The Impact of Organisational Context on the Failure of Key and Strategic Account ManagementPrograms

Abstract

This paper explores some of the contextual reasons for the failure of key or strategic account management (K/SAM) programs. It will discuss how organisational context impacts upon the implementation and effective operation of suchprograms in business-to-business markets. The paper looks at the issues affecting K/SAM programs rather than the management of individual relationships.

Organisational context shapes the work environment (Rice 2005, Porter &McGloghlin, 2006): it is comprised of those elements that drive behaviour and facilitate or impede management processes (Goodman and Haisley, 2007). The literature prescribes a wide range of contextual elements conducive to K/SAM processes, but is less expansive on the subject of elements that may cause K/SAM programs to disappoint.

This work-in-progress paper takes an inductive approach to material provided by surveys of K/SAM communities and their discussions in LinkedIn special interest groups or similar forums, to develop a model to give structure to the organisational context issues which may be responsible for K/SAM failure. The next stage will include a co-operative inquiry approach based on this data, in which participants will actively validate and develop the model by exploring it within their organisations.

This research is the first stage in the development of an integrated diagnostic model that is meaningful in contributing to our understanding of those organisational factors that facilitate or hinder the effectiveness of K/SAM programs.

Key words:
Key account management, strategic account management, key strategic customer relationships, organisation, organisational context, organisational structure, organisational culture

The Impact of Organisational Context on the Failure of Key and Strategic Account Management Programs

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Introduction

Anecdotal evidence suggests that a substantial number of key and strategic account management (K/SAM) programs fail. This paper explores some of the contextual reasons why. It will discuss how organisational context impacts upon the implementation and effective operation of key or strategic customer relationship management programs in business-to-business markets. Since this focus has not been fully explored in the literature, the emphasis here is the management of K/SAM programs as a whole, not the management of individual relationships.

Millman and Wilson (1996[2]) offer a broad definition of key accounts as “those customers deemed to be of strategic importance by the selling company”. We would add that those customers must also perceive, or have the potential to perceive, the selling company to be a strategically important supplier. K/SAM, as a process, is therefore about initiating, developing and sustaining relationships with strategically important customers with the objective of enhanced value creation and profitability. K/SAM is the operationalization, on the supply side, of the interaction/network approach to industrial marketing and purchasing, as envisaged by the IMP Group.

In a series of articles Millman and Wilson (1996[1, 2 & 3]) highlighted the importance of organisational context in influencing organisational ‘receptivity’ to K/SAM. They suggested that much which passed for K/SAM was in reality KAS (key account selling) because the programs lacked a strategic dimension, and because companies constrained the effectiveness of their K/SAM programs in a variety of ways. As we suspected that these issues had not been solved over the last 15 years, we sought the experiences of practising key/strategic account managers and directors on the causes of failure in K/SAM programs with which they had been involved. We asked the question “Why do KAM/SAM/GAM programs fail?” to six web-based discussion groups that share an interest in K/SAM, and we compare the responses to this question with those contextual elements drawn from the literature.

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Antecedents in the literature

Elements of organisational context

All work activity takes place within an organisational context or work environment (Rice, 2004; Porter &McGloghlin, 2006), comprised of those elements that shape behaviour and facilitate or impede management processes (Goodman &Haisley, 2007). Many authors have studied the effectiveness of the management process within a wide variety of organisational contexts, focusing on a range of different management processes including innovation, leadership, quality and K/SAM. Table 1 summarises the elements of organisational context that some of these authors have identified.

Table 1: Factors in organisational context identified in the literature

Authors	Contextual elements identified	Authors	Contextual elements identified
Rollinson et al, 1998	Configuration, horizontal and vertical Degree of centralisation Specialisation Formalisation Standardisation	McDowell& Ford, 2001	Communication Co-ordination Problem solving Adaptation Negotiation
Homburg, Workman & Jensen, 2002	Activity Intensity Actors Resources	Nystrom, Ramamurthy & Wilson, 2002	Age of organisation Organisational climate Slack resources
Kreipl&Lingenfelder, 2002	Clan Hierarchy Adhocracy Market dependent	Burns, Cooper & West, 2003	Strategy Structure Culture Human resources
Zhao, Young & Lee, 2004	Organisational size Management perception of task importance Environmental uncertainty	Gray, 2004	Market orientation Relational competence Joint alliance competence Operational competence
Rice, 2005	Structure, control, hierarchy Support, interaction, communication and consultation Risk taking orientation Atmosphere	Porter &McGloghlin, 2006	Culture/climate Goals/purpose People/composition State/condition Structure Time
Goodman & E Haisley, 2007	Task and technology infrastructure Organisational structure Social infrastructure/ culture Unique qualities of the work force	Zupancic, 2008	Strategy Solution People Management: structures/ processes/ coordination Screening
Woodburn, 2009	Strategy Structure Leadership Culture Transnational issues Knowledge sharing/ data/ communications Rewards and performance measurement	Pardo, Missirilian, Portier& Salle, 2011	Structure Power and politics Processes, monitoring & measurement systems Time focus: long/short-term Integration Compliance/enforcement

Goodman &Haisley (2007) offered a general model of contextual factors that impact upon the management process, with a strong focus on structure:

- Task and technology infrastructure
- Organisational structure composed of authority, communication, decision making and reward systems
- Social infrastructure including culture, norms, and informal networks
- Unique qualities of the work force – knowledge, skills and abilities.

