Valla, 1989).

This vision of the network was subsequently adopted and adapted to describe the organisational set-up between large groups of companies in interaction (Mazet *et al.*, 1995). Here it is a question of “internal” supplier or customer actors or entities (divisions, departments, units), each more or less autonomous, in interaction, and tied by relationships of varied shape and content. Various other authors have also adopted this intra-firm network view (Hakansson and Ljungmark, 1995).

It is this above-described particular combined supplier/customer relationship/internal network perspective which is adopted here to handle the issue of key account management described in the case.

Method

This paper is inspired from work into a broader key account management research program initiated by the author. This work is now being pursued at UWS Nepean, in an Australian context. The paper itself is the result of in-depth investigation into a major Swedish multinational company in the data processing and computer equipment field. Information has been disguised for reasons of confidentiality.

The data presented are the result of a snowball interviewing process, stemming from an initial interview with the top management of the company’s key account management unit. The use and appropriateness of such case approach and snowballing techniques in multiple informant studies are discussed and positively evaluated by Yin (1989), for example. Open-ended questionnaires aimed at, first, assessing the situation – historical and organisational – within the seller firm concerning key customer account management were administered. Three key account customers were subsequently identified for further in-depth study, and open-ended questionnaires administered to key actors within each organisation.

A total of 14 respondents thus contributed to the data collection process, providing information from both supplier and customer side on circumstances of start-up of the relationship, evolution over time (key positive or negative events), different actors involved in the relationship (role, power situation), the present state of the relationship and development expectations.

COMPELEC: a case study

What follows is an abbreviated version of the original case study. For the purposes of economy a fuller description of COMPELEC’s organisational context including historical and corporate aspects has been omitted.

The supplier COMPELEC and its INTEC division

The focus of this case is on the Swedish INTEC Division of COMPELEC. COMPELEC is a four-division firm (see Figure 1), specialising in the manufacture and sales of computer hardware, software and services. While enjoying considerable autonomy, INTEC is being progressively required, but not without putting up some resistance after a good many years independence, to “bend” itself to corporate strategy.

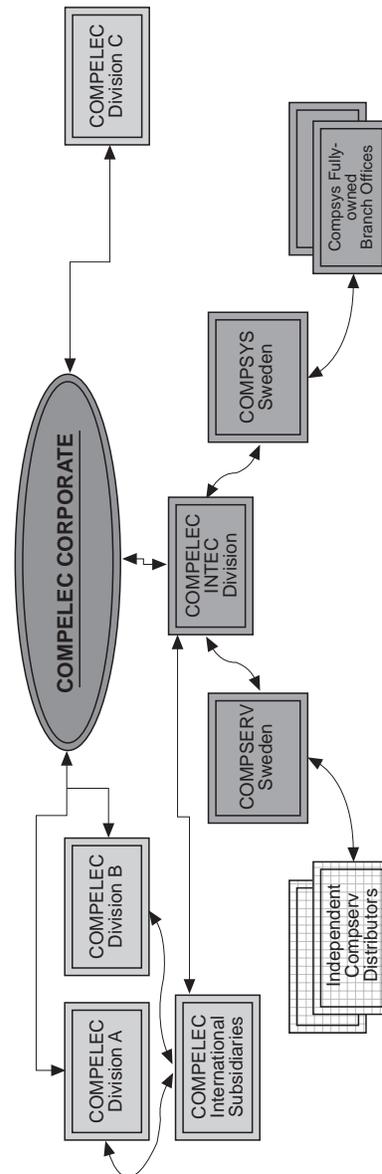


Figure 1. Basic organisation chart: COMPELEC/INTEC Division (key formal organisational links)

Global offering

This is due partly to the market trend towards a “global offering” involving sale of systems integrating products and services provided by the four different COMPELEC divisions. Each of these divisions has its own, distinct, key account management function, and its customer base is likewise traditionally rather different, with one division catering especially for government contracts, for example.

INTEC Division

INTEC Division itself comprises two relatively distinct organisations:

- (1) COMPSERV; and
- (2) COMPSYS.

This situation is the result of a previous merger. The two organisations’ product lines serve similar functions, but lack technical compatibility.

Furthermore, each structure places emphasis on different approaches to the market. COMPSERV favours customer service, via a network of autonomous, and not necessarily exclusive, dealers whereas COMPSYS promotes the technological sophistication of its product offerings, with more complex, modifiable products. The two structures can often be seen to be in direct competition in the market, although divisional management will intervene in the case of major conflict arising.

Key customer account management (KAM) at INTEC Division

COMPSERV, with direct customer contact channelled via its dealers, has no key account function whatsoever. Commercial action is left to the dealers, and COMPSERV's customer contact is negligible.

Dedicated key account structure

COMPSYS, however, has its own dedicated key account structure. Key accounts represent an estimated 50 per cent of total turnover to customers. In all, four three-person teams, co-ordinated by the key account director, are responsible for a total of 40 accounts in the key account portfolio. Each team is responsible for about ten accounts, and these sub-sets in the portfolio are designated on the basis of the customer firms' types of activity. COMPSYS have opted for broad groupings of financial services and banking, general manufacturing industry, hi-tech industry, and other. The logic for this is assumed similarity of customer operating environments, and thus computer product and service requirements. Co-ordination between key account managers of each team is virtually nonexistent, as is communication between the key account director and his homologues in the other COMPELEC divisions.

As well as the above national-level key account structure a parallel structure exists within COMPSYS at a regional level. Here key account managers are designated by regional managers from among local sales staff to handle relationships with those customers perceived as being of importance to the branch office. Naturally, some difference in priorities means that those customers are not necessarily the same as the ones selected at head office level, although some overlap can and does exist. Given their objectives focused on turnover, this usually turns out to be the key criterion for choice here. This is cause for concern for the HQ-based key account managers, who find themselves deprived of information on some accounts, for example, or have difficulty in implementing a given strategy via a branch office, as this turns out as costs for the latter. Conflict between HQ and branches can even arise on occasions.

A difficult task

Since the merger, and with no such structure existing within COMPSERV, COMPSYS key account managers have been given, theoretically, responsibility for managing key accounts served by COMPSERV. Given the traditional independence of COMPSERV's regionally based distributors, however, their privileged relationships with regional customer units (and in certain instances decentralised head offices of major national customer firms), and their tendency to jealously guard information, proves to be a difficult task. They often have little interest, knowledge or vision outside their regionally based relationships, not to mention any "shared corporate vision" with COMPSERV, and COMPELEC in general. COMPSYS' key account managers' task is further complicated when faced with customers requesting the global offering mentioned earlier. This necessitates coordination with managers in the other divisions who are not only hierarchically above them, but also located in another part of the company, with often divergent objectives and motivations. Again, what is the "key"

for one is not necessarily for another. A similar situation arises likewise when international co-ordination is required with international customers and COMPELEC geographical units, where the COMPSYS key account managers carry very little or no weight at all.

Key account customer DELTA: a case of double decentralisation

DELTA is a major firm in the international aerospace market. State-controlled, the company's *modus operandi* is largely that of designing projects, with its actual production being sub-contracted out to other specialised firms in the industry. Little manufacturing as such is performed by DELTA itself. The projects are subsequently run with DELTA acting as prime co-ordinator. Given the type of activity it is in, and its industrial "entourage", DELTA, for reasons related to image, feels it has to demonstrate that it is at the leading edge of technology in all fields. This dominates DELTA's purchasing policy, far outweighing price considerations. DELTA's financial health is excellent.

A heterogeneous situation

DELTA has four sites, two based in the capital – including head office – in the south, and one located abroad. The DELTA-south site is by far the most important, with more than 2,000 employees as compared to several hundred only on the other sites. Given the nature of DELTA's activities – organised on the basis of projects carried out per site – very few operational links exist between sites. Each site, in fact, is virtually autonomous with regard to purchasing and management of computer systems and services, for example. The services and maintenance department at each site – responsible for purchase, for example, of computer equipment and accessories – put forward a budget for hardware for approval by general management at head office. Choice of actual equipment is left up to each site. A double system exists, though, for DELTA-south in that computer software, services and maintenance, which represent an ever-growing percentage of total purchases, are left largely to the discretion of the different heads of project on the DELTA-south site. There can be, for example, up to ten projects running concurrently. No co-ordination exists between them; hence a rather heterogeneous situation and difficulties of compatibility of equipment for would-be suppliers.

INTEC Sweden supplies all DELTA's sites apart from the site overseas, and is virtually in a position of sole supplier. There is, however, a distinct split in preferences, with the sites in the capital being supplied by COMPSERV distributors, and the third site by COMPSYS branch offices. This gives rise to quite distinct relationships coexisting as described below.

The COMPSYS-south/DELTA-south relationship

DELTA-south selected COMPSYS as supplier just five years previously. This followed a call for tenders for an integrated system for the site to link up the various units it contained. Choice was made on the basis of COMPSYS' technological prowess in integrated systems, as perceived by DELTA-south. One of the first customers to purchase this new type of system from COMPSYS, DELTA-south paid the price with problems being experienced both at start-up, and subsequently during operations.

DELTA-south's main – and almost unique – contact is COMPSYS-south, one of COMPSYS' regional branch offices.

One of COMPSYS-south's technicians is located on a permanent, contractual basis on-site at DELTA-south. He carries out general

Relations have become rather strained

maintenance and breakdown operations, and is a valuable source of information for COMPSYS-south's sales engineer in charge of the account.

There is occasional direct contact – once or twice a year – between DELTA-south and the COMPSYS key account manager in Stockholm, and with some other Stockholm-based staff. This is limited essentially to technical staff, with a view to keeping DELTA-south up to date on the latest technical innovations. For COMPSYS-south it is a customer who “doesn't count his pennies”, and is considered a key account for that reason. It represents almost 10 per cent of the branch-office's total turnover, and is “fairly profitable” even though it takes a lot of looking after. The key account manager in Stockholm, however, does not share the same point of view. While in terms of turnover DELTA-south is one of the smallest key accounts in his portfolio, it is critical in that it serves as test-bed for new product try-outs, and has considerable reference value.

Of late, however, relations have become rather strained. Owing to the newness of the integrated systems technology, several promises have not been kept by COMPSYS – start-up dates, certain functional features etc. – which could risk breaking off the relationship in two years time when the next major call for tenders is made by DELTA-south.

There is virtually no contact whatsoever between COMPSYS, at any level, and DELTA-south's heads of projects. COMPSYS has no idea, consequently, of factors influencing its behaviour regarding computer material, nor its present equipment.

The COMPSERV/DELTA Stockholm relationship

Both of DELTA's sites in Stockholm have been customers of COMPSERV since before the buy-out of COMPSERV by the COMPELEC group.

Both sites are supplied via COMPSERV's independent distributors, who supply virtually all their requirements in computer equipment and accessories. These customers declare themselves “perfectly happy” both with equipment and services provided, and have no intention of switching supplier. The customers are essentially referring to the relationship with the distributors, though, as direct contact with both COMPSERV management and COMPSYS' key account manager is nonexistent.

With the distributors wanting to protect their own interests, the COMPSYS key account managers are totally deprived of information on these sites, as is COMPSERV's head office, even regarding the volume of sales made, for example. DELTA in general is also totally unaware that INTEC Sweden has designated it as a key account.

No intention of linking sites

The DELTA site overseas, although a joint-venture partner with another division of the COMPELEC group, has no knowledge of INTEC division's qualities as supplier, and works with one of the COMPELEC group's main competitors for INTEC-type requirements.

Questioned as to strategy regarding computer equipment, DELTA states it has no intention in the near future of linking up its sites with an integrated system – except perhaps for a Stockholm-“DELTA overseas” link! It sees little need to link sites, and the following comment by one site manager sums up the situation rather well “If we link up sites, we lose our decision-making autonomy, and the balance we've attained between us over time, and none of us wants that!”

Key account customer RETRO: centralised dissent/local autonomy

RETRO has been a faithful INTEC Sweden customer for a good many years now. In fact both companies were at one time part of the same group of companies until about ten years ago. RETRO was sold off as part of a government-stimulated rationalisation process across the computer industry. Despite the split, contact between the two firms has remained strong, partly owing to the fact that both firms are in a similar line of business, and partly due to continuing friendships between staff at various levels within and between both firms. RETRO is specialised in hi-tech electronics.

