

PERCEIVED VALUE OF KEY ACCOUNT RELATIONSHIPS – AN EMERGING THEORY-IN-USE

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Biography

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Abstract

Key Account Management (KAM) has become an important aspect of building relationships with important business partners. It is often posited that KAM provides superior value to both seller and the buyer. However, while the research literature has intensified its theoretical and empirical scrutiny of the KAM phenomenon, the *perceptions* of the companies involved and specifically those of Key Account Managers with regard to what and how KAM value is created are under-researched. This article therefore focuses on understanding what kind of value considerations guide Key Account Managers as they develop their ‘theories-in-use’, i.e. the cognitive principles and beliefs which guide

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their sense-making. We use qualitative content analysis of 130 practitioner articles and presentations to understand the themes related by key account managers to question of KAM value. Our findings indicate that a majority of practitioners are concerned with internal (proprietary) value of KAM (i.e. KAM value for the seller), while only a minority links KAM to external (exchange) value (i.e. KAM value for the buyer). Juxtaposing these ‘theories-in-use’ with existing literature on KAM, this article provides evidence that managers often have only a vague idea about the mechanisms how and why KAM provides value, either to their own company or to their exchange partner.

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1. INTRODUCTION

Selling in a business-to-business context is often synonymous with building relationships with important customers (Ford *et al.*, 2002). The challenge for firms is to create an exchange environment which allows them to sell profitably to other companies while providing enough value to the buyer to ensure that they will continue the business relationship with mutual benefits for all parties involved. Selling companies often use Key Account Management (KAM) to achieve such relationships with strategically important customers (Georges & Eggert, 2003; Homburg, Workman & Jensen, 2002; Workman, Homburg & Jensen, 2003). However, creating a KAM structure does not automatically provide value to the selling organization, nor to its buying partner. The specific way in

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which key accounts are managed, organized, developed, and controlled puts the selling company into a situation which fosters business relationships. As such, the core value of KAM is conceptually underdetermined without an understanding of exactly how value is created for the exchange partners.

This represents an important conceptual challenge, as value creation is one of the key activities of strategic management (Hamel & Prahalad, 1994). Value also provides the rationale for economic exchanges and as such is at the heart of marketing theory (Anderson, 1995; Walter, Ritter & Gemünden, 2001; Georges & Eggert, 2003). Based on an article by Vargo and Lusch (2004), the framework of the Service Dominant Logic has given rise to a renewed debate on value, specifically value creation, exchange value, and value-in-use. Specifically, issues of value co-creation are currently being discussed for different exchange situations (Arnould, 2008; Ballantyne & Varey, 2008; Payne, Storbacka & Frow, 2008). Recently, the issues of value creation and appropriation in business-to-business marketing have attracted increasing attention (Anderson & Narus, 1999; Eggert, Ulaga & Schultz, 2005), especially in relation with KAM. Selling companies may use KAM for many different reasons, for example to increase their operational selling efficiency in dealing with large accounts, or to build close and collaborative relationships with key organizations (Pardo *et al.*, 2006; Wengler, Ehret & Saab, 2006). However, while the research literature has intensified its theoretical and empirical scrutiny of the KAM phenomenon, the *perceptions* of the companies involved and specifically those of Key Account Managers are under-researched. This neglect of managers' beliefs has been identified as a crucial shortcoming of much of the selling and marketing literature (Mattsson, 2005). We therefore focus on the question of 'What kind of value considerations guide Key Account Managers?' to develop so-called 'theories-in-use', i.e. the cognitive principles and beliefs which guides managers' sense-making (Schön, 1983; Cornelissen, 2002; Welch & Wilkinson, 2002)

The purpose of this study is to understand the different *perceived* aspects of KAM which managers believe provides them or their customers with value. An analysis of documents and presentations by Key Account Managers will provide the empirical data points for a textual analysis. Analogous to a grounded theory approach, we will build up an implicit theory (i.e. a theory-in-use)

of KAM as held by these Key Account Managers. This will allow us to juxtapose this ‘implicit theory’ with key concepts of KAM from the academic literature.

For this purpose, we start by reviewing the existing research-based publications on KAM in the marketing and personal selling literature and synthesize the fundamental components of KAM regarding key value drivers in key account relationships. This is followed by an empirical analysis the practitioners’ views on KAM. By comparing these theories-in-use of KAM practice with academic theories of KAM, a critique of the knowledge stock is done. We also show necessary developments in terms of an emergent theory of KAM as an important aspect of the selling function in business relationships.