Other authors have stressed less tangible factors, placing greater emphasis on people and culture. Indeed, as Table 1 shows, the range of factors is considerable, and while some of this variety may be attributed to the different contexts studied, many of the factors seem applicable in any organisation, e.g. communication (McDowell& Ford, 2001); market orientation (Gray, 2004); leadership (Woodburn, 2009); integration (Pardo et al, 2011). This then amounts to a host of contextual factors with the potential to impact on management purpose and processes. However, we can discern the emergence of some themes:

- Some of the most commonly recurring factors were high-level tangible elements present in any organisation: e.g. **strategy and structure**. Although, in theory, structure follows strategy, there were fewer references to strategy than to structure in Table 1, which may indicate that this may not be so in practice.

- **People and culture** appeared frequently, albeit in a variety of guises, e.g. organisational climate (Nystrom, Ramamurthy & Wilson, 2002); clan (Kreipl&Lingenfelder, 2002); culture (Burns, Cooper & West, 2003); atmosphere (Rice, 2005); power and politics (Pardo et al, 2011); and more.

- Realisation of purposes needs to be underpinned by **processes and resources**: they were mentioned in those terms to some degree(Homburg, Workman & Jensen, 2002; Nystrom, Ramamurthy & Wilson, 2002; Zupancic, 2008), but more often appeared in other terms that would, however, need processes and resources for delivery: e.g. standardization (Rolinson et al, 1998); co-ordination (McDowell& Ford, 2001); knowledge sharing/data/communications (Woodburn, 2009); processes, monitoring and measurement systems (Pardo et al, 2011).

Organisational context of K/SAM

Homburg et al (2002) highlight the importance of organisational design, and support the suggestion made by Kempners& van de Hart (1999), that organisational structure is perhaps the most interesting and controversial part of K/SAM. Ivens et al (2009) posit that the core problem of K/SAM is an organisational one, but that more attention has been given to resolution of the problems of organising K/SAM programs (Zupancic, 2008), rather than the organisational context within which such programs are operationalized. We suggest that if the underlying organisational context is not conducive to K/SAM, then it will be difficult to fully operationalise the processes that support a K/SAM program.

Millmanand Wilson (1996[1]) observed that companies found the shift from key account selling to K/SAM problematic. Companies failed to treat K/SAM as a strategic issue (Capon &Senn, 2010) and were slow to allocate resources for its support.Zupancic (2008) identifies the need for K/SAM to be integrated into the organisation rather than operating as a stand-alone process, and the need to align strategy, structures and culture.

Millman and Wilson (1996[3]) suggested that there was often little understanding within the selling company about what it meant to be a key account, what special treatment they could expect and what importance they had to the company. They advised firms to develop organisational competencies in four areas: strategy formulation, systems and process design, communication, and building trust and commitment. The ability to build trust and commitment is a reflection of a companywide understanding of the nature of customer need and a willingness to be open, collaborative and not exclusively self-seeking. Homburg et al (2002), Brady (2004) and Gray (2004) advocate a collaborative culture, a customer orientation and relational competencies as critical elements of organisational context for successful K/SAM.

Some specific factors that impede effective K/SAM implementation were identified by Millman and Wilson (1999, 2001) and are supported by other research:

- Senior managers who, whilst they might have extolled the virtues of strategic buyer-seller partnerships, were reluctant to drive the organisational and cultural change or provide the strategic leadership and resources that were required to realise them.

- Many key account managers, drawn largely from the sales force (Woodburn, 2006 &2008), had little true understanding of the managerial nature of their role and were ill equipped to really understand the 'beyond product'expectations of customers (Senn& Arnold, 1999; Zupancic, 2008); the nature and importance of the supply chain;problem solving (McDowell & Ford, 2001); and the potential for value creation held in their own company (Rackham & de Vincentis, 1999).

- Other departments were often unable or unwilling to recognise what it means to be a key customer and what realignment and internal co-ordination is necessary to become key customer focused.

- Planning processes were poorly developed and genuine interest inthe medium or long-term approach required by K/SAM was limited (Pardo et al, 2011). Systems and processes failed to provide the multi-functional, multi-level co-ordination, teamwork and information required.