RETRO has a total of 80 sites across Sweden, and several others in Europe and the USA. The Swedish sites have widely varying characteristics in terms of size, types of activities carried out, and degree of autonomy. Some, for example, have just a handful of employees, and act as regional sales offices, whereas others have a staff of several thousand, and boast production and R&D facilities. These larger sites also often have dedicated computing staff and engineers, capable of taking all decisions regarding choice of equipment. The smaller sites, however, have no such know-how and, despite being free to choose and purchase equipment as they wish, usually refer to RETRO HQ for technical advice prior to making decisions.

Two departments involved in the purchase of computer equipment

At RETRO head office two departments are involved in the purchase of computer equipment. First, the purchasing and procurements department (PPD), who are in charge of setting up nation-wide “umbrella” agreements on prices and product specifications, all purchases combined.

For purchase of computer equipment the PPD calls upon the technical know-how of the computing and communications department (CCD), however. This department advises the PPD in particular on the “value for money” of the different offers made by suppliers on particularly sophisticated computer systems. Historically, friction exists between the two departments. This came to a head recently when INTEC Sweden, and in particular COMPSYS, was found to be offering similar products and services to another customer at virtually half the prices offered to RETRO. The result was considerable loss of face to the CCD relative to RETRO’s top management, and deterioration of the relationship between COMPSYS and the CCD, until then privileged contacts, and indeed with RETRO in general.

The leak to RETRO on the prices resulted, in fact, from an unexpected merger between RETRO and another previously unrelated COMPSYS customer, with subsequent merger of the two firms’ head office purchasing sections.

More a partner than a supplier

Although RETRO confirms that it is generally satisfied with COMPSYS (it is worth noting here that RETRO has never worked with COMPSERV), it has, however, worked with other divisions of the COMPELEC group, manufacturing other components of the global integrated systems offering. This has not always been a success according to RETRO. Recent accessing of RETRO’s confidential files for maintenance operation purposes by COMPSYS, without prior RETRO authorisation, has irked RETRO’s technical staff, and strained the relationship. Nonetheless, RETRO – and in particular the CCD – states that COMPSYS is much more a partner than a supplier, and that they “... usually get what we want from the relationship. We try to influence their technical strategy to our advantage. It usually works”. Indeed, COMPSYS often adapts and innovates products and services to RETRO’s requirements. These are not “lost” to RETRO, insofar as the successful adaptations/innovations are subsequently offered to

COMPSYS customers at large. RETRO has also revealed that it practises explicit “key supplier account” management – and INTEC Sweden is on its list.

While purchasing by RETRO may from the above description appear to be somewhat centralised, a closer look reveals a more elaborate strategy. It is in fact a two-tiered system, with PPD setting up the “umbrella” contracts, but with renegotiation systematically by RETRO’s sites, which – having their own budgets – are relatively free to select the equipment they prefer.

CCD points out, though, that there does exist a very flexible computing and communications “master plan” with recommended suppliers, and that some of the smaller sites “soon learn to listen to us, when they get into big technical trouble further down the line after not asking our advice” – and at the same time many but not all of the sites quite systematically exchange information on computer equipment performance, with little or no involvement of RETRO head office on these occasions.

The international situation

As for the international situation, RETRO’s sites abroad are all joint ventures with local firms. Decisions regarding choice of equipment depend on national preferences, and those of the partners. This often means suppliers other than INTEC – local ones – are chosen. All the more so because, while INTEC has sister companies abroad from the same group, these subsidiaries are in no way answerable to INTEC Sweden, and develop their own strategies on their respective national markets. These strategies rarely reflect COMPSYS’ key account manager’s desires in any significant way. This situation rather compromises the key account manager’s desire to promote a global systems offering to this customer on an international scale, given among other things incompatibilities between product brands, and even between national communications networks. This project is even further compromised by RETRO’s CCD manager’s statement that “... given that not all our sites perform the same activities, and don’t call for link-up, we are in no way envisaging the expensive project COMPSYS is proposing. At best we would link up four or five sites”. Yet COMPSYS sees this as the best solution to promote flagging sales. Interestingly, COMPSYS is unable to say exactly what sales with this customer represent. Partly because the computer system linking regional sales figures does not as yet allow cumulated figures to be calculated with any precision, and partly because COMPSYS’ own regional sales offices are reluctant to report back to the key account manager, complaining that their autonomy of action is already greatly reduced!

Key account customer ALPHA: centralised independency

Although classified in the “hi-tech” field by COMPSYS Sweden, ALPHA does not fully master computer technology. An international firm, with its head office in Sweden and subsidiaries in more than 30 countries worldwide, ALPHA uses computers especially for logistical purposes.

Considerable trust in suppliers

Considerable trust is placed in the suppliers selected, and equipment purchase is limited to less-sophisticated devices and applications. Normal purchasing procedure entails the issue of a call for tender, to a short-list of four or five known suppliers, by ALPHA’s technical department based at head office. COMPELEC is one of the firms on the short list. Once the call for tenders has been issued, however, each subsidiary is free to evaluate the resulting offers independently. In practice, however, each geographical unit can and often does consult the central technical department for advice, as each has little or no knowledge in the area.

While ALPHA is not demanding relative to sophistication of equipment, it is demanding concerning after-sales maintenance and service, with rigorous selection of firms on this basis. COMPSYS Sweden thus has to compete on the basis of the quality and rapidity of service provided by other subsidiaries – outside its direct control – of the COMPELEC group abroad. Price also plays an important role. ALPHA is well aware of the gains to be had by centralising purchasing and negotiating hard on the basis of total volume purchases worldwide from a given supplier. Although it does not as yet exploit this potential, head office says it has the intention to do so in the near future. Meanwhile, it is ALPHA at head office who has demanded key account status of INTEC Sweden. It wants a single “contact-man” in the COMPELEC group organisation who can act as federator, putting ALPHA in touch with the right person within COMPELEC as soon as a problem arises, whenever that may be, worldwide. So far, given COMPELEC’s own complex organisational structure, that has proved an almost impossible task.

ALPHA is also looking to discuss ways in which COMPELEC group could study with them their needs in computer applications, without getting into technical discussions, so as to better serve ALPHA’s own customers.

Interlinked management processes

Discussion

The case described above gives food for thought on several issues. These issues unite to provide a more far-reaching idea on exactly what key account management entails. More specifically, key account management considerations can be seen to cover a series of interlinked management processes related to varying network situations. Networks highlighting, for example, strategic information flows, or “sub-networks” elucidating power/dependency situations, emerge under analysis. These network configurations provide valuable insight into improved KAM, providing focus on strategic issues identified in the process.

Key customer accounts as a network issue

The DELTA network. DELTA’s network, at first sight, would appear to be relatively simple, with just four units, albeit one located abroad.

Each unit has distinct characteristics

A closer look, however, reveals a rather more complex situation. First, each of the four units has quite distinct characteristics. Each performs quite distinct activities. Each has quite different characteristics and each has, apparently, its own rather independent buying centre for computer equipment. Indeed, in many ways it would appear that this customer is not just one, but four, independent entities, each acting as a customer in its own right. Yet evidence of a certain degree of interdependency exists, with head office general management having ultimate say regarding budgets. Exchange between actors in the four sites is thus limited to centralised budgetary reporting. Very little social exchange exists between sites, and very little information exchange of any type.

This, again, is due to the totally different activities performed by each unit. Each unit has developed, over time, into a state of autonomy and independence, with the desire to maintain that independence.

Further examination of the situation, however, reveals a rather more complex situation. Each unit “hides”, in fact, multiple smaller, parallel entities, each, again, with almost total autonomy. The resulting situation is one of considerably greater complexity than at first envisaged, due to both the number of actors involved, and their heterogeneity.

Added to this is the fact that all actors involved jealously guard their independence, and resist attempts at linking them together for fear of losing power over their own destiny.

The ALPHA network. The ALPHA situation is perhaps the one which, in network terms (see Figure 2), would seem to be the most simple and homogeneous across the customer.

With 30 international units, and head office, lateral links between units are totally absent. Centralised decision making regarding suppliers of computer equipment is handled by head office to a large degree. However, this is nuanced by some autonomy allowed to geographical units, with some scope as to choice of final supplier(s), with each unit being responsible for its budget; thus each unit does have its own, distinct, buying centre, conditioned to some degree by a central authority dictating broad policy within the group. Exchange of technical data, although occurring between, again, head office

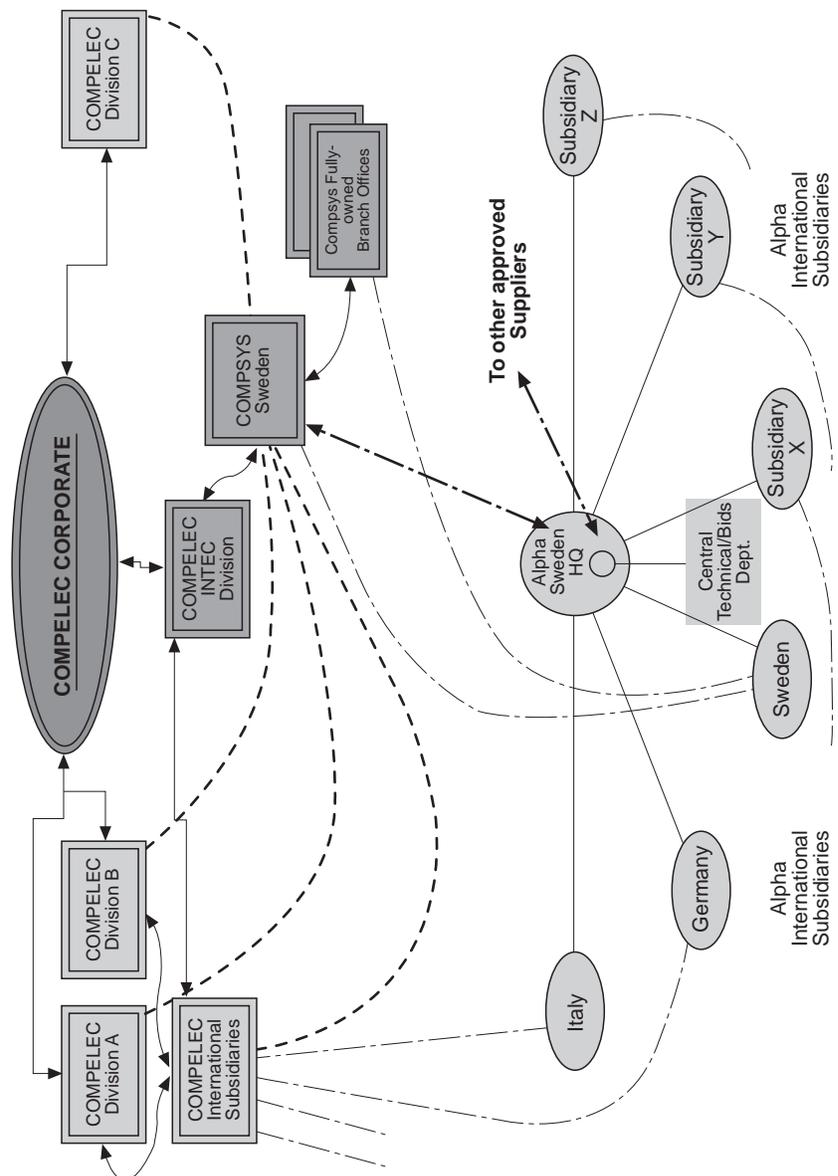


Figure 2. Alpha network diagram (simplified version, “unsegmented”, integrating key COMPELEC network relationships)

Diversity in types of activities

and the units on a bilateral basis, is also reduced compared to, for example, RETRO, given ALPHA's low mastery of computer technology overall. Each of the geographical units has comparable weight in the organisation, and similar, independent activities. This autonomy of activity, along with simple geographical distances and local cultural context, reduces interaction and exchange between units to a bare minimum.

The RETRO Network. With more than 80 sites in all, RETRO is certainly the most complex network (see Figure 3) in terms of number of actors.

