Global Account Management

The art of managing international key accounts

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Sebastian WEBER

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Coach: DI Rainer Daubeck

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Statutory declaration

"I declare in lieu of an oath that I have written this bachelor thesis myself and that I have not used any sources or resources other than stated for its preparation. I further declare that I have clearly indicated all direct and indirect quotations. This Bachelor paper has both been submitted at the IMC Fachhochschule Krems and the Helsinki Metropolia University of Applied Sciences and has not been handed in elsewhere for examination purposes."

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Abstract

This bachelor thesis aims at analyzing Global Account Management as an instrument for handling global business-to-business relationships between supplier and buyer. The challenges and critical success factors within Global Account Management should underline the complexity of global deals between global corporations. A deeper inside into the organizational structures identifies the background of the obstacles for Global Account Managers. The most relevant barriers in Global Account Management are examined and their influence on the relationship between global supplier and global buyer are discussed. The findings should provide help in understanding the global mechanisms and emphasize the need for customization towards individual customer requests in Global Account Management.

Abstrakt

Diese Bachelorarbeit zielt auf die Analyse von Global Account Management als Instrument für den Umgang mit globalen Business-to-Business Beziehungen zwischen Verkäufer und Käufer. Die Herausforderungen und kritischen Erfolgsfaktoren von Global Account Management sollen die Komplexität von globalen Transaktionen zwischen globalen Konzernen unterstreichen. Ein Einblick in die organisatorischen Strukturen identifiziert den Hintergrund der Hindernisse für Global Account Manager. Die wichtigsten Barrieren im Global Account Management werden untersucht und deren Einfluss auf die Beziehung zwischen globalen Verkäufern und globalen Kunden werden diskutiert. Die Ergebnisse sollen beim Verständnis der globalen Mechanismen sorgen und betonen die Notwendigkeit einer Anpassung an die Kundenbedürfnisse im Global Account Management.

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List of abbreviations

GA	Global Account
GAM	Global Account Management
GCM	Global Customer Management
KA	Key Account
KAM	Key Account Management
RM	Relationship Marketing

1 Introduction

1.1 Background and research problem

Globalization is a word used in almost every context describing business or even social and cultural trends. Authors, Journalist, Researchers, Managers, Socialists and Politicians are some representatives of the group that make the word being already overused. On the other hand you already find movements against this global approach towards ‘deglobalisation’ relying on national forces within certain countries or markets. However, it always depends on the point of view for determining, measuring and describing effects, risks, benefits or disadvantages of globalisation.

Focusing on the economic sector of the globalised world there is also no perfect general evaluation of the impacts possible. Nevertheless there are also facts in a global world. Globalization has caused or has even evolved out of increased multinational trade. Mergers and Acquisitions have increased to a high extent, leading to the existence of larger corporations which are often present all around the world. In theory that basically means that some corporations’ target group may be the world’s total population due to their global presence. There are some limitations of this theory but this is in fact an outcome of globalization totally restructuring the world’s economy. Knowing that a huge portion of trade is between corporations without direct involvement of end consumers it is necessary to distinguish B2B from end consumer markets. Hence, one conclusion analyzing globalisation is that there has to be a lot of trade between large corporations. In a globalized world one corporation can provide its goods and services to another globally acting company all around the world.

Serving large corporations KA managers are established on the supply side in order to fulfil the demand properly. These Managers are sometimes also named National Account Managers - that means they are usually responsible for an account within a country. If the account is provided with products or services globally there are lots of those, each National Account Manager responsible for activities only within a specific country. Penetrating a customer from a global perspective, GA managers are installed for being responsible for a specific account on a worldwide level. GA managers are focused on dealing with the account in a more strategic approach less concentrating on operational levels within certain countries. They can be seen as the heads of national KAM teams considering that they are the global contact persons for the globally acting accounts in comparison to national KA managers who are responsible for the account within a limited area or country. Therefore GA managers are serving the account's strategic needs which are usually defined or agreed with account's representatives responsible for global purchasing. Basically these agreements are done with the account's global headquarters as all corporations are at least to a certain extent driven centrally and therefore strategic decision making is located there.