The propensity to link K/SAM with sales was perpetrated by the organisation as well as by its key account managers. Millman and Wilson (1996[1]) argued strongly that key account managers should move away from a traditional sales role to occupy a more consultative position that "extends the role to encompass a wider set of **context-specific** activities". Many companies' pre-occupation with product led them to adopt a narrow focus when striving to solve problems or create value for customers, whichblinded them from identifying other ways in which they could add value.

These are among the less tangible, but nonetheless very real, factors that organisations need to take into account and deal with if they expect to be successful in K/SAM. This study explores the extent to which practitioners observe the same factors operating in K/SAM failure as do academic authors.

Research: Why KAM/SAM/GAM programs (still) fail

Data collection

An invitation was extended to members of six interest groups on LinkedIn to participate in discussions around the question: “Why do KAM/SAM/GAM programs fail?” All the groups were focused upon key account management and all had active discussions on a range of topics associated with the management of key, strategic or global accounts. The US based Strategic Account Management Association (SAMA) reissued the question to presenters at their annual conference and sent the responsesthey received to the authors, in addition to the ones made in their discussion group.

The discussion groups are listed below (Table 2), together with the responses received from each.All respondents, from their public profiles, were experienced in K/SAM and many had experience of managing programs. The total number of respondents was 71.

Table 2: Sources

Discussion Group	No of contributions
Account Management Professionals	19
Key Account Management (Best Practice) Group	11
Strategic Account Management Association	19
GAM Global Account Management	9
Global Account Management	15
Total	73

This response rate represents a very small proportion of total membership of these discussion groups, but reflects similar levels of discussion activity on other topics. Membership of multiple groups is also common, but there was no instance of people making comments on the topic in different groups. The total of 73 responses was contributed by 71 people: several respondents made multiple postings, and in a few cases, where a comment was equally relevant to two elements of organisational context, it has been noted under both elements.

Results

From an initial reading of the literature two broad categories of factors were identified as elements of organisational context: what might be called the formal or ‘hard’ elements supporting K/SAM programs; and the ‘soft’, more informal and partly cultural elements that ‘moderate’ or ‘intervene’ in implementation. This study focuses on the relevanceof a range of elements in the effectiveness of K/SAM programs and, indeed, an overview of the comments collected suggests that they may be clustered around these two categories.

The formal elements relate to the strategies, structures, systems and processes that are designed to support K/SAM programs. They are more identifiable, tangible and documented than most of the other elements of organisational context reported in this research. The informal group is associated with what one respondent called the ‘DNA’ of the organization, pre-existing conditions that can work for or against K/SAM implementation. Even where the formal elements are appropriate and well-executed which,as we see here, is not necessarily the case, their effectiveness is enhanced, compromised or even negated by other contextual factors through which they must operate.

Formal organisational elements: Strategy, structure, systems and processes

Table 3 reports the comments received on the formal elements, i.e. strategy; structure; systems and processes. These elements themselves can contribute to K/SAM failure: for example, the lack of clear and consistent strategies was seen to be a major contributor to failure. However, overall, formal elements were the subject of fewer comments than were the informal issues of organisational context.

Table 3: Sources of failure in the ‘formal’ elements of organisational context

Formal elements		
Strategy	**Structure**	**Systems and processes**
Strategic inconsistency	Same management team for sales and account management programs	Poor compensation plan
Operational not strategic focus	The corporate “game” breaks down the correct structures (where they threaten existing power bases)	Poor administrative follow-up systems and processes for account plans
Weak strategy and poor implementation	Placing KAM program management under sales management uneasy with the process	KAM not aligned with business strategy and processes
KAM not aligned with business strategy and processes	Lack of internal collaboration and conflict between “local” and “global” interests	Poor internal communication
Lack of empirical evidence to support the claim that SAM/KAM is of strategic importance	The wrong people in place	Accounting and operating systems focused on geographies (not customers)
No real consensus on what is KAM best practice	Accounting and operating systems focused on geographies (not customers)	Poor customer selection process
	Poor team structure and lack of back-office support	Lack of clearly defined objectives and measures of value creation
	Internal competition between KAM and geographically focused management	Conflicting compensation plans
		Poor reward systems
		Poor customer selection processes
		Compensation systems
		Lack of internal coordination systems
		Lack of metrics to measure account management effectiveness

Given the heavy emphasis placed on strategy in the literature, it may be considered surprising that relatively few comments were made about it. However, K/SAM is itself a strategy so, to that extent, some kind of K/SAM strategy must be in place. Even so, some respondents saw their company's strategy as unproven, weak and inconsistent, and misaligned with the business. If these comments accurately represent K/SAM strategies, they are unlikely to have the power to drive through what is a very significant and long-term change in most organisations.

In terms of structure, comments reflected a mismatch between old, geographically-determined structures and K/SAM, which frequently crosses traditional boundaries. There was also unease with structures where K/SAM was part of Sales, reporting to managers who may not understand and appreciate how it works.