This complexity increases with the extreme diversity in types of activities each site performs, size, and varying degrees of interdependency of activities and linkages between two or more sites. Resources available to the different sites likewise vary considerably, in particular in relation to purchase and operating of computer equipment. A complex array of situations is thus displayed, with some units being virtually autonomous – except for guidelines on prices negotiated by PPD – and others demonstrating, for example, total technical dependency on CCD at head office. All units, however, are totally autonomous on a financial level. This does not prevent, though, spontaneous, multilateral information exchange on technical aspects of computer facilities, between those units with knowledge and know-how and those without. This phenomenon is facilitated by the close geographical proximity of the sites on the Swedish market, and frequent contact in certain cases via interlinking activities mentioned above.

Worthy of note, too, is the situation of conflict and struggle for power within the organisation between CCD and PPD. To speak of “centralisation”, under these conditions, seems at best optimistic, with the two “central” units pursuing quite distinct objectives as opposed to one unique strategy.

The international units of RETRO provide another, rather distinct category of actor within the RETRO network. These units are, effectively, both geographically and culturally distant, and influenced to a large degree by the joint-venture partners involved, who usually exert a far greater effect on, for

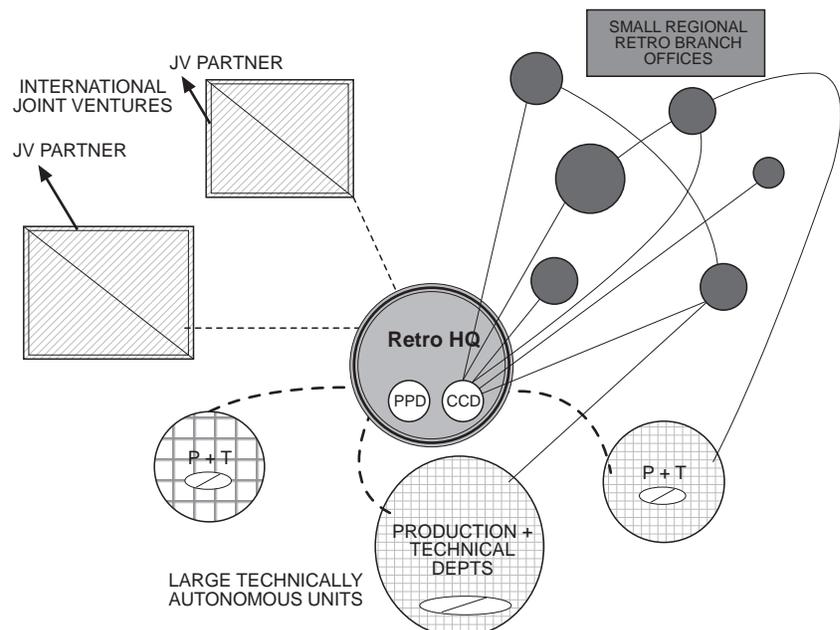


Figure 3. Retro network diagram: simplified version showing three distinct but interdependent network “segments” (excluding COMPELEC components)

Each division operates on an independent basis

example, purchase of computer systems than does the very “distant” RETRO head office. On an international scale neither CCD nor PPD have any control or say over prices and technical developments. Indeed, both are relatively ignorant of the international context in general.

COMPELEC’s network. Going beyond the simple organisation chart, COMPELEC can be seen to be just as complex a network of actors as any of its customers, with each of these actors performing often rather independent activities, controlling resources of various kinds, and with often distinct and even conflicting objectives. The result is a rather complex set of relationships between them or – in certain cases – weak or lacking relationships.

In COMPELEC Group’s case, in fact, several quite distinct cliques of actors can be seen to be evolving. Each division, for example, at least at key customer account management level, operates on a rather independent basis, with a very weak link in each case – except for INTEC’s own division – with the COMPSYS Sweden’s key account managers. This link is extremely frail and ineffective due to imbalance of power and status of the COMPSYS key account manager relative to his “opposite numbers” in the other divisions. This radically compromises this manager’s task of coordinating action relative to the global offering.

But even within INTEC’s own division links between COMPSYS Sweden and other subsidiaries abroad, limited information flow, non-concordant objectives, independence of activities etc. are such that co-ordinating across internationally spread key account becomes, for the COMPSYS key account manager, a near-impossible task.

Within INTEC Sweden a split in sets of actors can also be seen at the COMPSERV/COMPSYS level. Two quite distinct networks of actors have evolved over time – including head office departments and branch offices, dealers etc. – one with a quite dispersed approach towards key account, COMPSYS, and the other with a more integrated approach. Grafting one on to the other by means of the COMPSYS key account managers alone has proved to be problematical. These latter have no knowledge of the COMPSERV distribution network actors, for example, nor of the relationships existing between them and the key accounts. Even within COMPSYS’ own network, weak information flows – for both technical and human reasons – create problems of coordination.

Managerial implications and recommendations: in search of a revised view of key accounts and KAM

A traditional view of key account management

Key accounts: the typical profile. A rather common view of key accounts in the KAM literature (Shapiro and Posner, 1976; Stevenson, 1980; Shapiro and Moriarty, 1982; Tutton, 1987), and indeed in the business world, sees, or assumes, them to display several typical characteristics:

- They are large accounts, with proportionally high potential value to the supplier in terms of sales and/or profits.
- The assessed potential value they represent is “static”. In other words potential is potential, it cannot be developed further, dependent on proper handling of the relationship by the supplier.

Several typical characteristics

Strategic management of key accounts

- They are organisationally complex in so far as they involve firms with multiple sites/subsidiaries, which are more or less centralised in terms of decision making.
- Purchasing strategy of key accounts, and indeed their corporate strategy, is clear and coherent, and faithfully followed by all. Moreover, linking it to the point made on centralisation above, this same strategy is homogeneously centralised across the key account organisation.
- Key accounts in similar areas of activity demonstrate similar needs and requirements, and hence similar treatment by suppliers.
- The relationship with the account needs to be a “good”, intensive, co-operative one in all cases.

Key account management: the traditional perspective. Under such assumptions, strategic management of key accounts, and associated tasks, becomes simple to the extreme:

- Selection of key accounts translates as simple ranking of accounts based on sales/profit criteria. Where to draw the line between ordinary and key accounts is the only area that may be a cause for concern.
- Once key accounts are selected, investment to strengthen the links with each account would thus be made, presumably based on assessed potential financial returns, with possible sub-grouping of key accounts accordingly, and ranking of sub-groups. This would typically be allied with splitting of the key account portfolio by areas of customer activity – as with the COMPELEC case here (initial choice of the key account base by COMPELEC was indeed from the top-rated 200 companies in the country, by size and turnover).
- Organising for key accounts would likewise be simple, with the setting up of teams with knowledge of each area of customer activity, as with COMPELEC.
- Depending on the profile of these groups an appropriate organisational response would be adopted by the supplier, i.e. more or less centralised, with a greater or lesser spread depending on the number of units, and with an adapted relevant offering.

In the ideal world, then, a supplier firm would be faced with, on the one hand, a set of relatively profitable, centralised key accounts, say, in the banking industry, and a second set of very high profit/sales key accounts, totally decentralised, with multiple sites in, say, the tourism industry. Each of these sets of key accounts could be strategically assessed, and an appropriate, homogeneous organisational response adopted for each.

In the real world, however, situations such as COMPELEC’s exist.

A revised, realistic view of key account management

Key accounts: a revised profile. The COMPELEC case provides us with rather more realistic insight into the characteristics of key accounts.

Other considerations

First, although size and sales/profit potential are often high on the official list of priorities, these are far from being the sole considerations for key account value and status. COMPELEC has, for example, several other customers of the same overall size and economic interest as DELTA, yet these were not considered as key accounts. The difference lies in the strategic value

COMPELEC perceives in the relationship with DELTA – and indeed the two other key accounts here – outside the pure economics.

This value has several dimensions. Some observed alternative dimensions of strategic value of key account relationships (unranked) can be seen in the following lists.

Delta

- Overall image in the marketplace (high-tech, leading edge).
- Reference customer, for promotion in the market.
- Beta-site test and development customer (new “integrated”/package product, etc.).
- New product launch platform/industry “showcase”.
- Profitability.

Retro

- New product design and development.
- Sales volume.
- Profitability (NB: some sites more profitable than others).

Alpha

- International reference customer.
- Source of information on market segment requirements.
- Sales volume.
- Profitability.

As can be seen in the case – and the above lists do not claim to be exhaustive – each customer represents varying degrees of strategic interest to COMPELEC across different dimensions.

Susceptible to change over time

This value, moreover, is susceptible to change over time. This can be due to factors outside COMPELEC’s direct control, or else due to deliberate strategy with regard to the relationship by either partner. For example, ALPHA’s intention to consolidate negotiations in the future consequently influences profitability for COMPELEC. Alternatively, explicitly helping a given key account, be it in economic, technological or other terms, to better its position on its own market downstream, for example, increases the initial potential value of that account to the supplier firm.

The network context described earlier is clearly more complex an issue than that of simple centralisation/localisation of purchasing decision making, and number of customer sites/units involved.

Rather than such “absolute” structural characteristics, it would seem to be rather the degree of homogeneity or heterogeneity, in network terms, across the customer organisation which dictates complexity in understanding and managing the account.

The very nature of each customer site/unit – are they of the same size, do they perform the same activities, have they the same technical or managerial competences, similar culture, homogeneous or typical strategies, etc? – is of prime importance. Flows – products, information, etc. – and existence and

homogeneity of relationships between units of the key account, are likewise parameters dictating complexity.

This explains why Alpha, with a relatively homogeneous organisational context, albeit with 30 international units, calls for a relatively simple KAM response. Delta, however, with just four subsidiaries, three of which are in Sweden, demonstrates high heterogeneity, calling for a far more sophisticated, and consequently more costly, KAM approach from COMPELEC. This prompts the supplier firm to contemplate whether it has the appropriate capacity and skills, and even the desire, to serve the customer's total requirements.

Compounded complexity

Finally there is RETRO, with compounded complexity in terms of numbers of entities involved, distinctive characteristics of each, and complexity of information flows, for example, and of relationships between entities within the firm. Clearly a major KAM challenge that COMPELEC has only just begun to address.

Coherence and content of the customer's strategy. The clarity, integrity, and coherence of supplier-base management and purchasing strategy by the customer – or rather the lack of it – are painfully obvious in the cases discussed, summed up as follows:

Delta

- Four independent sites, each with quite distinct strategies in general.
- Distinct strategies and decision making inside DELTA-south, for heads of projects, regarding choice of computer equipment suppliers in particular.

Retro

- 80 sites, each demonstrating widely varying degrees of strategic autonomy.
- Purchasing strategy in larger, better-equipped sites set independently.
- Federation and rationalisation by HQ technical (CCD) and purchasing (PPD) departments, of certain units' activities (technical for smaller units, and purchasing for most medium and some large units).
- Conflict between CCD and PPD departments.
- Radically varying strategies for international joint ventures affecting, among other things, choice of computer equipment and services suppliers.

Alpha

- 30 international sites with high degree of operational autonomy and strategy generally.
- Centralised supplier-base and purchasing strategies.

Lack of coherent strategic identity

This lack of coherent strategic identity – except perhaps in the case of ALPHA – and the different dimensions of the customers' strategies, need to be explicitly accounted for when managing such accounts, as do the different dimensions of the customers' strategies. In concrete terms this may mean “segmenting” the key account in network terms and establishing multiple,

coherent, strategies for it, alongside various corresponding management solutions.

What of the supplier firm? The COMPELEC case also demonstrates another factor overlooked by the majority of the literature, with a few rare exceptions (Pardo *et al.*, 1995), and that is the influence of, and supposed integrity and coherence of, the supplier's own organisation and strategy, and the need to account explicitly for this when setting key account strategy.

COMPELEC reveals the reality of the situation:

- Despite COMPELEC being a corporate entity with the desire to market to its key accounts an “integrated offering” combining the products of its four divisions, these divisions clearly still enjoy quite considerable autonomy. Each has, historically, its own objectives, its own strategy, and its own resources and markets.
- The Swedish component of the division discussed in detail here also demonstrates a quite clear division between its two subsidiaries. Each with near-total autonomy, different – often-competing – product ranges, organisational set-up, distribution channels, and general, and often conflicting, approach to the market.
- The international units of COMPELEC enjoy a similar, possibly stronger, level of strategic autonomy, aggravated by cultural differences, particularly relative to those divisions they are not accountable to.
- The two-tier KAM structure (regional and national levels) within COMPSYS Sweden itself lacks in coherency, with conflicting objectives and different key account “targets”. This is aggravated by the ambiguity of its national structure relative to parallel KAM structures in the other divisions.