2. VALUE CREATION CONCEPTS OF KAM

The concept of Key Account Management originated in the US in the 1970s. An important starting event was the creation of the NAMA (National Account Marketing Association) which became SAMA (the Strategic Account Management Association) in 1998. Since this period, several seminal articles have been published (Barrett 1986; Shapiro & Moriarty 1980, 1982, 1984a, 1984b; Stevenson 1980, 1981; Stevenson & Page 1979). Over the last decade, academic interest manifested itself in special issues dedicated to this research area, e.g. by the *Journal of Personal Selling and Sales Management* in 1997, and the *Journal of Business and Industrial Marketing* in 1999. Very recent contributions exemplify the growing interest of marketing scholars regarding business-to-business relationship building and KAM (Georges & Eggert 2003; Guenzi *et al.* 2007; Henneberg *et al.*, 2009; Homburg *et al.*, 2002; Ivens & Pardo, 2008; Ojasalo 2001; Pardo *et al.*, 2006; Wengler *et al.*, 2006; Workman *et al.*, 2003; Zupancic, 2008).

2.1. Marketing versus sales perspective

KAM has been covered from different conceptual angles, consequently focusing on the different aspects of value which KAM provides. What is common to these approaches is the fact that KAM value is related to *incremental value*, i.e. the value over and above a normal business

interaction (Workman *et al.*, 2003). In this context, two prominent groups of theories are related to a ‘marketing-perspective’ of KAM, and a ‘sales-perspective’ of KAM (Pardo *et al.*, 2006). The *marketing-perspective* is concerned with a customer-orientation within a business exchange process. Therefore, benefits are created by the seller for the buyer, to provide a rationale for a continuous collaborative and cooperative business relationship (Sengupta, Krapfel & Pusateri, 1997; Sharma, 1997). KAM value is predominantly seen as being delivered to the buyer. However, this is expected to have a beneficial aspect for the seller as well, in terms of retention of an important customer, reduction of long-term planning risk, improved information exchanges, etc. (Lambe & Spekman, 1997; Napolitano, 1997). The *sales-perspective*, on the other hand, focuses mainly on the efficiency of the interaction process in the selling company by organizing in a special way to enhance the processes of dealing with an important buyer. As such, the value aspect of the KAM is predominantly perceived to be internal (proprietary) to the selling company (Zupancic, 2008). For example, Stevenson and Page (1979) stressed the “*usefulness of national account marketing to the seller*” (99; emphasis in original). Dishman and Nitse (1998) also mention that “*most of the literature examines national accounts programs strictly from the perspective of the benefits to the sales organization*” (8).

2.2. The role of KAM in creating value

The two established perspectives (marketing versus sales) are used in our paper as a starting point in order to address theoretically several aspects of KAM and value in the extant literature. Specifically, we cover the questions of how KAM and value are *systematically associated* on a conceptual level, *what* aspects of KAM programmes it is that creates value, what the *nature* of such value is, and who *creates* compared to who *appropriates* value in KAM programmes. These questions are often not explicated in a straightforward way in either the selling or the marketing literature. This issue is linked to the fact that KAM programmes have been described from several points of departure, but most often with no clear reference to the value concept. For instance, several authors have mentioned about the *outcomes* of KAM programmes without relating these to the

concept of value (Barret, 1986; Stevenson, 1980, 1981; Stevenson & Page, 1979). In addition, relationship outcomes are not always linked to the specific aspects of KAM as underlying determinants. For example, benefits such as ‘better communication between the buyer and the key account seller’, or ‘facilitation of cross-selling via KAM’ have been presented by several authors as positive outcomes of the implementation of KAM programmes (Barrett, 1986; Sengupta *et al.*, 2000). However, we believe that such aspects should be considered as KAM value only if a clear explanation exists (conceptually or empirically) of *how* a KAM programme allows such outcomes to come into existence. For instance, if better communication is explained by the presence of a key account manager spending more time with the customer, or increased cross-selling is explained by a better understanding of the needs and wants of the customer and how the supplying firm can collaborate with the aims of this firms, a conceptual grounding for KAM value can be found. However, most value aspects of KAM programmes are often *presumed* and not rigorously derived. Specifically, it remains unclear if certain value aspects are due to a deepening relationship between firms, or to the specific benefits of KAM, or a mixture of both. This issue of the *incremental* value of KAM in a supplier-customer relationship was raised first by Shapiro and Moriarty (1980: 5): “[a] *key issue here is: How will or does the servicing of national accounts differ from that of other accounts?*” On the basis of this specific issue Homburg, Workman, and Jensen (2002) proposed to take into account the notion of ‘activity intensity’ in KAM. This activity intensity was defined as “*the extent to which the supplier does more for key accounts than for average accounts*” (2002: 43). They argued that “*key account programs encompass special (interorganizational) activities for key accounts that are not offered to average accounts. These special activities pertain to such areas as pricing, products, services, distribution, and information sharing*” (2002: 39). Consequently, our study focuses only on value aspects which are clearly identified to be conceptually or empirically linked to incremental aspects of KAM programmes over and above normal buyer-supplier relationships (Homburg *et al.*, 2002; Pardo *et al.*, 2006).