From comments about systems and processes there were signs thatK/SAM had not been 'operationalised' in some suppliers, and that a range of pre-existing processes had not been changed to meet the needs of K/SAM. For example, customer selection processes leading to some of the most important decisions suppliers make in K/SAM, i.e.on key customer selection and numbers, were seen as poor, and therefore likely to identify the wrong key accounts and/or too many of them.Poor reward plans were mentioned most in this category, perhaps because they are of particular personal interest to respondents. Often they have not been changed and are really sales incentive plans which encourage excessive selling and other inappropriate behavior, rather than K/SAM. If selling is rewarded and longer-term K/SAM activities are not, key account managers drawn from the sales-force, as they often are, will probably revert to old habits. Better systems might be based on different metrics, but a lack of suitable metrics was also mentioned, twice.

Moderating factors: commitment, consistency and change capability

Respondents identified what we call 'moderating factors', i.e. issues that weaken the realisation of the strategy, including its potential to drive structure, systems and processes, and ultimately the implementation of the K/SAMprogram. They are factors that will promote and enable the strategy when they are positive but, equally, will inhibit and frustrate the strategy when they are negative. By looking at K/SAM failure, this research identifies these factors through their negative effects.

As Table 4 shows, respondents often generalized the causes of inadequacy in the organisation and laid them at the door of senior management. Seven of the presenters at the SAMA conference cited a lack of real or consistent senior management support as the major reason for program failure. Many respondents felt that managers were not genuinely committed to K/SAM, or not consistently so: indeed, lack of management commitment was the biggest single issue identified. Some even doubted whether their organisation was capable of change.

Respondents reported a lack of senior management support for K/SAM, some of which is overt, and some is covert, with 'lip service' paid to K/SAM but no more. This raises the question of how/why their organisations have arrived at a K/SAM strategy at all. It may be that senior managers did not realize the extent of commitment required from the beginning, either in terms of the magnitude of the change or the time it would take: or that the original architect and promoter has moved on and been replaced by someone with less commitment, which is quickly picked up by other senior managers, e.g. “Executive tenure is too short to sustain strategic change.”

Table 4: Moderating factors impacting on ‘formal’ elements of organisational context

Moderating factors	
Commitment/consistency	**Ability to change**
Strategic inconsistency	Lack of an effective “champion”
Lack of real senior management commitment	Everyday behaviour and management practice prevents KAM from becoming anything other than a theoretical construct, the DNA and culture of the organization conflict with KAM processes and management
Lip service paid to the program	Too short a timescale given to prove the value of the program
Lack of true commitment	Lack of organisational change processes
Lack of consistent management support	Internal resistance to change
Lack of executive sponsorship and commitment leading to poor “virtual” team commitment	Management not understanding the impact the program will have and the degree of change it requires
Lack of senior management support	The changes of management, strategy and organization required takes organisations out of their traditional comfort zones
Lack of senior management support	Executive tenure too short to sustain strategic change
Lack of executive alignment with the program	
Lack of executive support	
Lack of senior management support	
Lack of senior management commitment	
Lack of a strong top down mandate	
Lack of a program sponsor at a senior level	
Lack of senior management support when the necessary re-organization gets tough	
Power shifts within the organization away from account management	
Lack of real organisational commitment	

Even where companies are committed to a K/SAM strategy, they may fail to achieve the change. Managers may not understand the degree of organisational change demanded to implement K/SAM effectively and shy away from it when they do realise: “The changes to management, strategy and organization that are required take organisations out of their traditional comfort zones.” Some organisationsdid not seem to know how to achieve change, a lack of capability that might extend beyond K/SAM. Others took a short-term viewand had difficulty in waiting long enough for such a complex change to work.

Intervening factors: cultural elements impacting onK/SAMprograms

Even when formal elements of organisational context are in place, their translation into effective K/SAM activities and desirable outcomes may be facilitated or inhibited by informal factors originating in the culture. This research identified four that were particularly relevant to K/SAM programs:

- Differentiation between Sales and K/SAM
- Results/time orientation
- Customer orientation
- Operational alignment

These four elements do not describe the whole culture, by any means, but they seem to be those that have most impact in K/SAM. Again, as the question asked was about K/SAM failure, respondents identified negative situations (Table 5). It is interesting to note that, logically, the opposite situation in each case should support successful K/SAM.