Integrate the complexity of the supplier organisation

To sum up, to be effective, KAM strategy needs to integrate the very complexity of the supplier organisation itself, in terms of strategy, characteristics, and relationships between units and functions, certain dimensions of which may be beyond its direct or immediate control.

In other words ...

The emerging picture from the COMPELEC case is one of the key account function as a network management function with, at the core of the network, multiple interlinking relationships between actors – with varying degrees of strategic coherency – in often interdependent selling and buying centres across, and indeed beyond, seller and buyer organisations.

A network whose configuration and characteristics result from the very coming together, and evolve under the impetus, of the seller and buyer firms' interactions. These networks may be relatively simple, or alternatively rather complex. Shifts in the characteristics of these networks are inevitable, calling for permanent monitoring by the KAM function.

The key account management function is as much involved in the understanding and management of network relationships between, say, two actors within his own or his/her account's organisation as in management of the direct relationship(s) with the account.

This management is not limited to the aim of maximising short- to medium-term financial objectives alone. It covers a broad spectrum of aims relative to

Management guidelines

management of the different dimensions of value and resources which the relationship with the key account represents.

In practical terms? Practically speaking, the COMPELEC case provides us with some indicators as to management guidelines:

- (1) The relationships with key accounts are access routes to tap into strategic resources of various kinds for the firm as a whole, providing it with much of its strategic identity. As such, strategy regarding KAM should be firmly seated in corporate strategy.
- (2) It follows that this corporate strategy should be acknowledged throughout the firm for KAM to be effective. Should this not be so, divergences need to be identified, and KAM strategy needs to explicitly allow for these.
- (3) Identification and selection of the key account portfolio should be performed on the basis of all identified areas of strategic value to the firm, and not merely on factors relating, for example, to size or turnover. Customer portfolio management techniques of the type suggested by various authors (Fiocca, 1982; Campbell and Cunningham, 1983; Salle and Rost, 1993) are consequently an essential pre-requisite to KAM strategy-setting.
- (4) This value should be assessed on the basis of “dynamic” potential, i.e. not “what is this customer relationship worth?”, but “what might its worth be with proper management?” and “what would that management cost?”
- (5) Accordingly, KAM does not translate as “building good, strong relationships at all costs”, literally. It translates rather as allowing each relationship the attention it merits. That might well mean reducing investment in certain cases.
- (6) Key accounts are not homogeneous within themselves, neither in structure and operations nor in strategy. An appreciation of the complexity this generates can be obtained using network analysis, providing the basis for improved management.
- (7) Key accounts between themselves, even within the same industry, e.g. banking and finance, may well display a high degree of heterogeneity. Appropriate managerial response may thus not be to divide the key account portfolio up using the logic of customer activity alone. Alternative logic may be more appropriate, based rather on network characteristics.
- (8) Required skills of KAM managers and teams can vary accordingly. It is unlikely, then, that a typical or ideal profile for, say, a key account manager, should be possible for a given firm, never mind for industry in general.
- (9) These skills can be varied and numerous, e.g. negotiation skills, technical skills, relational skills, coordination skills.
- (10) These skills relate just as much to managing relationships within the supplier’s organisation as within the customer’s, and indeed, outside either.

Conclusions and further research

Things are never quite what they seem. KAM here is shown to be what many practitioners know it to be: a rather complex process, requiring appropriate analytical tools for systematic evaluation, and tightly linked to the corporate

A rather complex process

strategy of the firm. It is not enough just to “tenderly nurture, no questions asked” arbitrarily designated key customers.

Network analysis would seem to offer a way of addressing this issue.

While it may be argued that the case is a particularly complex one, it must be said that it is not unlike many others identified by the author in industrial markets. Further research will target establishing whether this situation is the norm, rather than the exception, and identifying possible causal factors, with a view to developing more normative management measures.

References

- Burt, R.S. and Minor, M.J. (1982), *Applied Network Analysis*, Sage, Beverly Hills, CA.
- Campbell, N.C.G. and Cunningham, M.T. (1983), “Customer analysis for strategy development in industrial markets”, *Strategic Management Journal*, Vol. 4, pp. 369-80.
- Fiocca, R. (1982), “Account portfolio analysis for strategy development”, *Industrial Marketing Management*, Vol. 11, pp. 53-62.
- Ford, D. (1980), “The development of buyer-seller relationships in industrial markets”, *European Journal of Marketing*, Vol. 14 No. 5/6, pp. 339-54.
- Hakansson, H. (Ed.) (1982), *International Marketing and Purchasing of Industrial Goods: An Interaction Approach*, John Wiley & Sons, New York, NY.
- Hakansson, H. and Johanson, J. (1984), *A Model of Industrial Networks*, Department of Business Administration, University of Uppsala, Sweden.
- Hakansson, H. and Johanson, J. (1988), “Formal and informal co-operation strategies in international industrial networks”, in Contractor, F.J. and Lorange, P. (Eds), *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA, pp. 369-79.
- Hakansson, H. and Johanson, J. (1992), “A model of industrial networks”, in Axelsson, B. and Easton, G. (Eds), *Industrial Networks: A New View of Reality*, Routledge & Kegan Paul, London, pp. 28-38.
- Hakansson, H. and Ljungmark, K. (1995), “Nordic Mechanical Engineering Ltd: developing resource constellations”, in Hakansson, H. and Snehota, I. (Eds), *Relationships in Business Networks*, Routledge & Kegan Paul, London, pp. 163-75.
- Hallen, L. and Wiedersheim-Paul, F. (1982), “Psychic distance and buyer-seller interaction”, in Engwall, L. and Johanson J. (Eds), *Uppsala Contributions to Business Research*, Almqvist & Wiksell International, Stockholm, p. 18.
- Jarillo, J.C. (1988), “On strategic networks”, *Strategic Management Journal*, Vol. 9, pp. 31-41.
- Mazet, F., et al. (1995), “MTF: understanding complex relationship dynamics between industrial groups – powerplay and positions”, in Hakansson, H. and Snehota, I. (Eds), *Relationships in Business Networks*, Routledge & Kegan Paul, London, pp. 205-21.
- Pardo, C., et al. (1995), “The key-accountisation of the firm – a case study”, *Industrial Marketing Management*, Vol. 24 No. 2, pp. 123-34.
- Salle, R. and Rost, C. (1993), “Une methode de gestion des portefeuilles de clients en milieu industriel”, *Gestion 2000*, Vol. 2, pp. 69-87.
- Shapiro, B.P. and Moriarty, R.T. (1982), *National Account Management: Emerging Insights*, MSI.
- Shapiro, B.P. and Posner, R.S. (1976), “Making the major sale”, *Harvard Business Review*, March-April, pp. 68-78.
- Spencer, R. and Valla, J.P. (1989), *The Internationalisation of the Industrial Firm*, EIBA, Helsinki.
- Stevenson, T.H. (1980), “Classifying a customer as a national account”, *Industrial Marketing Management*, Vol. 9, pp. 133-6.
- Turnbull, P. and Valla, J.P. (1986), *Strategies for International Industrial Marketing*, Croom Helm, Beckenham, UK.
- Tutton, M. (1987). “Segmenting a national account”, *Business Horizons*, pp. 61-8.
- Yin, R.K. (1989), *Case Study Research: Design and Methods*, Sage Publications, Newbury Park, CA.
- Young, L. and Wilkinson, I. (1997), “The space between: towards a typology of interfirm relations”, *Journal of Business-to-Business Marketing*, Vol. 4 No. 2, pp. 53-97.



Paper 5

International KAM: Relationship and Network Handling Issues

Original publication

Spencer, R.

Euromed Working Paper Series 2004

Revised and submitted to the *European Journal of Marketing*

INTERNATIONAL KAM :
RELATIONSHIP AND NETWORK HANDLING
ISSUES

Proposal for the European Journal of Marketing
December 2004

R. SPENCER
Euromed-Marseille School of Management,
13009 Marseille
FRANCE

ABSTRACT

In a world where international business is fast becoming the norm rather than the exception, most focus is on meta-phenomena, and precious little attention is paid to linking the theory thus developed to the reality of everyday business.

In particular, considerable thought has been given to the internationalisation process and especially to the case of the multinational organisation, and to the theme of “globalisation”.

Of particular importance in this area is the work performed by Bartlett and Ghoshal, relative to the “Transnational” organisation, proposed as being the best adapted to survival and development in the international environment.

The focus is both on the “internal” environment as well as the “external” environment of the firm, with issues relating to the effects of centralisation or localisation, for example of decision-making, and the availability of local resources, and local managerial capacity, along with the local legal and political context, all leading to a form of management which uses local “leverage” to further “global” strategy.

Other literature places emphasis on, for example, the complex cultural setting in which international business takes place, affecting both the firm’s internal organisation and thus its marketing capacities, and the purchasing behaviour of the customer. Thus the debate in marketing terms tends to revolve around the debate of globalisation or localisation of the offering, and adaptation or standardisation of the marketing organisation and practices, as a consequence.

Over recent years, in parallel, a new paradigm has slowly emerged, finding its roots in the industrial marketing field in Europe, but of late spreading to gain acknowledgement and enthusiasm from authors not only in the business-to-business field but in the field of marketing in general, and at large. This paradigm focuses on relationships as exchange vectors in a marketing context, and argues that this is a more appropriate approach than the previous “4Ps” approach.

Hence marketing becomes a matter of effectively and efficiently managing relationships between the supplier and customers. Yet more recent work, in particular by the IMP Group of researchers, takes this thinking a stage further and extends the relationship approach from the consideration of supplier-customer relationships alone, to consider the taking into account of sets of relationships between actors of different kinds, influencing the market situation and the marketing environment: the “network” approach. This network approach has been developed to include actors and relationships from both the marketing firm’s internal and external environments.

Partly as a result of the above developments, renewed interest in the area of study of key customer accounts has come to the forefront of late. This paper focuses on a particularly relevant area of research in light of the above, and one which has perhaps surprisingly received precious little attention. The field of international key customer account management.

Using a case study approach, based on the activities of a multi-national corporation, the paper uses a relationship and network perspective to examine the international key account issue. It demonstrates that the meta-phenomena mentioned earlier can effectively be expressed adopting more of a mid-level analysis, i.e. networks of relationships within and across international boundaries.

In managerial terms, the specific profiles of such networks of relationships act as useful guidelines for appropriate international key customer account management organisation and practice.

INTRODUCTION

International Key Customer Account Management: An Oversight ?

At a time of ever-increasing interest in the international business theme, when going international (1) for the firm is now perceived as being a must rather than an option, and where the focus on marketing is that of providing added value to the customer, and with the emergence of relationship marketing ideas booming (2), it is perhaps surprising that very little attention is paid to the international key customer account, and appropriate associated management practice.

Perhaps this is due to the very complexity of the subject area itself ? Or to the fact that KAM even at national level (3) proves to be rather a handful. Nonetheless, or perhaps all the more so for that, the area is a rich one and research questions need to be raised.

Amongst the many questions to be asked is “What is International KAM anyway ?!”. Is it the choice and serving of international customers ? And what is an “international” customer anyway ? One who sells abroad ? One who has production units abroad ? Etc. etc. Or is it all or some of these, combined with a more generic definition of a key account, with these characteristics possibly acting as a potential basis for a typology ?

This paper does not pretend to provide an answer to these questions. Rather it uses one case study (4) on the situation of an MNC faced with the problem of handling international key accounts. After describing the general organisational set-up and operations of the supplier, a brief description of the organisational response at present provided for KAM purposes is given, along with some of its inadequacies. The focus then goes over to 3 international key customer accounts served by the organisation. These accounts, as will be seen, all demonstrate quite radical differences, whilst not being deliberately selected for that reason. The relationships between the key account and the supplier are discussed in each case. A “relationship network” vision of the information is then attempted, and the results analysed.

We feel that the results, although in a very preliminary form and far from conclusive, are encouraging. They provide a “down to earth” assessment of the situation in each case, and useful leads for further research and analysis in the area. They also provide immediately exploitable “maps”, which, even in rudimentary form, give management food for thought on how to act which go beyond the often anecdotal and highly intangible approaches such as “beware cultural differences when working with the Spanish ...”.