2.3. Conceptual links of KAM and value

Rigorous links between KAM programmes and value are not systematically found in the selling and marketing literature. In the foundational works on KAM the connection with value and benefits is loosely argued (Barrett 1986; Stevenson 1980, 1981; Stevenson and Page 1979). In this context many authors use the term value in a general sense as a synonym for outcomes or pay-offs associated with the implementation of KAM programmes. Specific discussion of KAM value appear somewhat later in the literature, e.g. in studies by Anderson and Narus (1999) and Blois (1999, 2003). Further elaborations have been provided especially in the work of Georges and Eggert (2003), Grönroos (1997), Ravald and Grönroos (1996), and Ulaga and Eggert (2005, 2006), Pardo, Henneberg, Mouzas, and Naudé (2006), and Henneberg, Pardo, Mouzas, and Naudé (2009).

The initial contribution is linked to Shapiro and Moriarty's series of MSI reports. In particular, their 1984 paper provides a description of 'activity intensity' for KAM. However, even in this context value remains a concept used in a very opaque way: KAM provides each account with what it values the most (Shapiro & Moriarty, 1984a) without a clear notion of the related benefits or sacrifices. The proposition that "[suppliers] *must achieve a balanced tension between, on the one hand, the account's needs [...] and on the other hand, the selling company's need for profits*" (18) remains vague.

However, this initial work paved the way for a second wave of theoretical contributions with references to the value concept becoming more frequent. For example, Sengupta, Krapfel and Pusateri (1997) use aspect of value for the seller as well as the buyer to exemplify Marriott's KAM: "*Marriott increases its value to its key customer accounts. Most key customer accounts appreciate flexibility on the part of their suppliers. The enhanced value from seller adaptation increases customer switching costs in relation to other potential suppliers*" (1997:10). Similarly, Boles, Johnston and Gardner's (1999) definition of KAM is linked to value as key account customers "*represent a logical outgrowth of the current emphasis being placed on knowing your customer's needs and providing value added services to supplement your product/service offering*" (1999: 265), and Pardo (1999) presents KAM as "*a value-added practice*" (276). Indeed, value is argued to be the crucial variable to evaluate KAM as "*the successful key account relationship is predicted upon*

establishing a process for adding value on a consistent basis” (Abratt & Kelly, 2002: 468). Yet, these authors admit that “*the term ‘value added’ is often held suspect by buyers and misused by suppliers*” (2002: 474). Schultz and Evans (2002) concur that the value construct has become an important one for KAM, and describe the Key Account Managers' mission as utilizing collaborative communication to establish longer-term customer satisfaction and value-added selling. The value concept as a central tenet of KAM has also been described vaguely as “*an important approach to creating value, by implementing specific processes targeting most important customers*” (Wengler *et al.*, 2006: 103). Their value perspective changes KAM fundamentally and “*alters it from a simple selling to a value-adding marketing approach*” (104, emphasis in original) which ultimately leads to closer buyer-seller interaction that “*will gradually integrate their value chains even further*” (108, emphasis in original). The value concept is important for these authors as it creates specificity for the KAM approach while the particular aspect of value creation is treated unsystematically. In this view, thinking about KAM as only a selling approach may explain why such programmes in practice sometimes do not reach their objectives: “*We attribute the poor effectiveness to a considerable misconception of Key Account Management in most companies, as the distinction between the traditional key account selling and the recent value-adding Key Account Management has hardly been recognized by most companies... The ordinary marketing and sales is often not capable of realizing potential synergies, lower transaction costs as well as value-adding product–service offerings*” (Wengler *et al.*, 2006: 109). A clear distinction of a selling and a marketing-perspective to KAM is evident. Georges and Eggert (2003) and Arnett, Macy and Wilcox (2005) underline the importance of KAM to firms, enabling them to offer more value or operate at lower costs than rivals, and Homburg, Workman and Jensen (2002) link KAM and value by describing key account customers as demanding “*special value adding activities from their suppliers, such as joint product development, financing services, or consulting services*” (38). For Ivens and Pardo (2007) the notion of value is inherent to the KAM concept which is considered to be a way companies introduce “*the principles of relationship marketing in order to better interact with [the key customers] and possibly integrate them into value creation.*” (2007: 471). Pardo, Henneberg, Mouzas and Naudé (2006) echo

this view with the supposition that the objective of KAM is “*to create incremental value within important relationships*” (2006: 1360). The same idea is at the core of the recent work by Guenzi, Georges and Pardo (2009) who posit that co-production of value through synergistic solutions is at the heart of KAM.