Table 5: Intervening cultural factors contributing to K/SAM failure

Informal/cultural factors			
Differentiation between Sales and K/SAM	**Results/time orientation**	**Customer orientation**	**Operational alignment**
Lack of clear metrics to differentiate between sales people and account managers	Short termism	Focus on ROI rather than customer satisfaction	Operational not strategic focus
Conflict between territory sales and account management	Short termism, a one year account plan for a three year strategy	Lack of customer orientation	Turf wars between operations and KAM program
Confusion about the role of account managers, the "it all comes down to sales in the end" mentality	Organisational culture constrains people taking a long term view	The company's needs placed before the customer	Operations mistrust attempts by senior management to impose a KAM strategy, fearing loss of control they erect barriers
Seeking same ROI from new account management programs as new sales programs	The program is not given time to succeed	Focus on numbers rather than customer need	Turf wars
Promoting traditional sales people to account management roles	If the end of quarter results are the main objective KAM never works	Internal focus	Lack of attention to internal "partnership" and teamwork
Thinking that SAM is a sales initiative	Using growth as a measure of success and expecting an account that already uses all the products to grow at the same rate as a new account	Focus on cost and revenue rather than value creation	Poor team structure and lack of back-office support
The opposing philosophies of traditional sales and account management	Insufficient time allowed for results to show		Competing internal priorities
KAM perceived as primarily a sales role rather than a management role	Focus on numbers rather than customer need		
	Short termism "Reconciling 36 month KAM objectives with 12 month compensation plans usually frustrates most organizations"		
	Focus on sales and revenue makes the program focus short term and leads to failure		

A lack of understanding of the nature and purpose of K/SAM,and therefore a lack of **differentiation between Sales and K/SAM**, appears to be endemic in many organisations, leading to inappropriate decisions on its positioning in the organisation.Placing the management of both sales and account management programs under Sales management, who are "uneasy with the process" causes further problems, as does promoting traditional territory sales people to the role of key account manager. So perceptions of the key account manager role, from the perspective of both sales directors and the salespeople they appoint to fulfill the role,are largely moulded by their previous experience in traditional selling. Respondents reported a poor understanding of the role of key account managers, reflecting a mentality of "it all comes down to sales in the end", while the key account manager's role is "perceived as being primarily a sales role rather than a management role", withkey account managers judged on their ability to grow sales rather than nurture customers.The conflict between the "opposing philosophies of traditional sales and account management" was cited as a cause of failure by several respondents.

Many companies are '**results-orientated'** and proud of it, but the downside is cultural short-termism, reported by several respondents, which blocks the longer-term view that K/SAM requires, and which would give programs time to show success. In fact, respondents saw short-termism as a critical issue in K/SAMthatcan be itself a direct cause of failure: "Focus on sales and revenue makes the program focus short term and leads to failure", "If the end of quarter results are the main objective KAM never works."

Confusion about the nature of the program and the role of the key account manager links to a demand for quick results and the adoption of inappropriate measures of effectiveness. Unrealistic expectations are set for return on investment (ROI) on programs and some programs are not given the time to succeed.

Clear metrics to differentiate between sales people and key account managers do not seem to exist, and where the focus is upon short-term revenue growth andROI rather than customer satisfaction, then K/SAM stands little chance of success, particularly where reward is tied to volume rather than long term profitability. "Reconciling 36 month KAM objectives with 12 month compensation plans usually frustrates most organizations' (attempts at implementing KAM)".

While many companies are truly results-orientated, their frequent claims to be **customer-orientated**are more disingenuous. In fact, even in companies apparently involved in K/SAM, where one would expect that close engagement with these customers would encourage key customer orientation, respondents were saying that this was far from being the case. They cited numbers/results and internal needs as being actually more important than customers.

Lastly, while it is clear that the **alignment of operations** with K/SAM is absolutely essential in the delivery of agreed benefits to key customers, respondents reported that Operations does not necessary agree and accept its part in K/SAM. One summed it up as "Operations mistrust attempts by senior management to impose a KAM strategy, fearing loss of control they erect barriers"; others referred to 'turf wars'.

Additional comments

- Personal egos
- GAM programs lack adaptation to local cultures
- Lack of leadership

Several discussions expanded into ‘war stories’ about sales people trying to steal the account as the time for contract renewal came round, including one describing the ‘buddy system’, whereby favoured sales people replaced existing key account managers who were rotated to other accounts as contract renewal came round, so that they received the resultant commissions.

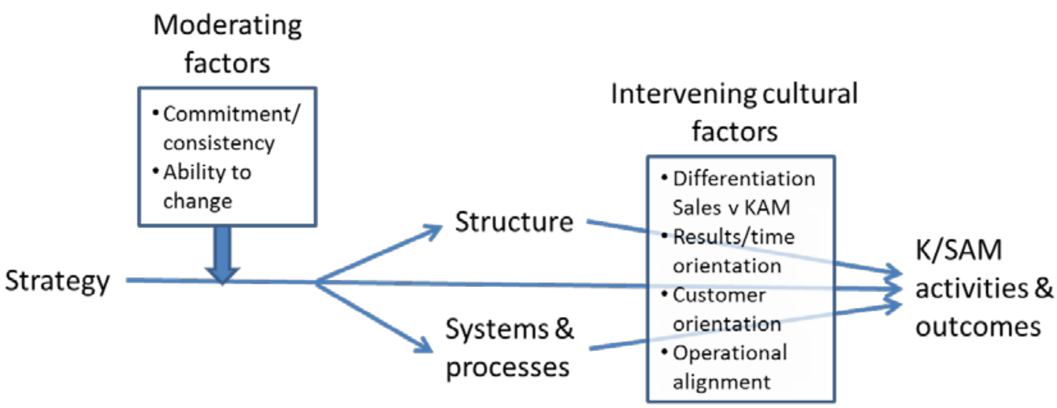
A model of the elements of organisational context in K/SAMfailure