The data collected is from a French origin MNC. Multiple interviews were performed using a snowball interviewing method (5). Respondents were located either in the supplier or customer firms concerned. A total of 12 interviews were performed, 11 of which took place “supplier-side”. Information has been disguised for reasons relating to confidentiality.

A BRIEF OVERVIEW OF THE LITERATURE RELATIVE TO INTERNATIONAL KEY ACCOUNT MANAGEMENT

Traditional international literature refers to three main bodies of thought useful in describing international key account management (KAM). Firstly the literature on the internationalisation process, and in particular the evolution of the firm (6) – from direct exporting through to FDI - from a strategic and organisational perspective in international markets. Secondly general international marketing literature (7) relating to the international marketplace and the difficulties in handling this environment, seen from, traditionally, the legal, financial, political, economic, and cultural perspectives. Most of this literature covers the specificities of the systems and prevailing conditions in different countries, e.g. the legal system, specific cultural characteristics, the fiscal system etc.,

whilst still staying fairly generic at the country level. The third body of literature concerns the Multinational Corporation and its evolution and operations. This literature (8), with a strategic focus, looks at the individual firm, and problems with handling its operations in international markets. Few of the authors concentrate in any in-depth way on relationships and networks as an appropriate central focus of management attention. The fourth, though this does not always have an international bias, and perhaps most pertinent area of work, concerns the literature on relationships and networks in industrial markets mentioned earlier which, more recent for the most part, to some extent overlaps with the first three detailed above. A fifth area of the literature generally with little or no international bias is that specifically dealing with the issue of Key Account Management (9).

THE DATA GLOBAL CASE : MULTINATIONAL SUPPLIER

DATA GLOBAL is something of a success story on the international business scene. From a position of “also ran” in the mid-70s to the early 80s it has emerged to become one of the top three in the field of data processing and transmission. From a firm handling, originally, essentially government business on its domestic market, it has coped with deregulation on an international scale and now has the majority of its business in the private sector. This has been achieved in part thanks to growth via progressive mergers and acquisitions of competing firms in the multiple international markets it operates in, coupled with subsequent “rationalisation” of its organisational set-up. This, in particular, consisted of focussing production, for example, of different product lines and the closing down, or down-sizing, of non-productive sites. This strategy obviously did not always meet with the approval of management and staff of targeted national subsidiaries and organisations, and often generated a disgruntled atmosphere, and internal competition and even conflict, especially amongst the larger subsidiaries.

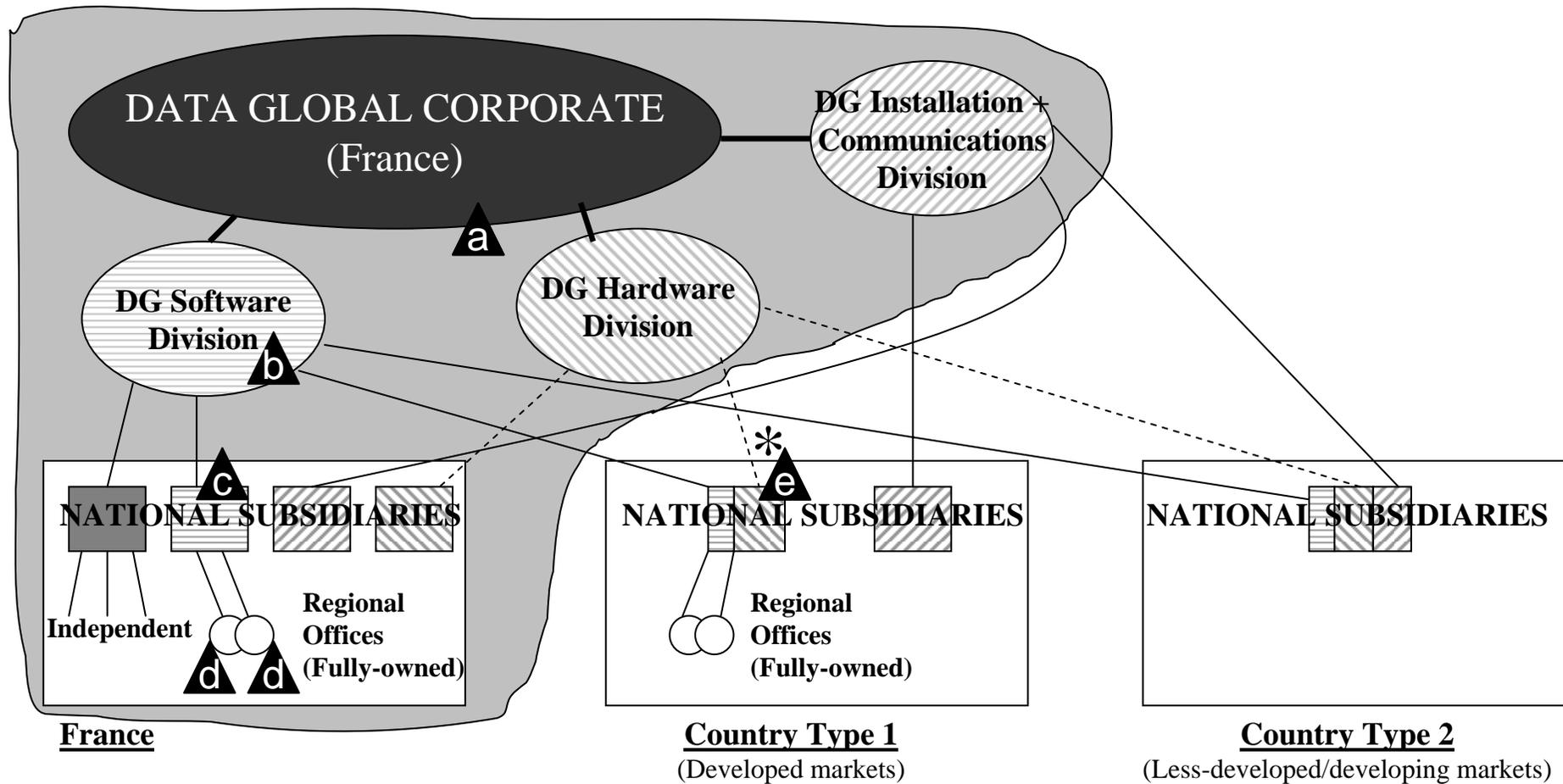
Management of this situation was, and indeed still is to some degree, problematic and all the more so due to the different cultural origins of each subsidiary’s staff, and the often-recent merger/acquisition situation, and the resultant lack of a clear corporate identity for DATA GLOBAL.

DATA GLOBAL’s INTERNATIONAL ORGANISATIONAL SETTING

Data global has a rather complex international structure (see fig. 1), comprising three distinct divisions: Hardware, Software, and Communications. (For the sake of clarity we will develop only the situation of the Hardware and Software Divisions in this case. In many ways the Communications Division closely resembles that of the Hardware Division)

In the past, and indeed until just a few years ago, each of these divisions operated very much independently across the 100 or so national markets served by the company. In practice, though, one subsidiary very often represents two or even all of the divisions, depending on the state of development of each division’s activities in the market in question, and the maturity and strategic interest of the market itself. Only over the last two or three years has the situation evolved, with some major customers looking for solutions which call for coordination of means by all 3 divisions to provide a “total system, integrated” solution tailored to their needs.

This situation has not so far been handled with a great deal of success by DATA GLOBAL, due to the traditional autonomy of the divisions, and reluctance to change.



**Fig. 1: Data Global Simplified Organisation Chart
(Showing typical organisation by country type, and France)**

▲ **indicates location of elements of formal KAM structures** (n.b. absence of symbol indicates absence of formal KAM function):

- a: Corporate KAM.** Embryonic. Monitoring/federating function. Coordination of « Package/system » offering
- b: Divisional KAM** Represented by National KAM. Focused on French operations. Pilot development in subsidiary in Spanish market.
- c: National KAM** Subsidiary level. Coordination of KAM across the activities of one subsidiary (France only)
- d: Regional KAM** Dual system (i) National KAM oriented (ii) Local KAM driven (little/no coordination with National KAM)
- e: Pilot KAM *** Spanish market only

DG SUBSIDIARIES, RELATIONS WITH SUBSIDIARIES, AND KEY ACCOUNT CONSEQUENCES

The best way of describing DG's relationships with its subsidiaries (see fig. 1) is "varied" and "evolving". The organisational set-up described earlier and the internationalisation process via merger and acquisitions makes this almost inevitable.

What can be said is that, firstly, many of the "lead-house" subsidiaries for the activities of the 3 divisions are French-based or if not they have Managing Directors with strong personal links with Corporate H.Q. in France. This includes frequent trips to Paris, sitting on committees, membership of the Board etc. Despite deregulation of the industry, this gives a strong French flavour to, for example, technological development, with much R and D being done in France. Complaints by foreign subsidiaries often refer to products corresponding more to French requirements than their own or the global market place.

Another tendency is better relations generally where subsidiaries close in cultural terms are concerned. Relations with Spain and Italy for example are in general better than with Sweden or, say, the U.K.

Yet another key element concerns those subsidiaries where acquisition has led to "rationalisation" (entailing closures and lay-offs), and "disgruntlement" of the subsidiary's management. In these cases takeover "strips" the subsidiary of its previous identity to some degree. At the same time these subsidiaries now find themselves competing against old enemies now within the boundaries of their new organisation, and having to bow to Corporate logic as to which subsidiary should serve which international market, or handle which international deal. Old enemy reflexes are hard to overcome.

Although a major programme to create Corporate identity has been in place for several years now, strong national identities still persist, along with old habits and old operating logic. Each subsidiary also has its own strategic objectives, which often do not marry too well with objectives at corporate level. A typical situation in MNCs. They likewise have their own organisational structure and management practices, often based on national norms, including such aspects as salaries and commission on sales and incentives. This remains acceptable when national dealings are involved, but less so where international customers are concerned.

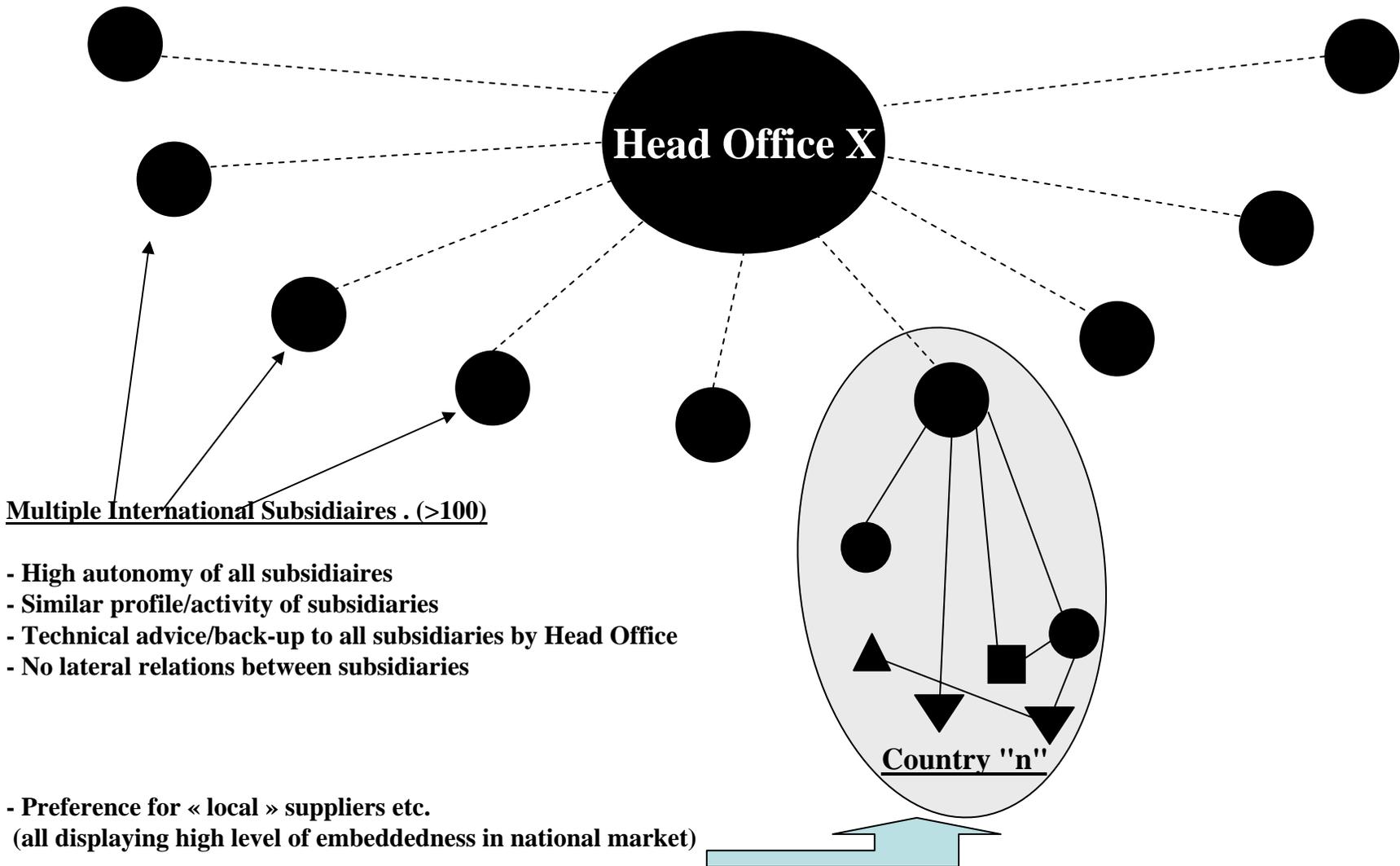


Fig 2. Simplified Diagram Key Customer Account X
 Highly symmetrical network situation (similar subsidiary characteristics/relationships)

KEY CUSTOMER ACCOUNT MANAGEMENT AT DATA GLOBAL

The overall situation regarding KAM at DATA GLOBAL is rather heterogeneous in nature, in part due to the manner and the speed with which the company has internationalised.