As argued above, the extant literature makes a strong case for linking the concept of value with that of KAM, in order to give it specificity. However, what needs to be explored is the relationship between these two concepts, e.g. which aspects of KAM are actually creating value. It is to this that we now turn.

2.4. KAM and value creation: some specific concepts

Several authors single out the specific organizational structures associated with KAM programmes, namely the position of Key Account Managers and key account teams, as the core determinants of an incremental value creation process. For example, Zupancic (2008) stresses the importance of people (key account managers and teams) as being “*key factors for the success of KAM programs*” (326). Georges and Eggert (2003) distinguish between an internal function of Key Account Managers creating value for their customers “*by coordinating the complex, customer-related processes within their own organization*” (2003: 5), and an external function of “*improving the fit between their organization’s value offer and customer’s needs*” (2003: 5). Similarly, the Key Account Manager is presented by Guenzi, Pardo and Georges (2007) as “*the cornerstone of the key account management organization*” (2007: 123). They argue that his/her objective is “*not necessarily to maximize the volume of sales, but to develop long-term relationships with key accounts by increasing the value created*” (2007: 123). Besides the relevant management function, the creation of KAM teams (Pardo, 2001) is considered another important value-creating aspect. Exemplifying the argument of, for example, Barrett (1986), Homburg, Workman and Jensen (2002) or Weitz and Bradford (1999), Workmann, Homburg and Jensen (2003) state that: “*key account teams are used because in key account management situations the selling process is beyond the capabilities of any one individual and may call for an integrated effort*” (3). The main effect of key account teams is

linked to their ability to foster further inter-firm collaboration and in general a deepening of business relationships (Homburg *et al.*, 2002; Arnett, Macy & Wilcox, 2005; Guenzi *et al.*, 2007). This is effected by introducing an organizational structure “*which reduces the communication barriers and allow customers to directly contact appropriate vendor representatives*” (Schultz & Evans, 2002: 29). However, Workman, Homburg and Jensen (2003) find in their analysis that this effect on value creation is not so much due to the KAM team’s effectiveness but the *esprit de corps* among those involved in the management of key accounts. The complex coordination of activities for strategically important customers across the selling organisation requires seemingly a common commitment.

2.5. The nature of KAM value

Value for the supplier

The nature of KAM value refers to the outcome of the value creation, i.e. what kind of value is created. Often, this is only opaquely treated in the extant literature, mentioning ‘pay-offs’, or as in Spencer who makes reference to “*some observed alternative dimensions of strategic value of key account*” (1999: 305). These value dimensions are then specified to embrace direct internal (i.e. seller-related) outcomes: image in the marketplace; international reference customer/industry showcase, offering beta-site testing; platform for new product launch; increased sales volume; source of information on market segment requirements; all resulting eventually in improved seller profitability (Spencer, 1999). For Arnett, Macy and Wilcox (2005), KAM value can be described as mutual, albeit the fact that many of their examples benefit the supplier. They specify the value created as coming into existence through *learning*, e.g. regarding buyer and supplier routines; through the adaptation of the supplier’s processes, systems, structures, and market offerings to fit the needs of buying company; through increasing the investment in idiosyncratic resources by the supplier; and through enabling better interaction cost management by both the supplier and the buyer. Such a predominantly internal nature of KAM value is further exemplified in Ojasalo (2001) in arguing that “*knowing/estimating relationship value plays a particularly important role. The revenues from each key account should exceed the costs of establishing and maintaining the*

relationship within a certain time span” (203). Here KAM value is clearly value to the supplier, not to the customer: increased sales volume, profitability, information gathering, buying frequency are some aspects mentioned by several authors (Barrett, 1986; Boles *et al.*, 1999, MacDonald, Millman & Rogers, 1997; Stevenson 1981; Wengler *et al.*, 2006; Workman *et al.*, 2003; Ivens & Pardo, 2007). Or, as Boles, Johnston and Gardner put it: “*Selling organizations can expect to have the opportunity to: develop better relationships with customers; increase profit margins; receive referral business from customers; and maintain a more stable customer base...*” (1999: 265).