Clearly, these elements are linked together, and a model that represented the linkages between them could be valuable in understanding K/SAM failure (and success). The modelin Figure 1suggests that **strategy** should proscribe the formal elements of the organisation, i.e. **structure** and **systems/processes**, which is standard textbook theory. As K/SAM is itself a strategy, then it should drive appropriate structures and systems/processes to support the manifestation of the K/SAM program in terms of **activities and outcomes**.

However, we perceive that two further groups of factors have an impact on the efficacy of this translation of strategy into activities and outcomes through other formal elements of the organisational environment. The first of these groups, **moderating factors,** have an impact directly on the realisation of the strategy and can seriously undermine it. They appear to relate to the integrity of the company’s commitment to the strategy which is reflected in the consistency of its application; and the company’s ability to change, supported by indications that it has put in place important elements of the change process.

The second group, which seems to operate between the high-level formal elements of strategy, structure and systems/processes and the K/SAM program’s activities and outcomes, we have therefore called **intervening factors**. They are part of the informal elements of the company’s culture. Those that most strongly affect the effectiveness of the K/SAM program’s activities and outcomes seem to be the differentiation between Sales and K/SAM; results or time orientation; customer orientation and the alignment of Operations with the K/SAM strategy.

Figure 1: A model of the linkages between organisational elements in K/SAM



This model is a first attempt at linking the factors observed through this study of K/SAM failure, which needs further exploration and testing. However, it is potentially useful from both companies’ and researchers’ points of view. The model may help to identify potential points of failure, so that they can be addressed. It would be valuable to know the extent to which it represents a ‘necessary and sufficient’ model of K/SAM implementation, i.e. if companies get all these elements right, does that increase their chances of success in K/SAM? Or what else contributes to failure and therefore needs to be changed to ensure success?

Case study

Applied to the analysis of the following case study, the model illustrates an example of where the impact of moderating and intervening cultural factors seems to have resulted in failure of aK/SAM program.

The case company is a national provider of outsourced HR services to a small customer base of very large US corporations. The company manages the provision of basic employee benefits such as medical insurance and retirement benefits. Contracts tend to be for periods of three years and over and whilst working relationships between the company’s operational staff and customer personnel tend to be close, little marketing attention was given, at the time prior to the case, to customers between the signing of one contract and the sales effort at the time of contract renewal. The sales force was fiercely ‘hunter’ orientated, rewarded for sales not customer retention and managed by an affable and extremely able VP of sales, described as a “good ol’ boy of the old school”

The launch of the account management program occurred after the company received an RFP (invitation to tender) from one of their most important customers. They had held the contract for the previous five years and the customer was prominent in their advertising and provided an important case study on their website. The customer decision to go out to tender rather than renew the contract signaled their dissatisfaction and caused shock within the company.The decision to launch an account management program was in direct response to this customer’s defection and was taken at board level with several board members active in its launch.

An experienced program manager was bought in to manage the K/SAM program. Key account managers were appointed and senior managers attached to each customer in an executive sponsorship program and as mentors to the account managers. A new strategy was formulated to expand the company’s ongoing involvement with customers through a process of predictive analysis of healthcare needs and the development of preventative programs involving the local medical community, aimed at encouraging workers to adopt healthy life-styles.

Structurally little changed apart from the appointment of the key account managers and the new “farmer” program ran in tandem with the old “hunter” sales force. Time and senior management attention was given to developing processes, a clear engagement methodology and account plans. Monthly reporting was initiated whereby each account manager presented to his executive sponsor and received feedback and advice.

Some mistakes were made. For example, the senior managers failed to inform the Operations people delivering services within customer organisations about the new program. Some felt that they owned the relationship and resented the intervention of account managers who they viewed as usurping their position. This was a cause of some friction, which could have been avoided if they had been involved in developing the program and had it been explained that the objective was to enlarge the engagement with customers to include contacts with senior managers within the client organisations, beyond those of HR alone.

The new program started to show results. Customer satisfaction improved and some customers, who had previously threatened to seek other providers, were evaluating new offers initiated by the K/SAM program that expanded their contracts. The executive sponsorship program led to high-level relationships with the customers beyond the level of HR in client companies and teamwork was developing around delivering to the customer’s needs, not to the contract as had been the case before the KAMs were put in place to better understand and communicate the customer issues.

A few months into the program the existing VP of Sales was ‘retargeted’ on a special project to find new clients and a new VP of sales was appointed. Her background was in sales, not account management and her brief was to increase sales. A further mistake, however, was that she was also given control of the account management program and immediately began to hire additional territory salespeople.