That all makes GAM a key (account) challenge as serving an account globally especially becomes demanding as many competitors and suppliers of multinational corporations are positioned globally for fulfilling those needs in a better way. The period of global and international KAM has evoked.

1.2 Objective

The purpose of this thesis is to demonstrate the complexity of managing key accounts on a global level by researching the challenges of international KAM in literature. Furthermore the highly controversial issue of the positioning of GA managers in corporate structures is discussed.

1.3 Research Question

1. What are the challenges in Global Account Management and demands on Global Account Managers from both the employer's and the account's perspective?

Within this question the focus is on challenges and critical success factors in managing global key accounts. The concern is the complexity of handling the relationship between two global companies.

2. Where are Global Account Managers positioned in the corporations' hierarchies?

This question addresses the responsibilities, power and position of Global Account Managers and the structure of the Global Account Management team.

1.4 Methodology

Hermeneutical approaches are used for research only. Sources of information are selected books and academic journals. Based on the findings of literature research the author analyzes the research problem.

1.5 Structure

The structure of the paper should support the understanding of Global Account Management as a marketing instrument. Therefore marketing is the starting point of the thesis. Subsequently the nature of Key Account Management is determined more closely and narrowed down to Global Account Management as the main topic of interest.

1.6 Limitations

Out of scope is the question about the correctness of Global Account Management as an instrument for approaching global customers. Additionally no concrete industry is covered within the thesis. The thesis is research based only without empirical research.

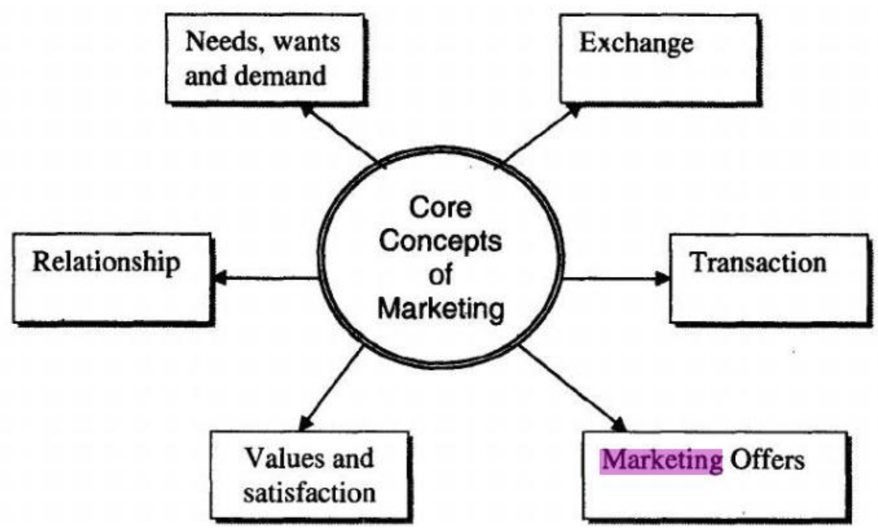
2 Marketing

GAM has evolved out of marketing and therefore the origin has to be analyzed. The core marketing theory appears to be inaccurate for GAM in the beginning but it is absolutely relevant as the interrelation will become clear. The purpose of marketing is described as understanding the needs and wants of customers. Creating a higher customer value can be achieved through managing customer satisfaction and quality more effectively than competitors. Needs and wants are numerous, diverse and dynamic what makes the marketing environment more complex. (Hundekar et al., 2010, pp. 6-7)

2.1 Core concepts of Marketing

The concept of marketing helps to determine appropriate marketing action focusing on customers' benefits. In figure 1 the elements of the core concepts of marketing are demonstrated.