Value for the key account (buyer)

While the KAM value which is created and appropriated mainly by the selling company can be classed as *proprietary value* of KAM for the selling company (Pardo *et al.*, 2006), the majority of authors use an exchange, i.e. marketing perspective. Here KAM value is linked to the customer’s view of a supplier creating specific key account-related value for strategically important customers, which appropriate the created value. On the side of the buying firms “*national account programs [...] result in less effort and cost in obtaining the correct goods and priority purchasing when goods are in short supply [and] quantity discounts and customized, value-added services*” (Boles *et al.*, 1999: 265). Wengler, Ehret and Saab (2006) add other similar value aspects: an increase in the customer orientation of the supplier; increase internationalization of customers, improved internal buying coordination, and improved efficiency of buying decisions. More recently even, Guenzi *et al.* (2009) investigated key account managers’ behaviours and showed how the adoption of some specific behaviors (i.e. customer orientation or team selling) can contribute to the creation of strong and long-lasting positive relationships with customers by increasing relational outcomes, thus finally fostering buyer’s trust in the supplier. Such *exchange value* (Pardo *et al.*, 2006), while initially benefiting the customer firm, is envisaged to also contribute value to the selling company in the long-term via the retention of an exchange partner and a deepening of the business relationship.

Value for...both supplier and buyer

As Pardo et al. stress, this view focusing on exchange value “*is problematic in so far as [KAM] implies mutual actions and benefits [and] none of the current views of value in the business-to-business and KAM literature introduces a perspective of mutual creation and/or claiming of value*” (2006: 1364). Yet one can find allusions to a *mutuality* of KAM value creation/appropriation processes in the literature. Boles, Johnston and Gardner (1999) clearly indicate that KAM offers both the buying and selling organisations a number of shared benefits. This ‘mutual profit’ is considered, by the authors, as a “*good reason for the increase in national account programs*” (265). The same perspective regarding KAM value is apparent in Abratt and Kelly (2002) who describe the use of KAM teams to “*allow both parties to develop a ‘feel’ for the value that each party contributes to the partnership*” (474, emphasis in original). Pardo et al. (2006) and Ivens and Pardo (2007) furthermore clearly delineate different aspects of KAM value creation and appropriation by focusing on the specific objectives assigned to key account programmes: “*Are these objectives to create value for the customers? Or to create value in the relationship?*” (Ivens & Pardo, 2007: 478). They put forward the idea that KAM relationships can be used to co-create value which can then be shared between the relevant parties, i.e. *relational value* exists. This is done through intensive collaboration or coordination, organisational hinged around the mechanisms existing in KAM structures (Pardo et al., 2006). The construct of synergistic solutions as used by Schultz and Evans (2002) as well as Guenzi, Georges and Pardo (2009) points to the idea of a co-creation of value through “*the combined effort of the two parties to be innovative and accomplish joint solutions that could not be obtained by either individual in the absence of the partner*” (303).

3. RESEARCH METHOD

In order to analyze the managers’ beliefs regarding KAM, i.e. the perceived value aspects of KAM, we will use an interpretative approach, based on hermeneutic textual analysis. Our research follows loosely a grounded theory development approach (Strauss & Corbin, 1998; Locke, 2003) aligned with our specific research aims and foci. We employ a stepwise concept discovery method embedded within the QSR NVivo software which will be used to analyze the source documents. The

input data for such a grounded theory approach consisted of papers written by practitioners that related specifically to KAM programmes. These papers had either been presented at the Annual SAMA (Strategic Account Management Association) conference between the six years 1998-2003, or else were major contributions to SAMA's practitioner magazine ('*Velocity*'). 130 articles and presentations were identified in this way which are concerned with value, relationships, and KAM.

Our research was done initially by four researchers familiar with aspects of business relationships and selling in a business environment. Their overlapping analyses of the source documents were compared and discussed (involving critical examination, evaluation, categorization, and recombination of the empirical evidence; Strauss & Corbin, 1998). Further rounds of analysis and concept development followed, building on these initial results. Our research design used therefore aspects of content analysis for triangulation purposes (Hodder, 1994; Huberman & Miles, 1994; Manning & Cullum-Swan, 1994; Krippendorff, 2004). After congruence about emerging themes was achieved between the researchers for each of the analysis rounds, this iterative process was continued until no new aspects were discovered in the data. At this point a fifth researcher was used to independently analyse a randomly selected set of sources. The findings of this 'control-analysis' were compared with the overall results from the multiple interpretative rounds of the four original researchers. A close overlap of interpretations resulted. In cases where discrepancies existed, further analysis and discussion followed until these were resolved. Our inter-rater reliability was generally above 0.7 for each interpretative round (calculated as the Proportional Reduction in Loss), which is according to Rust and Cooil (1994) satisfactory for exploratory research designs.