The CFO, COO, Head of R&D and other very senior managers, pre-occupied with internal issues let their relationships with customers go dormant; and without the K/SAM program prompting them, they failed to initiate contacts at the customer sites. The relationships were not broken, just not pursued or leveraged.

The monthly account reports were allowed to drop away and the company continued to fail to renew contracts with existing clients, some of whom expressed frustration that the account management program, which they had bought into, was shelved. Whilst in the short-term sales increased, so did the level of customer dis-satisfaction and turnover. Within six months, three of the five key account managers left the company, and the others left within the year. Shortly after that the new sales VP left.

Table 6 applies the model to an analysis of the case study in order to demonstrate how the model might be used.

Table 6: Application of the model to a case study

Organisational elements	**Stage 1: K/SAM introduction**	**Stage 2: Program revision**
Strategy	New K/SAM strategy Expansion through predictive analysis and prevention programs	Focus on sales growth
Moderating factors		
Commitment	Board members part of key customer relationships Executive sponsors	Board members pre-occupied with internal issues, lapsed contact with key customers
Ability to change	Partial, not completed	Change not sustained. Reverted on/through appointment of new VP
Formal elements		
Structure	Experienced K/SAM program manager appointed Key account managers appointed	New VP of Sales and K/SAM
Systems and processes	Engagement methods, key account plans Monthly reports	Monthly reports lapsed
Intervening factors		
Differentiation Sales v K/SAM	Key account managers in tandem with 'hunters'	New VP had no understanding of K/SAM, focus on sales result New, traditional salespeople hired
Results/time orientation	Concern re longer-term customer retention	Focused on short-term sales
Customer orientation	New understanding of customer needs, leading to new offers High-level relationships with customers	Customers frustrated at effective shelving of K/SAM
Operations alignment	Some felt they owned customer relationships, resented KA managers Not informed about K/SAM program	
K/SAM program		
K/SAM activities	High-level relationships with customers Teamwork New offers	High level contacts lapsed
K/SAM outcomes	Key customer satisfaction increased Expanded contracts prevented defections	Key customer dissatisfaction increased Key customer defections increased KAMs left company

While the K/SAM program did not last long enough to be sure that it would achieve sustainable success, the signs were good: customer satisfaction increased and threatened defections were held off, in contrast to the situation after the focus was shifted back to short-term sales. However, even the original program contained two ‘failure factors’: the lack of separation between Sales and K/SAM; and the lack of alignment with operations, which would have been important in the delivery of the new offers. The analysis might have made the need to address these issues more evident to the company, if it had persisted with K/SAM.

It is not clear to what extent the company realised that the decisions it took when it appointed and briefed the new VP would lead to the downfall of the K/SAM program but, again, application of the model might have helped to make senior managers aware of the likely consequences.

Discussion

Formal v. informal elements

We have identified two broad categories of contextual factors as relevant to K/SAM implementation. The first are the ‘formal’ elements of organisational context, i.e. strategies, structures, systems and processes, while the second consists of ‘informal’ elements, some of which originate in the company’s culture and which are further categorized as moderating and intervening factors.

The formal elements comprising the organisational context for K/SAM received some attention but, in comparison with the informal elements, they were less well represented. This suggests that,even whereK/SAM program strategies have been developed and attention has been paid to establishing supporting structures, systems and processes, K/SAM programs can still fail. We tentatively conclude that those formal elements are a necessary, but not sufficient condition if K/SAM is to be a success. More important, perhaps because they are seldom addressed, are a number of other elements that act as constraints upon K/SAM program effectiveness. One respondent summed up the situation in his view:

> “Everyday behaviour and management practice prevents KAM from becoming anything other than a theoretical construct, the DNA and culture of the organization conflict with KAM processes and management.”

When companies embark on K/SAM, they frequently inform only the sales force, and fail to involve the rest of the company and operational deliverers in particular. Even if they do communicate more widely than the sales department, the message is still often ‘just for your information’ and fails to clarify and gain acceptance for the deliverers’ role. This silence may itself be an indication of lack of commitment to the K/SAM strategy, and the consequences can be devastating for K/SAM. Although resources were not mentioned to any great extent in this study, in our experience shortage of resources is often cited by companies as a reason for the problems they have with implementing K/SAM. This research suggests that a lack of resources, even if it were real, is likely to be a symptom of a lack of commitment and an inability to change. K/SAM is often seen as an additional activity rather than an alternative, integral approach that entails substantial redistribution of resources, which managers are unwilling to tackle.

Without clear, persistent, high-profile support for the K/SAM strategy and program, the organisation lays itself open to political challenges from competing interest groups vying for resources, resisting change and acting in ways that serve personal self-interest rather than serving company or customer need.

This small survey does not reflect well upon senior managers, who appear to be responsible for a large part of K/SAM failure through inconsistent support and reluctance to challenge existing practices or entrenched political interests.