KAM at Corporate Level

First of all in France, the site of Corporate Headquarters, a quite sophisticated Corporate KAM solution has been established. This involves Corporate HQ, all Divisions, and several national subsidiaries, with regional branch office intervention. Whilst this may seem quite structured, in reality it is still problematic due to its relative recency and its heterogeneity. Corporate KAM takes the form of a recently appointed manager, along with a 3-strong back-up team, who has the task of developing and ensuring implementation of corporate level strategy and guidelines. The newness and context explain that this manager's task is in its very early stages. In practical terms, it translates essentially as the design and implementation of umbrella agreements for customers identified by Corporate, mainly from a French perspective in part due to geographical proximity of customers' Head Offices, as being potential for the aforementioned global systems offering.

In theory authority has been delegated to this new manager and his team, but in practice the Divisions and the subsidiaries traditionally hold all the vital information and power, and the team's role to date is essentially that of observation and attempts at federation. In other words "design" is feasible. "Implementation", however, proves to be far more problematic.

KAM at Divisional Level

At divisional level a variety of situations can be observed due in part to the distinctive nature of the business and markets of each.

The Hardware Division has, for example, traditionally served – and often as exclusive national supplier - essentially large government customers. Strong relationships have emerged over time as a result, with massive technical exchange and adaptation on both sides, and Data Global developing products specific to the national operating environment. Strong friendships have also developed at all levels. This is true in all countries where Data General is to be found, even those where Data General has developed by acquisition of a previously autonomous national company. Relations have been weakened upon acquisition however, in certain instances, as the now GD-owned unit was no longer perceived as a "truly" National entity. (Such is the situation in Italy, for example, where the "fully Italian" competitor has benefited from the takeover of its previously national competitor, especially relative to success rates on Government calls for tender). Also takeover, and accompanying "rationalisation", has sometimes resulted in the loss of some staff in close relationship with customers. This has similarly weakened DG's position in the markets concerned.

This tendency of long-term, nationally exclusive, relationships is being increasingly put into question of late, however, with the advent of deregulation and the forced opening up of business to international competition. In light of the above, no specific KAM system has been set up, with most customers being considered as Key Accounts anyway, and being handled "naturally" – and separately - by each of Global Data's Hardware Division's different national entities i.e. "business as usual", for the moment.

The Software Division, however, is quite a different affair, with some large, mostly “private”, customers but at the same time a multitude of smaller customers. This has led to a different, in many ways more classical, structural core solution to customer handling, with coordination of sales by national sales teams.

This solution is far from simplistic though, and far from homogenous due to the complex situation internationally, with each national structure demonstrating specificities. Geographical units of DG are, in effect, at different levels of development generally, and more specifically with respect to their management of key accounts. They are also more or less concerned about promoting the business of the Software Division. As mentioned above, certain units have “shared” responsibilities, and often prefer focusing on the “Government” type of business for the Hardware Division, for example, less dispersed and more in line with their usual way of doing things. Software’s business is both newer, calling for heavier investment and less certain rewards, and more complicated, with a different customer mentality, and more of them. Outcomes in each market, then, often depend more, in practice, on the strategic priorities, clout, and interests of the divisions relative to those of the subsidiary concerned, rather than to some rational assessment of the best interests of DG as a whole. This set-up is further complicated by the fact that, due to its rapid development by merger and acquisition, DG finds itself, in some country markets, with the opposite situation i.e. competing units with similar offerings, and the difficulties in coordinating which ensue. Such is the situation on the French market for Software, with two subsidiaries fighting for market share, but with totally different philosophies. Merger is not an immediate option for DG, as this would lead inevitably to loss of position on the market. Meanwhile the Corporate KAM team has little or no information on one of the subsidiary’s activities with key customers, for example, due to its inadequate information system. Coordinating across both units’ customers, for the French market alone, becomes for KAM purposes, under these conditions, a near impossible task.

Thus in Italy, no specific KAM organisation or practices exist, even for the Software Division. In France, on the contrary, where the Software Divisional HQ is located, such a function has existed for the Software Division in quite a structured form for a good ten years, and has gone through several organisational forms and stages. Spain represents yet a third, intermediate, situation, with the French system for KAM being used – in a rather ethnocentric manner - as a pilot system, “under test” at present.

Regional KAM arrangements

With Hardware’s customers usually being heavily centralised, at least from a purchasing and administration perspective, special regional account management arrangements by DG are virtually non-existent.

On the other hand, for Software, in the French market for example, a separately run KAM system has been established. This however is not directly linked to the Corporate KAM scheme, but rather a system set up by Sales of one of its subsidiaries for the benefit of the Branch offices. What each Branch office considers to be “key” customers are identified, with little referral to the KAM team, and special monitoring of them. Needless to say, there is often quite a gap between local and national – not to mention international – criteria and priorities in identifying and handling the key accounts. Regional Branch office criteria are often related to, for example, turnover and profit potential of a customer site, whereas national and international considerations relate to the customer firm worldwide, and broader issues such as technological development.

To our knowledge and that of the interviewees no other DG geographical unit abroad has developed a regionally base KAM system within its national boundaries i.e. France is the only case where such a system has been established.

A FEW SELECTED EXAMPLES OF DG'S INTERNATIONAL KEY ACCOUNTS

Whilst not providing a full picture of the broad range of international accounts policies and characteristics of relationships with them, this section selects three examples of accounts considered as “key” for further study providing insight into some key issues for “effective” international key account management. All of these accounts are themselves large international firms. All originate from France, but have developed internationally along different lines.

Account X

is a major MNC in the hotel and catering industry. It has more than a hundred sites worldwide. Each of the sites, although fully owned by X and whilst carrying out very similar activities to all other sites, is fairly autonomous in terms of operations due to the very nature of their business. This autonomy includes choice of suppliers and purchasing decisions in general. Local suppliers are usually preferred where available. There are some areas where H.Q. gets involved, however, and data-processing is one of these, due to the need to communicate on a worldwide scale (reservations, etc...). This involvement remains, though, rather limited at present, with H.Q. compensating for the different site's general lack of know-how and expertise in the area, recommending certain suppliers and equipment rather than dictating policy to their units.

X's data processing requirements, in general terms, are relatively straightforward.

Aware of the strategic importance of data processing, however, (sophisticated data-processing and transmission can lead to competitive edge, with development of customer specific applications) and of the relatively high initial investment and maintenance cost of such equipment, X's H.Q. is in the process of reviewing this policy, in favor of one which takes decision making out of the hands of the different national sites. Cost saving for volume purchases is just one of the items on the agenda.

Relations between DG and X: a summary

These can be seen at two distinct levels (see fig.2). Firstly a relationship between the French H.Q. of X and the French H.Q. of DG, which is largely one of referencing, and of “relational” as opposed to “operational” activities. Technical information of a limited kind is provided by DG H.Q., relative to new product and service developments. DG H.Q. is also sensitive to possible shift in X's overall attitude and policy, and wishes to monitor and influence this upstream if possible.

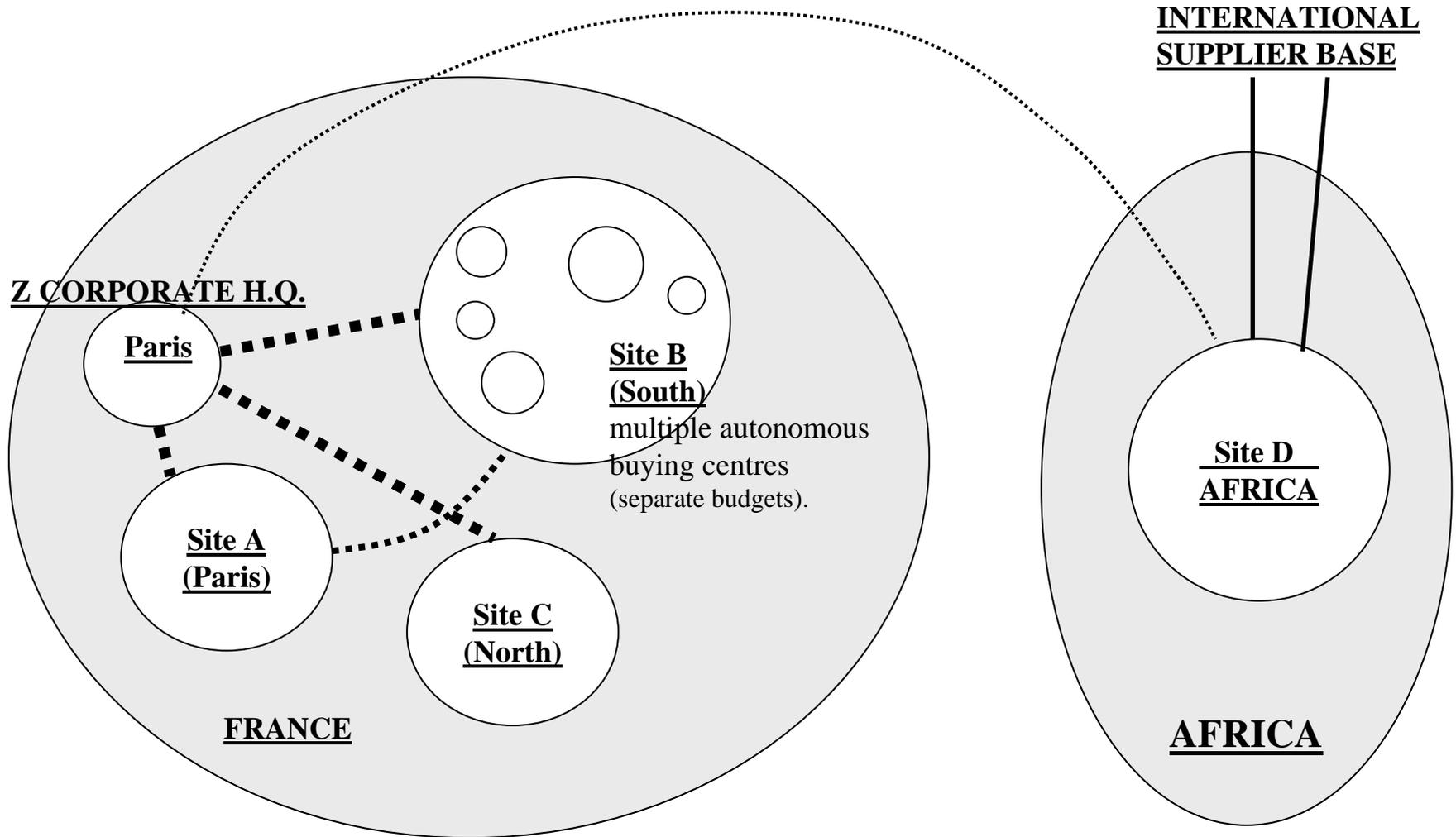


Fig.3 Summary Diagram: Account Z

The second, rather distinct, level of relations occurs at the national market level, between X's numerous international sites and DG's representative organisations in that market. Given the sheer number of countries involved, and the diversity of DG's organisations across the different markets, each country case is relatively unique. Few links exist, in almost all cases, between H.Q. and subsidiaries, at least for the moment, neither supplier nor customer side. Quite dense relations exist, however, between X and other actors within each national market, conditioning X's behaviour and consequently DG's attitude and approach. At H.Q. level, supplier side, for the moment, relations are essentially between the National Account Manager and the Hardware and Software Divisions only. Purchasing side, relations at this level are between the Corporate Purchasing and the Technical Departments. Although extremely varied, a similar situation seems to exist at National level in each country market, between local representatives of supplier and customer firms.