4. ANALYSIS AND FINDINGS

All 130 analysed documents issued by SAMA in the relevant six year period discuss aspects of KAM from the perspective of the selling organization. However, only around 50 per cent of them touch upon the issue of the *incremental value* which is related to KAM. It is noteworthy that of these, around two-thirds are concerned predominantly with internal (proprietary) value of KAM while only one-third focuses mainly on external (exchange) value of KAM. The general assumption which is

often implicitly or explicitly embedded in the ‘theories-in-use’ of practitioners and consultants is that business customers prefer to be served by their suppliers via Key Account Management processes as this indicates a deeper and closer relationships between the organizations. Thus, with deeper relationships come added benefits for the buying as well as the selling company. In effect, what is exemplified in many SAMA contributions is a quasi-teleological argument of KAM being of value because it is expected that customers perceive it to provide value (via the deepening of ‘inter-organisational relationships’). A large number of the sources analysed do not provide a discussion of what the particular aspects of value may be which are connected to building KAM interaction structures and close relationships. What is often missing from the manager’s theories-in-use is a rigorous discussion of different KAM value aspects and how they come about. In fact, some of the contributions we studied of companies introducing their KAM clearly stated that they did not actually know what kind of value their KAM programme provided, either for themselves or for their key account customers.

In our analysis of theories-in-use within selling companies, we find again the distinction between themes regarding KAM value to the selling company and KAM value to the buying company, in line with the extant literature. However, the links and interactions between these two aspects are not clearly spelled out in the theories-in-use of the KAM practitioners. Nevertheless, the emerging themes are initially presented using these two categories of KAM value.

4.1. Category 1: Theories-in-use of KAM value for the selling company

Seven themes emerged as part of the theories-in-use of KAM practitioners which all describe aspects of value of KAM appropriated by the selling company, i.e. the company which employs the organizational concept of KAM. They are presented as ‘functions’ in the sense that they are represented in the analysed documents as aspects of KAM which contribute to value. All the discussed themes relate to incremental KAM value, i.e. value which is directly linked to establishing a KAM relationship with a customer.

Function 1.1 – Seller’s bottom-line value: A dominant theme which was established in many SAMA contributions saw the motivation for KAM value in terms of tangible, i.e. monetary rewards such as incremental sales and profit increases. This theme was often framed in discussions of the ‘Return-on-Investment of KAM’. This was multi-faceted including aspects such as improving the ‘share of wallet,’ KAM as a reason for premium pricing, using consultative selling to improve margins, and KAM as a process to facilitate improved cash flow.

Function 1.2 - Power equivalence with the customer: As a more minor theme, KAM was perceived by some of the selling companies as a means of managing the power balance between suppliers and buyers in business markets. A KAM structure is used to balance the pressures from buying organizations on sellers, especially driven by procurement streamlining activities which are seen to negatively influence the relative power position of supplying companies. Establishing a KAM programme is proposed as beneficial as it allows for a better supplier response to the pressures imposed by power buyers.

Function 1.3 - Barriers to exit for the customer: KAM is also seen as a way of ‘keeping the competition out’, i.e. a key account customer is assumed to be more readily myopic regarding to alternative options outside the close, individualised supplier-buyer relationship. While it is recognized that the introduction of KAM programmes incurs costs for the selling company, this can be offset by the resulting increased commitment of the buyer to the relationship.

Function 1.4 - Resource deployment optimization for the seller: As part of a streamlining of internal processes and resource allocation decisions, KAM is often regarded as bringing positive rewards to the selling company in terms of increasing internal knowledge exchanges in a number of ways, such as reducing cycle times and inventory levels, and also reducing account planning activities.

Function 1.5 - Knowledge gathering about the customer: While Function 1.4 had to do with internal resource alignment, Function 1.5 is concerned with the introduction of KAM Programmes in order to manage external knowledge to do with the client. Knowledge gained from interactions with the client can lead to ideas from the customer being used in the wider marketplace, help with new

product development with wider applications, developing knowledge about third party interactions, and even sharing knowledge on the KAM programme process itself.

Function 1.6 – Synergistic benefits for the seller: A rather more opaque benefit was seen to be the possibility of wider synergies for the seller resulting from the KAM process. These tended to revolve around two particular areas. First, there were motivational benefits accruing to the seller's staff involved in handling the key account, whose status, and hence presumably remuneration and performance, had improved. The second synergy concerned asset utilization – the one result of the installation of a KAM process was the staff became more focused on exactly what they were meant to deliver to the client, and hence used the selling company's assets more effectively.