Politics

All organisations are to some degree political systems. ‘Turf wars’; changes in political influence; competing internal priorities; a lack of internal collaboration; and conflict between local and global interests were all quoted as reasons for program failure and reflect the highly politicized nature of K/SAM.

K/SAM challenges traditional organisational structures and often requires a fundamental shift in organisational orientation. Organisations that have evolved around technologies, processes, products, functions and geographies, are now required to re-orientate around customers. Respondents appear to have recognised that those managers who have acquired power, status and reward from a career as purchasers, engineers, product specialists, marketers, territory sales managers, country or regional managers may be reluctant to cede power to a new department.

The obvious conflict was seen as being between K/SAMand traditional territory Sales. In addition to a common tendency to resist organisational change, there were often competing priorities in the firm and power shifts within organisations that could militate against the K/SAM program, plus the impact of personal egos; the corporate ‘game’ played by existing power brokers seeking to protect their interests; and a general lack of buy-in by internal stakeholders. Operational managers may also fight the K/SAM initiative, fearing loss of control and a disruption of the existing relationships they have with clients.

As political systems, organisations are inherently conservative and resistant to change. Many managers appear not to understand the degree of organisational disruption demanded by K/SAM and, when faced with resistance, are unwilling to push through the necessary changes, particularly where they feel that benefits may be uncertain and embedded in an equally uncertain future.

The confusion and tension around the role and nature of K/SAMneeds to be addressed before K/SAM programs can be truly successful. Part of this is due to conflicting messages from senior managers and inappropriate compensation programs, but finding a solution will require going deeper than that. What may be needed is the development of a robust, widely adopted definition of the role of K/SAM and key account managers with the emphasis on management, not sales. This should involve the identification of specific skills that are particular to the needs of key account managers in order to facilitate their delivery of real value in their role, and hence recruiting from outside the sales arena.

Short-termism is another major impediment to K/SAM effectiveness, but it seems to be endemic in many organisations. It may only be overcome where the true merits of K/SAM can be measured and made visible, requiring the development of enhanced understanding and knowledge of how K/SAM may help to provide long-term growth and stability, and the establishment of reliable and relevant metrics. For this to be really effective, however, the way in which senior managers as well as sales and K/SAM are rewarded needs to be revisited (see Woodburn, 2008).

The political arena is for senior managers to manage. All organisations are political systems with competing factions that resist change where their interests are threatened and where they perceive no compensating benefit. When one compares the progress made by supply chain management in achieving recognition for its strategic importance within the organization it becomes obvious that K/SAM has done a poor job of selling itself effectively to those with the power to facilitate or impede its progress. As practitioners and advocates of the benefits of K/SAM we must provide real, measurable evidence of its effectiveness and promote those to senior managers, so that they have a tangible reason to sustain the effort.

Conclusions

It would be risky to draw over-strong conclusions from this exploratory study. The method used does not permit objective selection of participants and does not include checks on whether their comments relate to K/SAM programs that are actually failing (although setting general and usable criteria for failure would be problematic anyway). However, it is reasonable to assume that the comments are derived from respondents with real and relevant experience, and therefore that they do allow some tentative observations to be made, which may be tested in future research.

We make a distinction between the formal and informal elements of organisational context which is important, as we suspect that companies often give more time to the formal elements, i.e. formulation of new strategies, structures, systems and processes, than they do to removing barriers to their implementation.We suggest that, to develop an understanding of why K/SAM succeeds or fails, the formal, ‘hard’ contextual factors should be viewed separately from the informal or ‘soft’ elements, which we have identified as moderating factors that reduce the impact of the formal elements, and intervening factors that mediate between formal elements and activities to modify their impact in the K/SAM program.

Where K/SAM fails, it may not be due to faults in these formal organisational elements: it is more likely to bebecause of a lack of real commitment to the strategy and making enough effort to secure the required change, and because of long-embedded elements of the culture which are strong enough and persistent enough to defeat the strategy. However, Mintzberg (1998) reminds us that strategy is not what is intended but what is realized: “Strategy is consistency in behaviour, *whether or not intended.”* It appears that inconsistency in behaviour, whether or not intended, is a serious issue in the organisations involved in this study.

A model of the linkages between the different elements in the organisational context of K/SAM programs is tentatively proposed here. It has the potential to support an understanding of how the factors operate, but it needs to be explored and tested, which would be the focus of our next phase of research.

K/SAM may run counter to the self-interest of other functional managers, who feel threatened by a shift in organizational focus towards a special category of customer, since their experience, career development, reward and power is elsewhere. K/SAM is therefore likely to be the target of high levels of political activity (Millman& Wilson, 2001,Pardo et al, 2011). Overall, considering the number and nature of the elements of organisational context that are ranged against K/SAM, it may be more appropriate to ask how programs contrive to succeed, rather than how they fail.

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