Account Y

contrasts quite radically with account X. Whilst X has numerous international sites, Y has relatively few (5). Y is a technically oriented company itself, with rather sophisticated requirements in the data processing field. Most of its sites are fully owned subsidiaries with the exception of 2 which are joint ventures with national entities in the two country markets concerned. Being a french-owned organisation, policy is pretty well dictated by H.Q. in a good many areas of the firm's activities. This, however, is not the case with the joint ventures which both demonstrate heavy influence by the national partners. This relates just as much to data processing matters, with the national joint-venture partners showing a net affinity to local suppliers of goods and services. Indeed, this has been the cause of some friction in the past, with Y's technical team wishing to impose a French supplier, officially to ensure homogeneity and compatibility of equipment, and the national partner vehemently refusing. This type of problem is rare with the three subsidiaries, especially given that upper management and the technical teams in the subsidiaries are headed by french-nationality staff. It has to be recognized though that whilst relations are less strained between customer Y's

H.Q. and its subsidiaries, and complementarity and compatibility of equipment and services between them in the data processing is facilitated, the situation in the national markets is less satisfactory. Each national market exhibits specific data processing norms and practice in spite of high degrees of deregulation and standardisation worldwide. This translates as difficulties in adapting to local requirements (eg national telecom operators, and the customer's own customers national systems and requirements). This results in a less-than-optimum solution for activities within each national market. Had a "national supplier" been selected, many of these problems would have been avoided.

Relations between DG and Y : a summary

Relations with account Y, given the limited number of countries the company operates in, and the number of customer sites involved, evidently demonstrates a radically different situation to account X. Two basic types of relationship, of a quite different nature, exist. The first type, where the customer entity in the national market is a fully owned subsidiary, exhibits fairly "harmonious" characteristics between H.Q. and subsidiaries,

supplier and customer sides. Ironically this “harmony” either side results in difficulties for the customer in “integrating” the national environment. The second type of relationship set-up, involving joint-venture operations customer-side, is far more strained, and minimal, in particular concerning all relations with the joint-venture entities. Whilst exchange processes in the first type of relationship are of multiple kinds, and frequent, this second type involving joint ventures are reduced to essential technical exchange between the customer’s H.Q. and the joint-venture, and between the joint-venture and the supplier’s subsidiary. This state of affairs is compounded by the fact that both joint-venture entities are in countries where a “disgruntled” supplier subsidiary –as discussed earlier- is to be found. In many ways the fact of having a foreign supplier imposed has generated a negative atmosphere to the relationship with the supplier’s subsidiary on a national-level.

Account Z

in the aerospace industry represents yet another situation. With four sites in all, only one is located abroad. Each of these sites operates on an autonomous basis with, in France, the most important site based in the south. H.Q. in Paris demonstrates, if anything, the lowest level of activity. Moreover, this autonomy is reinforced by the fact that there are radical differences in the way each site operates, and the activities engaged in. Thus, for example, the site in the south has multiple “rotating” projects in diverse areas of operations on the go at any moment in time, whereas the single foreign site in Africa has a unique, focuses, ongoing mission. Purchasing procedures and practice for all materials and services vary accordingly, with the one being highly fragmented, and the other highly focused and few people involved. Similarities and links of any kind, then, between sites are also severely limited due to this heterogeneity of activity. As a result, the foreign site –perhaps the largest of the four sites- tends to be extremely international in its approach towards data processing requirements, and unrestricted by both their parent organisation and its French context. This contrasts strongly with the French sites’ situation. Choice of suppliers has tended towards a US supplier, to the total exclusion of two other French suppliers.servicing.the.French.sites.

Relations between DG and Z : a summary

With three out of four of the customer’s sites in the suppliers “home” market, one might well imagine a less complex set-up. This however is not the case as the three customer sites in France are supplied by two different national DG subsidiaries, each entirely autonomous, with similar product lines and separate distribution networks, one using independent dealers and the other using its own fully-owned branch offices. Each branch has a local key account manager, as described earlier with key accounts important at the local level receiving special attention. Of the two customer sites one site is considered, by the local key account manager involved, as being more a liability than an asset. This site is a source of technical problems for him, with very few rewards relative to his own objectives of turnover and profitability. Yet this site is in regular contact with –and strongly influences the choices of- its sister site, handled by another supplier branch office. This second sister site, on the contrary, is very profitable for the second branch

office, and the supplier on the whole.

The third French site, in a different region again, is serviced by independent distributors of the second supplier subsidiary's network. Given that these distributors jealously guard customer information, precious little is known about the state of the relationship with the site, except that it has been going on for twenty years now, apparently smoothly. The KAM function at H.Q. thus has little or no control, not even knowing what volume of sales are made monthly. The international site has virtually inexistent contact with Data General, in spite of the fact that its sister sites in French territory have excellent, privileged contact and relations with both of Data General's companies.

RELATIONS BETWEEN DG AND ITS THREE KEY ACCOUNTS: MANAGING INTERNATIONAL COMPLEXITY

The least that can be said is that none of the relationships can be said to be simple, in any of the 3 cases evoked. This complexity comes, on the one hand, from nature of the buying firm, secondly from the nature of the selling firm – DG – and thirdly from the characteristics of the international environment in which the relationship between the two has developed. The KAM issue to be handled in each case in fact “emerges” from this combination of complex factors, with each case thus emerging as specific. Added to this, to complicate the issue further, is the inevitable fact of ongoing change over time, and the need to anticipate.

DISCUSSION

The above case illustrates just three examples of perhaps the most complex of relationship management situations: international key account management. All these accounts were designated as “key” due, on the one hand, to their purchase volume and profitability and, on the other hand, to their “visibility” or reference value. The “technical” accounts also had value in that they were perceived as contributors in enhancing DG's technical competencies.

This is perhaps where the resemblance stops. Due to their differences each poses, individually, a quite distinct management challenge. Taken collectively –for the KAM function within the firm- this challenge becomes a mammoth one. One which clearly defies any simple or uniform KAM approach across international boundaries.

THE PROBLEMS FACING EFFECTIVE INTERNATIONAL KEY CUSTOMER ACCOUNT MANAGEMENT: A SUMMARY OF FINDINGS

The above case illustrates just three examples of perhaps the most complex of relationship management situations : international key account management. All these accounts were designated as "key" due, on the one hand, to their purchase volume and profitability and, on the other hand, to their "visibility" or reference value. Two out of three also had value in that they were perceived as contributors in enhancing DG's technical competencies and technological know-how, with one used for Beta-site testing. This is perhaps where the resemblance stops. Due to their differences each poses, individually, a quite distinct management challenge. Taken collectively -for the KAM function within the firm- this challenge becomes a mammoth one. One which clearly defies any simple or uniform KAM approach across international boundaries. The complexity involved - and subsequent handling difficulties - comes in pan, in all three cases, and on the other within each of the key account's organizations. This complexity, for each of the key customer accounts, does not have the same source. In the case of account X, for example, complexity comes in pan from the sheer number of subsidiaries, and their geographical spread. This complexity is tempered somewhat in that their characteristics - size, activity etc. - and roles played by each subsidiary are similar. As are relationships between subsidiary and headquarters. Each subsidiary has autonomic with technical back-up being provided by Head Office in France. Account Z, in contrast, has very few subsidiaries, with very little international spread. Vast differences in activities of each, however, and heterogeneous organizational settings for each, with varying relationships with Head Office, generate a complex picture overall, and a quite different KAM challenge for X.

A summary of the generic factors affecting degree and type of network complexity for DG and the key accounts, as a prelude to more in-depth network analysis, is provided in table 1 below, along with a comparative assessment rating:

Table 1:
Generic factors influencing the KAM network context: Comparative Characteristics of the Supplier and Customer Firms in Interaction

		Data Global	Key Account X	Key Account Y	Key Account Z
Number Of International Subsidiaries/Units (High/Medium/Low)		HIGH	HIGH	LOW	LOW
Number of Hierarchical Levels of Subsidiaries/Units (High to Low)		HIGH (Het.)	LOW (Hom.)	LOW (Hom.)	MEDIUM (Het.)
Homogeneity Of Activity Of subsidiaries/Units (High to Low)		HIGH	HIGH	MEDIUM	LOW
Degree Of Strategic Autonomy Of Subsidiaries/Units (High to Low)	Overall	HIGH (Het.)	HIGH (Hom.)	HIGH + LOW (Het.)	HIGH (Hom.)
	Purchasing		HIGH (Hom.)	HIGH + LOW (Het.)	HIGH (Hom.)
	Marketing/Sales	HIGH			
	Technology/Data Processing		MEDIUM to LOW (Hom.)	HIGH + LOW (Hom.)	HIGH (Hom.)
Quality of Vertical Relationships (H.Q./Subsidiaries etc.)	Conflictual/Cooperative	CONFLICT. (Het.)	NEUTRAL/COOP. (Hom.)	CONF. + COOP. (Het.)	NEUTRAL
	Hierarchical/Non-hierarchical	Non-hierarch. (Het.)	Non-hierarch. (Hom.)	Hierarchical (Het.)	Non-hierarch. (Hom.)
Quality of Lateral Intra-organisational Relationships (Subsid./Subsid. etc.)	Conflictual/Cooperative	CONFLICT. (Hom.)	NEUTRAL (Hom.)	CONF. + COOP. (Het.)	CONF. + COOP. (Het.)
	Independence/Interdependence	INDEPEND. (Het)	INDEPEND. (Hom.)	INDEPEND. (Hom.)	INDEPEND. (Het.)
Speed of Organisational Change (High to Low)		HIGH	LOW to MEDIUM	MEDIUM	MEDIUM
Relative Strategic Importance of the Customer to the Supplier			LOW to MEDIUM	MEDIUM to HIGH	HIGH
Relative Strategic Importance of the Supplier to the Customer			LOW to MEDIUM	MEDIUM	HIGH
Degree of embeddedness in national /local environments		HIGH	HIGH	LOW + HIGH (Het.)	MEDIUM

. Each box contains on the one hand an overall qualitative assessment of the firm's average situation relative to a given characteristic, and on the other an assessment of the degree of homogeneity or heterogeneity of the phenomenon across the organisation (Hom = homogeneous, Het.= heterogeneous).

Another element -the external international environment- involves issues relating to the cultural, political and consideration of such factors as the number of national markets operated in, the degree of cultural, technological environment, etc. Translated generically includes political, economic etc. differences between them, and the degree of inter-linkage between these operating environments at international level (e.g. "cultural" reference for local suppliers : (e.g. "global" technical standards as compared to national ones). Taken one stage further in more concrete terms this translates as networks of relationships between actors within and between national markets These are considered at the more in-depth network analysis level later.

GOING DEEPER: NETWORK CONSIDERATIONS AND DATA GLOBAL AS A CORPORATE NETWORK

A mere glance at the description of Data Global (see fig. 1) quickly leads to the conclusion that any attempt to classify Data Global as "simply" multi-domestic, or else "global" is doomed to failure. As indeed does any attempt to characterize DG as a whole in network terms, other than perhaps the term "heterogeneous". This comes to some degree from the international spread, of course, of DG, and the dynamics of the organization over time. Indeed, the firm has expanded rapidly, with different parts of the firm evolving at different rates.