Function 1.7 - Customer management processes: The final function identified had to do with internal structural issues of the selling company, and the fact that providing a customer with a KAM programme also produced benefits in terms of how the company had to organize itself to make such an offer. If the seller was now to be more proactive, this required internal changes to take place, such as better cross-functional alignment, better internal knowledge exchange, coordinating multiple sales efforts, and hence breaking down 'internal silos' with resulting positive organizational effects.

4.2. Category 2: Theories-in-use of KAM value for the buying company

The themes identified above as being part of the theories-in-use focusing on internal value aspects in the documents analysed were typically seen as the *raison d'être* of KAM programmes. The predominance of issues around executing KAM programmes for more effective and efficient selling, and the corresponding value appropriation by the supplier leaves as secondary the rationale for providing KAM value to the customers as part of the theories-in-use of practitioners. Nonetheless, we identified six different ways in which the buyer was seen to benefit from the seller's KAM-based offerings.

Function 2.1 – Better integrated service for the buyer: The predominant expression of value concerned the feeling that there was 'a better deal' in the offering for the buyer. This manifested itself

in a number of ways, such as there being a better understanding by the seller of what the buyer's needs were that more value-adding propositions were offered, along with better support.

Function 2.2 – Global benefits for the buyer: Given the time and costs associated with putting a KAM programme in place, it is natural to find that most of these are to be found within larger, multi-sited organizations. This in itself was a possible source of perceived advantage to the buyers, given that they derived benefit from the seller's ability to source and learn internationally.

Function 2.3 – Network benefits for the buyer: Network benefits arose from the supplier helping not only the buyer, but also potentially the buyer's downstream counterparts. This was the outcome of treating the supply exchange as a broader 'value-creating system' effect; which could also mean the suppliers bringing together their broader 'supplier network' to serve the Key Account.

Function 2.4 – Operational efficiency for the buyer: It was argued that operational logistics efficiencies arose to a greater extent than in non-KAM environments. These included facets such as real-time tracking of goods in transit, faster inventory replenishment, purchase processing costs, and also payment efficiencies (e.g. via investments which would only make sense for a certain category of customer).

Function 2.5 – Better inter-firm communication: Better communication of the seller reflected the fact that the buyers thought that KAM programmes resulted in the seller being more responsive, and that this manifested itself both in higher-level executive contacts and also in the KAM team seeing themselves as consultative problem solvers to the customer, resulting in lower interaction costs overall. It was this building of 'expertise' between core players in a value-creating system, often based upon working closely together and possibly sharing confidential data, that was seen to bring benefits to the buyer. The papers also stressed the benefits of better integration of the two organizations, leading to integrated solutions, integrated pricing, mutual value planning and quicker solution development when problems arose.

Function 2.6 – Mutual risk reduction: It was viewed that KAM programmes could act to reduce the buyer's risk in a number of ways. This was principally through there being an increase in

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the reliance between the two parties. This might also include collaborative price hedging, used to stabilise prices in volatile global markets reliance of the interaction.

4.3. Theories-in-use: An integrated model

The question now arises how to make deeper sense of the different categories of theories-in-use presented above. One way forward is to use the typology offered by Pardo *et al.* (2006) in which they argue for a multi-faceted perspective on KAM value. They discuss the aspects of proprietary value, exchange value, and relational value. For the purpose of the integrated model, they are defined as follows:

- *Exchange value:* Value in the KAM programme that is created by the supplier for the benefit of the buyer;
- *Proprietary value:* Value in the KAM programme that is created by the supplier for the benefit of the supplier itself;
- *Relational value:* Value in the KAM programme that is created by the relationship itself, rather than by either of the parties. It is appropriated by both buyer and seller.

We argue that the theories-in-use of those managers reporting on the KAM programmes within the SAMA organization fit neatly into the same typology, as shown in Table 1. The first seven functions (i.e. 1.1 → 1.7) are all evidence of a company investing in a KAM structure in order to capture the value for themselves, what can be termed a strategy based upon acquiring proprietary value. The thinking here is based upon the traditional sales management and personal selling perspective (see, for example, Reid & Plank, 2000; Homburg *et al.*, 2002), where a KAM process is invested in with the objective being mainly to increase efficiency and hence the financial performance of the seller.

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In column 2 we see evidence of KAM strategies based upon generating value for the exchange partner in the dyad, in this case the seller generating benefit for the buyer. Rather than being based upon a sales or selling perspective as is the case with proprietary value, pursuing an exchange value strategy is based upon a traditional marketing approach (see, for example, Sharma, 1997; Weilbaker & Weeks, 1997). Finally, the right hand side column shows evidence of relational value, where both partners are seeking better inter-firm communication and mutual risk reduction are evidence of a KAM strategy based upon getting value out of the KAM strategy itself. In such instances, it is the relationship itself that becomes the resource creating value (see, for example, Ritter and Ford, 2004).