Fig 1: Core concepts of marketing



Source: Hundekar et al., 2010, p. 6

Needs, wants and demand

Marketing creates needs and makes people to buy things they do not actually need. Marketers do not create needs as they already exist within human beings. The task and philosophy of marketing is to create or influence wants (Hundekar et al., 2010, p. 7). The terms are defined as:

"Needs are fundamental requirements - meeting them is the ultimate goal of marketing. Of course, there are many needs, ranging from those that allow life to exist to those that produce personal enrichment. A need becomes apparent when there is a gap between a desired state and an actual state." One example for a human need is a sufficient level of nutrition. If this need is not fulfilled, the human feels hungry. "The degree to which needs are satisfied determines the quality of life for all people and organizations." (Hundekar et al., 2010, p. 7)

"A want is the specific form of consumption desired to satisfy a need. Many different wants can fulfill a need. Each want represents an alternative way to meet goals or requirements. A want is simply one of many desires a person may have to help fulfill a need." There are for example different ways to fulfill a need as nutrition as there is a variety of food as meat, bread, sweets or others on the market and people can choose the way they fulfill their need. "Fulfillment of a huge range of different wants has the potential to satisfy needs." (Hundekar et al., 2010, p. 7)

"Human wants are unlimited but their resources are limited." A potential demand is created when there is "the buying ability, willingness to spend and desire to acquire a product or service". Furthermore the demand is a function of price as a lower price increases the demand. "Hence, demand can be defined as an effective desire for a product or service backed by ability and willingness to buy it." (Hundekar et al., 2010, pp. 7-8)

Also in GAM the theory of needs and wants is applicable. Obviously the dimension of trade between multinational corporations is not similar in size. GAM is highly concerned of managing the wants and needs of the business customer as proven later in this thesis. Finally it is the highest precept in any form of marketing grounded in its definition.

Exchange

Clearly, exchange is taking place in GAM. GA managers are confronted with the complexity of global exchange. Exchange is described as the “act of obtaining a desired product or service from manufacturers to the final consumers”. The process of exchange will always exist because nobody is able to satisfy all personal needs and wants individually. The exchange process including two or more parties is a prerequisite for marketing activities. Conditions for exchange are:

- “Each party must have desire, willingness and ability to exchange.
- Each party must possess something that could be of value to others.
- Each party should be capable of communicating in the same language.
- Each party has the freedom to accept or reject the offer.”
  (Hundekar et al., 2010, p. 8)

Transaction

A transaction takes place at the completion of the exchange process between different parties. The transaction includes the “trade of values between seller and buyer.” (Hundekar et al., 2010, p. 8)

Marketing offers

The product or service offered is the central key in a firm’s marketing efforts. It has to be positioned according customers expectations of the target market. The product is the main element of the marketing programme. Prior to pricing, promotion and distribution decisions a corporation has to be clear about the features of the product or service it wants to offer. Hence, the first step in developing the marketing mix usually involves the study of the product itself. Companies have to adapt their products and service to customers’ expectations by analyzing the needs and wants within the target market. In GAM this is of highest relevance as the customer expects even customized products and services. If corporations do not succeed in offering customer focused goods they are going to fail in today’s competitive marketplace as their customers will easily switch to competition. (Hundekar et al., 2010, p. 8f)

Values and satisfaction

The aim of Marketing is creating customer value by combining quality, service and price. The value is determined by the customer's perception to gain "from owing and using a product over and above the cost of acquiring it." Increasing value can be achieved through quality and service, decreasing by a higher price. Describing it more specifically "value can be defined as a ratio between what the customer gets and what he spends." High customer value has positive impacts on the customer's loyalty towards the supplier. Due to repeated purchases of loyal customers continuous revenues can be expected. (Hundekar et al., 2010, p. 9)

Relationships

Relationship management is an obvious task within GAM. After having attracted and convinced customers of the product or service offer the development and enhancement of a long-term relationship with them is essential. Companies need to create marketing strategies to keep customers and make them more loyal towards the organization. The costs for retaining customers are lower than for attracting new potential on the market. (Hundekar et al., 2010, pp. 9-10)

2.2 The evolution of Marketing

Although there has been research on customer behavior before, the breakthrough of marketing was throughout the 1950s and 1960s. At this time marketing was perceived as mixing the 4Ps: product, price, place and promotion. This framework dominated the marketing activities and is known as transactional marketing. Since then changes within market environments have been affecting marketing practice continuously. (Lindgreen, 2008, p. 20)