Patterns of coherency can however be identified, translating as relatively distinct subnetworks ("nets" or cliques). Similarities, for example, of DG network actor situations on developed markets, as contrasted with those of most DG representatives developing less-developed markets. The latter markets typically have a single, "shared subsidiary, with domination by a specific DG division, as compared to the former with multiple, autonomous subsidiaries, one for each division. Or else patterns relating relationships and their characteristics for example, dense, interlinkages and exchange between Latin countries, as contrasted with in-existent or conflict-loaded relationships between Latin and northern European countries. Here country culture influence becomes manifest, embodied in the relationships between actors.

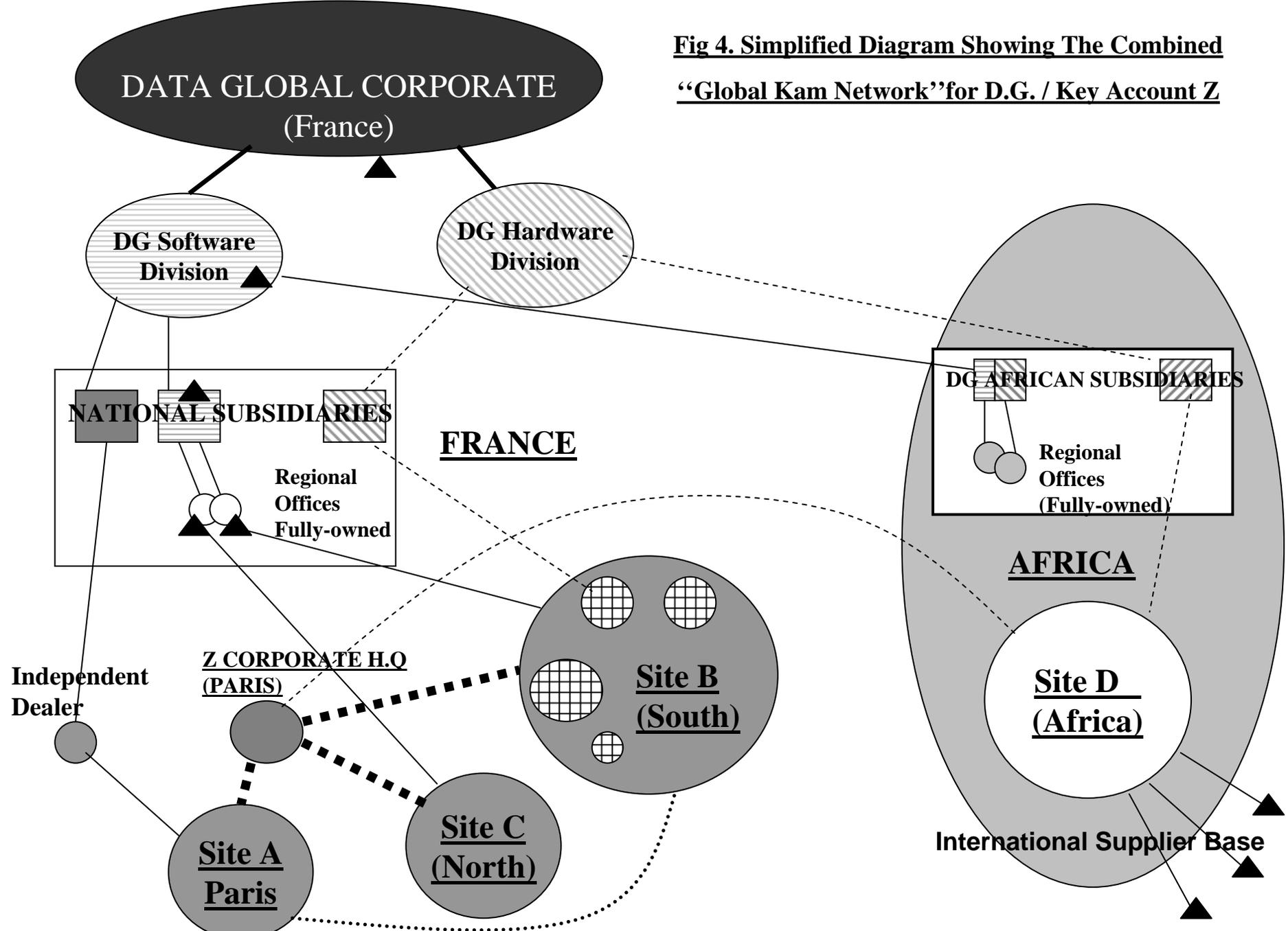
The KAM function, part and parcel of the DG network above, suffers from this same degree of heterogeneity and, naturally, the same degree of "dysfonctionning" due to this heterogeneity (little or no contact with many subsidiaries and certain units, and even less authority over them, discontent of certain subsidiaries; strategic and operational conflict between units, within or across national boundaries, and at different hierarchical levels etc.)

MATCHING UP OF NETWORK MAPS TO HIGHLIGHT KAM FIELD OF ACTION

Analysis of DG's internal network as a whole and then that of each individual key account, whilst providing an interesting preliminary overview, does not provide a clear view of that part of each actually necessitating management. The KAM "field of action" results from the merging of the two, to provide appropriate fit between them, and to identify possible areas of lack of fit. In concrete terms this means that certain components of DG's network,

e.g. certain subsidiaries, will be of no or little relevance in effective management of key account Z, for example. Others, on the other hand, will be crucial. As will the quality of certain relationships with, for example, Head Office. Similarly "missing" or "deficient" relationship conditions can be identified and acted upon (see fig. 4 below).

Fig 4. Simplified Diagram Showing The Combined “Global Kam Network” for D.G. / Key Account Z



THIRD PARTIES IN KAM NETWORK ASSESSMENT: IDENTIFYING THE GLOBAL KAM NETWORK

The combined "internal" network described above takes on full meaning when relationships involving third parties - specific relationships with and between international, national and or local entities - influencing the KAM context for a given DG key account case are mapped in. The strong net of relationships with local firms that Y's two joint Ventures find themselves embedded in, for example, and resulting difficulties in handling that component of Y's set-up both from a managerial and technical perspective. The result of additioning these three network components provides complete KAM analysis and what we will refer to here as the Global KAM network

SEGMENTING KEY ACCOUNTS: PATTERNS OF COHERENCY WITHIN GLOBAL KAM NETWORKS

Further analysis of the Global KAM network for any particular key account reveals the emergence of patterns of coherency or symmetry within it. Coherent groupings of actors and relationships of characteristics. These provide potential focus for managerial attention, and in particular the means of "segmenting" the Global network complexity, providing a basis for future managerial action. These segments may, but not necessarily correspond to "traditional" ways of breaking down the KAM context (appointment of managers and managerial processes by logic relating to geographical area, Or by structural hierarchy - Head Office, Subsidiary, Branch Office - for example). Thus for key account X, for example, a rather homogeneous "ego-network" situation emerges with relatively symmetrical relationships calling for similar management principles and practice across the board. For account Z, however, this symmetry at Corporate level is absent. Each customer site and its links with distinct components of DG' s network demonstrates specificities. Only two sites demonstrate similarity and some degree of interconnection. The result is three relatively separate, identifiable, KAM net "segments" within the overall DG-Z global network. Each merits, or demands, a specific type of management attention given its characteristics.

MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH

Several points are worthy of mention here, summarizing the above relative to common issues of interest in the literature :

Selecting International Key Accounts

Firstly, although perhaps an extreme case, the DG analysis would tend to demonstrate that whilst selecting key accounts on a national level may be a problematic task, when raised to the international level this can become a mammoth one. The selection of an account for "special treatment" with a view to increased returns for the supplier calls for a systematic appraisal of on the one hand the different types of value the account represents (reference value, turnover, access to markets and technology etc.). This implies the need

for appraisal of the diverging perspectives different people in the supplier's organization (geographical subsidiaries, sites etc.) may have on what represents value, and how in their view the key account rates along each dimension. The KAM task is subsequently one of firstly assessing the overall value of the account, bearing in mind that conflicting opinions may well prevail, and then ensuring that this assessment is understood and shared by all concerned.

Planning for KAM

Strategic planning for International KAM call for consideration of the often extreme degree of complexity of the situation described here, with cumulated management of the three Global KAM network components. Several levels of analysis are required. Each key account calls for a separate analysis and strategy in its own right. Certain accounts may lend themselves to further "segmentation" analysis, not required by others. And logic across the key account portfolio - breaking it down further into homogeneous groups of key accounts each with a specific managerial approach, if appropriate, does not appear to lend itself to superficial criteria such as "number of subsidiaries" for example. Rather combinations of multiple factors, such as indicated in Table 1, provide a basis for an initial potential typology.

The role of the Key Account Manager and the KAM function

Clearly little possibility of a "standardised" international key account manager's role organization exists here. Rather it is a question of finding an appropriate organizational response taking into account network reality. Any standardization is to be found at this level. Thus depending on the results of general analysis, on breakdowns of the key account portfolio, on profile and on possible segmentation of specific key account situations, multiple difference parallel solutions are likely. Skills required of the key Account manager will, then, vary within the organization, as will the organization of the KAM function as a whole, from one part of the portfolio to another, from one account to another, and even within a given account, if appropriate handling is to occur.

Dynamics and the need for flexibility

Another fact highlighted by the case is the constant dynamics and evolutionary processes in the between actors within the supplier and customer firms and between them, system. Relationships are in a state of permanent flux. Shift in one or several relationships can risk tilting the whole key account management game. KAM thus becomes a process itself of anticipating potential shift, and either acting to prevent it, or else - where preventive action is considered futile or unwarranted - taking it into account and acting appropriately. KAM solutions need to be all the more flexible so as to be able to respond and adapt to shift accordingly, another factor complicating the idea of standardization.

CONCLUSIONS AND FURTHER RESEARCH

Network analysis of the KAM context would seem to provide concrete elements for improved understanding, monitoring and strategic management of International KAM which go beyond the usual theoretical integration/ differentiation and centralization decentralization debates. Some generic factors conditioning the form these networks may take have been identified. Different Global KAM networks have been proposed. In all cases International KAM reveals itself to be a complex issue, defying traditional attempts at management. Network mapping, in particular, provides a fairly comprehensive model of reality, highlighting focus for management attention. The case studied here, however, is recognized as a particularly complex one. Further research will build on findings, focusing on a broader spread of KAM contexts, with a view to confirming or otherwise the issues discussed, and to developing them further.

BIBLIOGRAPHY

Anderson, J.C. H Hakansson, and J Johanson, *Dyadic Business Relationships Within a Business Network Context*. Journal of Marketing, 1994. **58** (October) p 1-15.

Shapiro, B.P. and R.T. Moriarty, *National Account Management: Emerging Insights*. 1982 MSI.

Yin R.K., *Case Study Research: Design and Methods*. 1989: Sage Publications

Axelsson, B. and J. Johanson, *Foreign Market Entry : the Textbook vs. The Network View*, in *Industrial Networks : a-New View of Reality*, B. Axelsson and G. Easton, Editors. 1992, Routledge p. 218-236.

Forsgren, M. and J. Johanson, *Managing Internationalisation in Business Networks*. in *Managing Networks in International Business*, M. Forsgren and J. Johanson, Editors 1992. Gordon & Breach p. 1-18.

Bartlett, C.A. and S. Ghoshal, *Managing Across Borders - New Organizational Responses*, Sloan Management Review ,1987 **29**(1) p 43-53.

Forsgren, M. and J. Johanson, *Managing in International Multi-Centre Firms*, in *Managing Networks in International Business*, M. Forsgren and J. Johanson Editors, 1992, Gordon & Breach p 19-31

Axelsson, B. and G. Easton eds. *Industrial Networks: A New View of Reality*, 1992, Routledge, London.

Easton, G and L. Araujo. *The Network Approach : an Articulation*. in *Networks of*

Relationships in International Industrial Marketing, L. Hallen and J. Johanson, Editors 1989, JAI Press.

Hakansson, H. and J. Johanson, *A Model of Industrial Networks*, in *Industrial Networks: a New View of Reality*, B. Axelsson and G. Easton Editors, 1992, Routledge, p. 28-38.

Stevenson, T.H., *Classifying a Customer as a National Account*, *Industrial Marketing Management*, 1980. **9**, p 133-136.

Shapiro, B.P. and R.S. Posner, *Making the Major Sale*, *Harvard Business Review*, 1976 (March-April) p. 68.

Pardo, C., R. Salle, and R. Spencer, *The Key-accountisation of the firm - a case study*. *Industrial Marketing Management*, 1995. **2** (2):p.123-134.