5. CONTRIBUTIONS, IMPLICATIONS, AND LIMITATIONS

This paper represents a first attempt to understand the theories-in-use of managers responsible for managing key accounts, based upon 130 written presentations and/or reports to the annual SAMA conference or published in their in-house magazine. These findings demonstrate that ‘unearthing’ the underlying and often implicit theories with regard to management and, particularly the use of specific management tools, presents an important research focus. The study provides evidence that managers often have only a vague idea about the mechanisms how and why KAM provides value, either to their own company or to their exchange partner. This may be attributed to the historical evolution from key account selling to key account management as part of strategic marketing. Thus, creating a KAM organizational structure does not necessarily imply the delivery of value, neither for the buying company nor the supplying one.

Furthermore, the present study found that a considerable overlap exists between the theories-in-use of managers on the one hand, and academic theories about KAM on the other. An earlier paper by Pardo *et al.* (2006), based purely on conceptual reasoning, proposed three different ways in which KAM programmes could be used to produce value. We found sound evidence of all three strategies being used by managers as exemplified in their presentations. However, relational value aspects were under-represented, compared with considerations of proprietary value. This is in line

with the empirical finding that about two-thirds of managers have an inward-looking understanding of KAM as exemplified in a sales-oriented KAM. In this way, KAM is purely seen to improve internal operational efficiency and not necessary enhance market effectiveness (Mouzas, 2006). Only one-third of the presentations discussed the incremental value based on KAM as being marketing-oriented, i.e. meant to provide value to the buying company and enhance the overall business relationship.

These surprising findings have significant managerial implications in that they demonstrate a rather myopic understanding of KAM. While managers use a similar framework to understand issues around value in KAM compared to academic theories, their application of KAM is skewed towards using it for internal purposes. This is in line with other studies that demonstrate myopic understanding of organizational innovations and programmatic initiatives (Mouzas & Araujo, 2000). Such a myopic understanding implies that significant potential that KAM as an organizational configuration offers in terms of value creation and appropriation are not fully exploited in management practice. Furthermore, as Henneberg *et al.* (2009) have shown, such an inward-looking managerial approach limits the ‘matching’ capability of these companies as they have to find KAM-partners which follow a similar KAM value strategy (an internal focus *vis-à-vis* a partner firm with a relational focus becomes untenable). A managerial implication would be to suggest that firms using KAM have to think about supplementing their current KAM focus by also considering other value elements to create a complementary set of KAM functions. For example, a complementary set KAM functions may incorporate Category Management to achieve a better compatibility with the external environment, for example with key account customers.

Clearly this paper represents just an initial starting point to understand better how managers utilize KAM programmes. What is required is further work, possibly with the same managers within SAMA or a related organisation, to test our propositions that all three KAM strategies are used, and that they are used in the way that Table 1 would suggest. Further research is necessary to understand why companies have ended up with specific KAM strategies, whether this was only emerging or

intended, and what the drivers for these developments are. Clearly, some *a priori* variables and constructs can be posited as potentially important with regard to the development of KAM strategies:

- Seller (KAM manager) versus buyer (Purchasing Manager) perceptions and power distribution in the business relationship
- Industry (structure, competitiveness)
- Product/offering category (product-, service-, solution-based)
- KAM programme design, which can both constrain or facilitate KAM strategies. A possibility could be to build on Homburg et al's (2002) seven KAM configurations to link specific organizational KAM designs to specific KAM value strategies.

The present study provides a platform to start a continued exploration of existing practitioner's theories-in-use and their juxtaposition with academic concepts which will provide valuable learning for new theory development as well as change managerial practices.

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Table 1

Categorisation of Dimensions of Practitioners' Theories-in-use

Key Account Value Model		
Proprietary Value	Exchange Value	Relational Value
<i>1.1 – Customer’s bottom-line value</i>	<i>2.1 – Better integrated service for the buyer</i>	<i>2.5 – Better inter-firm communication</i>
<i>1.2 - Power equivalence for the customer</i>	<i>2.2 – Global benefits for the buyer</i>	<i>2.6 – Mutual Risk Reduction</i>
<i>1.3 - Barriers to entry for the customer</i>	<i>2.3 – Network benefits for the buyer</i>	
<i>1.4 - Resource deployment optimization for the customer</i>	<i>2.4 – Operational efficiency for the buyer</i>	
<i>1.5 - Knowledge gathering by the customer</i>		
<i>1.6 – Synergistic benefits for the customer:</i>		
<i>1.7 - Customer management processes</i>		