Fig 2: Changes having affected marketing practice

Changes in Business Environment	**Changes in Company**
• Increasingly global nature of competition • More demanding legislative requirements • Increasing social awareness • Market deregulation • Physical distance less important	• Limited resources • Few opportunities for product differentiation • Increase in the use of private labels • Product modification rather than product innovation • Faster production processes

Changes in Industry	Changes in Customer Demand
• Technology-maturity investment • Overcapacity in many industries • Stabilization of production methods • Technology and cumulative experience common • Stabilization and concentration of market shares • Advances in new information technology	• More sophisticated customers • Rising customer expectations • Lower brand preferences among customers • Market saturation • Inelastic demand • Increased price sensitivity

Source: Lindgreen, 2008, p. 20 (author's chart)

Analyzing the figure changes in the business environment, company, industry and customer demand have affected the development of marketing. Most of these changes are very interrelated and caused due to globalization of the economy. The level of competition increased and therefore companies faced more pressure on efficiency. Within these developments the roots for approaching international key customer with GAM can be found.

2.3 Market segmentation

A corporation cannot serve all buyers as their requirements and buying practices vary widely. By segmenting the market firms are looking for the most attractive parts of the market they can attract most efficiently. A market segment can be described as "a group of people with similar or homogeneous demand". Market segmentation is the process of dividing the overall market into several segments. The purpose of segmentation is to develop a customized marketing approach for a certain segment. The specific marketing activities for this group are more effective as customers within a market segment have similar needs and wants. Therefore market segmentation is caused by "varied and complex buyer behavior" (Ramachandra et al., 2010, p. 63). Market segmentation in GAM is achieved through defining GAs which will be penetrated by the corporation.

2.4 Market targeting strategies

As already mentioned above buyers differ in behavior and this fact asks for market segmentation. A corporation has therefore the choice "to confront the differences among the consumers or to ignore them" when planning the marketing mix. If differences are ignored the corporation implements an undifferentiated marketing approach where "a single marketing mix is used for the entire market." Controversial to this approach are marketing strategies adapting to differences between customers by implementing either differentiated marketing or concentrated marketing. Differentiated marketing serves each segment with a different marketing mix. Concentrated marketing is a strategy where all marketing activities are focused on one or a few segments. (Ramachandra et al., 2010, pp. 68-69)

Fig 3: Market targeting strategies - Overview

		Strategies		
	Factors	*Undifferentiated*	*Differentiated*	*Concentrated*
1.	Use of marketing mix	One	Multi	All efforts and all mix
2.	Taking care of customer differences	Ignores	Takes care	Takes care very much
3.	Technically called	Mass marketing	Niche Marketing	Sophisticated as well as niche
4.	Caters to	All segments	One segment	One or a few segments
5.	Examples	Foodgrains, and other daily needs	Specialised cars	Golden ornaments made on order usually for elite class

Source: Ramachandra et al., 2010, p. 69

As seen in figure 3 a more detailed explanation a closer look at the differences of the three strategies is necessary. Undifferentiated marketing is a strategy where a company offers only one product to all buyers with only one marketing programme. Basically it ignores “the likes, dislikes, taste and preferences, suitability and compatibility” of its customers. The focus is on the similarities of all market segments rather than on their differences. As there is no differentiation a large number of buyers should be attracted by the offerings. The justification for undifferentiated marketing is the principle of economies of scale. Large markets are addressed by this approach, smaller segments are neglected completely. In differentiated marketing strategies firms decide “to operate in several or all market segments but designs different marketing programmes for each segment.” An individual marketing mix is developed for each single segment. The customers’ expectations can be addressed more precisely than implementing undifferentiated marketing. Customer loyalty is increased due to a higher degree of adaption to specific customer requirements. The goal of this approach is to achieve higher sales and deaper positions with market segments. Due to awareness for customer loyalty companies have switched over from undifferentiated to differentiated marketing. Concentrated marketing is the third alternative next to undifferentiated und differentiated marketing. If the company’s resources are limited the firm is not capable of offerings to all markets. Applying concentrated marketing methods corporations do not focus on a small market share in a large segment and strive for large shares in only one or few submarkets. This approach is also known as “niche” marketing. All efforts within a company are concentrated on a good market position in a few areas. Benefits using this strategy are achieved through becoming a dominant player in serving the needs of the selected segment through specialization and deeper knowledge than competition. On the other hand, there is also obvious risk involved due to the concentration on a single or few markets. The development and growth opportunity for the entire firm is deeply related and restricted to the development of its target market. (Ramachandra et al., 2010, pp. 69-71)

GAM is clearly a differentiated marketing approach as all customers are managed highly individual with specific customization as discussed later in this thesis.

2.5 Transaction Marketing vs. Relationship Marketing

Transaction marketing is dedicated to create demand attracting new customers. The goal therefore is to satisfy the growing upcoming demand through the use of marketing techniques and analyses. Relationship Marketing focuses on maintaining and enhancing existing customers. Increasing profits through established customer relationships is assumed to be less challenging than through creating new demand and customers. (Lindgreen, 2008, pp. 20-21)

Ojasalo (2001, pp. 208-209) confirms that RM involves building, enhancing and, if necessary, terminating relationships. He states that transactional is important as it attracts new customers, but real profitability often comes by retaining customers.

In figure 4 the two approaches of transaction and relationship marketing are compared and contrasted.

Fig 4: Comparison transactional vs. relational marketing

Transactional-Oriented Marketing and Purchasing	**Relational-Oriented Marketing and Purchasing**
Many alternatives	One or few alternatives
Every deal is a new business, and no one should benefit from past performances; independent and discrete market exchanges	A deal is part of a relationship, and the relationship is part of a network context; dependent and ongoing market exchanges
Exploit the potential of competition; anonymous and efficient market	Exploit the potential of cooperation; numerous market networks
Short-term, arm's-length distance, and avoid coming too close	Long-term with tough demands and joint development
Hierarchical, functional organization	Cross-functional, process-based organization
Renewal and effectiveness by change of partner, and choose the most efficient supplier at any time	Renewal and effectiveness by collaboration and team effects, and combine resources and knowledge
Buying products; standardized products	Buying capabilities; customized products
Services only augment the core product	Services are basis for differentiation
Price orientation, strong in achieving favorable prices in well-specified products; marketing is through the 4Ps	Cost and value orientation, strong in achieving low total costs of supply and developing new value; marketing through relationships, networks, and interactions

Source: Lindgreen, 2008, p. 21 (author's chart)

Relationship marketing is an approach towards meeting needs within changing business environments. Globalization, internal restructuring, market changes, economic crises and Mergers & Acquisitions are features within a competitive marketplace. Relationship marketing is concerned with changes in the customer's environment and has to be adaptive to fulfill expectations. By forming long-term and collaborative business relationships turbulent environments can be managed more efficient. (Lindgreen, 2008, pp. 21-24)

Marketing theory is of importance for GAM as the base for understanding the needs/wants and creating higher customer value and satisfaction. GAM dervices from markting as an instrument for targeting customers within the marketplace. For succeeding in GAM, basic marketing tools as market segmentation and targeting strategies have to be planned and executed as preliminary stages for GAM as an approach of focusing on a carefully selected group of customers by highly differentiated marketing strategies.

3 Key Account Management

Key Account Management (KAM) is an organizational form of Marketing. It evolved in the late 1960s and early 1970s as markets became more competitive and companies had to change their marketing and sales approach (Wengler, 2006, pp. 1-20). Strategic alliances with customers are formed in business environments of high international competition and technological change to achieve a competitive advantage and bring stability to operations (Millman, & Wilson, 1995, p. 9). Suppliers wanted to create an interface between their most important customers and themselves and therefore they created KAM as a strategic marketing instrument. Basically it developed alongside with the theory of RM. It is defined as a "marketing management program focusing one customer" or can be seen as a specific RM programme focusing on an individual customer (Wengler, 2006, pp. 1-20). Another more detailed definition of KAM is provided by Zupancic (2008, p. 323) by "Key account management means systematic selection, analysis and management of the most important current and potential customers of a company. In addition it also includes the systematic set up and maintenance of necessary infrastructure."

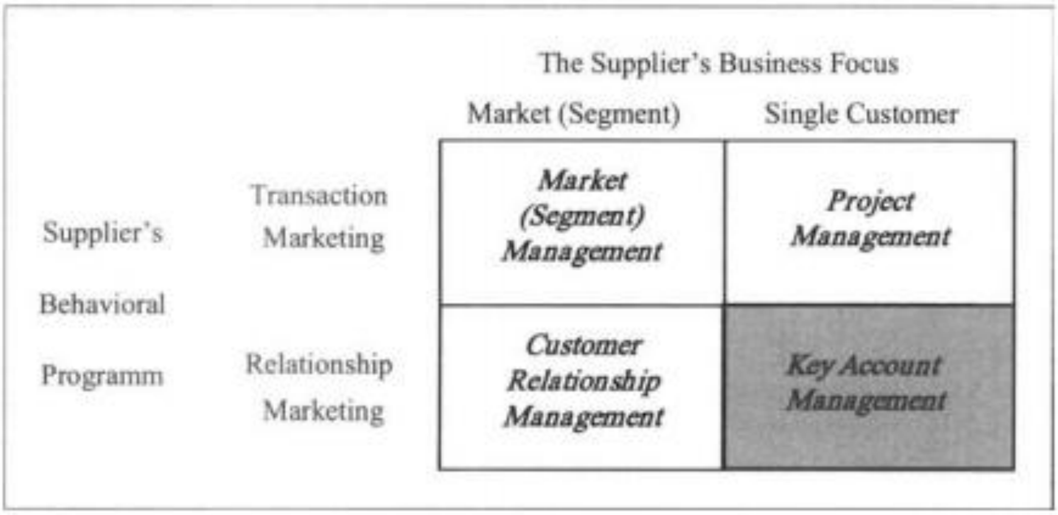
RM has never been a completely new approach as it has always been a key factor for many successful businesses. It is a complex instrument including ideas as relational contracting, relational marketing, buyer/seller relationships, working partnerships, collaborative relationships and strategic alliances. The goal of RM is long-term customer retention through continuous and frequent customer contact. Retained customers have different characteristics as new customers. Following benefits are contributed to retained customers (Gibbs et al., 2009, pp. 92-93):

- "The costs of acquiring new customers can be substantial. A higher retention rate implies that fewer customers need to be acquired.
- Established customers tend to buy more.
- Regular customers place frequent, consistent orders and therefore usually cost less to serve.

- Satisfied customers often refer new customers to the supplier at virtually no cost.
- Satisfied customers are often willing to pay premium prices for a supplier they know and trust.
- Retaining customers makes market entry or share gain difficult for competitors (Gibbs et al., 2009, p. 93)."

Figure 6 should be helpful for classifying KAM within other marketing initiatives as an instrument of relationship marketing focusing on a single customer.

Fig 5: Typology of businesses in business-to-business-markets



Source: Plinke, 1997, p. 19

Next to attracting new customers marketing has been is focusing more intensive on serving and retaining existing customers through history. The alignment of all functions within a corporation has to be achieved in order to meet customers' expectations. Firms had to collaborate not only with the customer itself, but also with their suppliers and other parts of their business environment to serve the customer accordingly. Prior to the RM approach collaboration has been seen as "working with the enemy". The Anglo/US marketing theory has mostly adopted these believes, whereas the Japanese keiretsu model has proposed avoiding conflicts in business relationships as the key for solving disputes. Through closer collaboration long-term relationships can be established, creating higher value than single corporations can do individually. “Relational rents” are the extraordinary profits companies can achieve as a consequence of close collaboration with their clients. With a non relational marketing approach firms are not able to earn these credits. Furthermore the customers’ needs cannot be met precisely due to the lack of collaboration. Competitive advantage over competitors is the result of an efficient RM. (Gibbs et al., 2009, pp. 93-96)

Developing a corporate culture and ideology valuing business relationships improves the development of those as corporate activities between businesses are based on trust rather than competitive thinking. (Gibbs et al., 2009, p. 110)

Figure 6 shows measures for improving and sustaining business relationships and considers 3 main phases towards partnering excellence. In first-generation partnering the level of collaboration and commitment is low. Corporations are opening themselves towards the partner. Within the second generation of partnering firms start integrating themselves in the partner’s organization through trust and cooperation. Third-generation partnering assumes the completion of the integration phase. Business activities are managed jointly and due to the full understanding of the partner, added value for both corporations is achieved.

Fig 6: The three generations of partnering excellence

Generation	Milestones
First-generation partnering	Agreeing mutual objectives Making decisions and resolving problems openly as agreed at the start of the project Aiming at targets that provide continuous measurable improvements.
Second-generation partnering	Develop strategy jointly Embrace participating firms fully Ensure equity by allowing all to be rewarded on the basis of fair prices and

	profits Integrate firms through cooperation and trust Benchmark performance accurately Establish best practice processes and procedures React to feedback positively and quickly.
Third-generation partnering	Understand the client's business and its success factors Take joint responsibility for key outputs Turn the main processes into a seamless chain of value-adding activities Mobilize full partnership development expertise Create expert teams and key account managers Innovate jointly

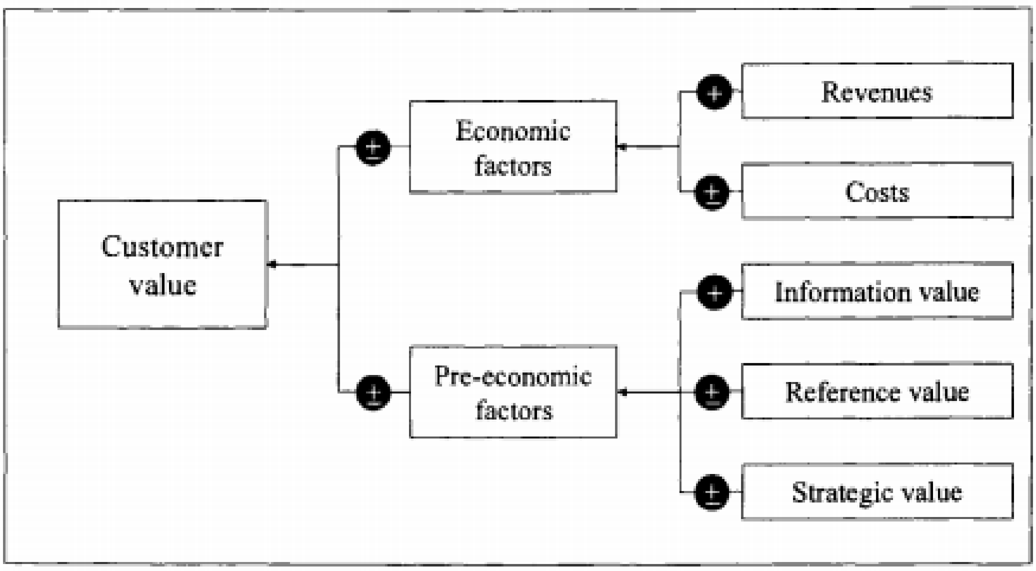
Source: Lindgreen, 2008, p. 21 (author's chart)

Key accounts are of high interest for suppliers as their sales contribute a high portion to the overall profit of the company. This revenue or profit concentration on a few powerful customers has led to increased awareness for account management (Gosselin & Bauwen, 2006, p. 377). The goal of a KAM program is to create a win-win situation for both supplier and customer. KAM includes all internal and external marketing activities which help to sustain the relational exchange process. The KAM program is institutionalized at the supplier-customer interface and provided with adequate competencies and resources within the supplier's internal organization." KAM is responsible for the integration of the customer needs into internal processes of the supplier. This often requires adaption of activities and processes on the supplier side. The two main objectives of KAM initiatives are “customer retention while maximizing customer value”. Through KAM the supplier is able to gather information about the customer’s business and needs. Adapting to them a customized offering towards the customer can be achieved. (Wengler, 2006, pp. 26-32)

3.1 Identifying Key Accounts

Before implementing KAM measures the organization has to define and identify KAs. Millman & Wilson (1995, pp. 9-10) define a key account “as a customer in a business-to-business market identified by a selling company as of strategic importance”. The specific current sales volume is not the only criteria for selecting KAs as there are additional factors to consider for determining the real value and strategic importance of a customer as prestige or reference value. Customer value therefore does not only refer to the current direct earnings and also includes non monetary factors as the following figure shows (Wengler, 2006, pp. 26-32).

Fig 7: The relevant factors of the customer value



Source: Eberling, 2003, p. 130

Research states several approaches for assessing the potential of a customer for KAM. Campbell and Cunningham (1983) consider the criteria to be the sales volume, the use of strategic resources, the age of the relationship, the supplier's share of the customer's purchases and the profitability of the customer to the supplier. Furthermore the address the growth rate of the customer's market and the buyer's relative share of the customers purchases (Ojasalo, 2001, p. 201). Another approach for the evaluation of customer attractiveness is discussed by Krapfel et at. (1991, p. 25). First he mentions the criticality as "the degree of technical or market substitutability of a good or service, and its contribution margin (critical outputs are more profitable, embody the seller's core technical and/or market competencies, and strategically position the seller in key markets" (Ojasalo, 2001, p. 201). The quantity of sales to the specific customer, the replaceability of the customer and the slack as the international cost reduction within the processes of the seller are the other factors Krapfel et al. addressed to be of high importance for customer value. McDonald et al. (1996) grouped the criteria for determining KAs into volume related, status related and financial considerations (Ojasalo, 2001, p. 201).

3.2 The key account development cycle

A key account relationship evolves over time and is therefore affected by each transaction in the account's history. During this evolvement the KAM strategies has to be adapted to the current stage of the relationship (Millman & Wilson, 1995, p. 11). Research has identified several models and cycles for key account development. Ford (1980, pp. 339-353) has created a model with 5 stages called pre-relationship, early exploration, development, long term and final stages. Another buyer/seller relationship cycle that is very close to Ford's model was developed by Dwyer et al. (1987, pp. 11-28). The core stages in this concept are the steps of awareness, exploration, expansion, commitment and institutional stages. Wotruba (1991, pp. 1-12) considers the KA development cycle from the seller's point of view by referring to the stages of provider, persuader, prospector, problem solver and procreator. On the basis of these models Millman and Wilson (1995, pp. 12-14) created a relationship development cycle with the stages Pre-KAM, Early-KAM, Mid-KAM, Partnership KAM, Synergistic KAM and Uncoupling KAM. A comparison of all the models decribed is shown in figure 8.

Fig 8: Key account development models

Ford (1980) Dwyer *et al.* (1987)	Lamming (1993)	Wotruba (1991)	Millman and Wilson (1995)
Pre-relationship awareness	Traditional	Provider	Pre-KAM
Early stage exploration	Stress	Persuader	Early-KAM
Development stage expansion	Resolved	Prospector	Mid- KAM
Long-term stage commitment	Partnership	Problem solver	Partnership KAM
Final stage institutionalization	Beyond partnership	Procreator	Synergistic KAM
			Uncoupling KAM

Source: Millman & Wilson, 1995, p. 12

In the model of Millman and Wilson the Pre-KAM stage refers to the task of the marketing and sales function to identify accounts with the potential for moving to a KA. This job is highly meaningful as it avoids wasteful investments in accounts without appropriate potential for KA. Basic product and service offerings are made available at this point in time, but the major investigation is done in determining the future potential of accounts (Millman & Wilson, 1995, p. 12). Moving to the next step of Early-KAM the KAs are clarified and opportunities for closer collaboration with those have to be explored by identifying the motives, culture and concerns of the targeted accounts. Competition analysis detects strengths and weaknesses which are valuable input for the account strategies. Furthermore KAs are convinced of the benefits they can enjoy as preferred customer while the seller investigates the decision-making process and the structure of the decision-making unit of the buyer. At this stage the seller’s offerings are adapted to match the customer requirements and trust through consistent performance and open communication with the buyer is built. Another crucial step for Account Managers is to implement the non-standard product offerings in their organization as they will not face consistence of all internal forces (Millman & Wilson, 1995, pp. 12-14). In the Mid-KAM phase the relationship develops further what leads to increased trust and raises the level of interactions as cross-boundary contacts are established and the account manager has a less central role than in previous stages. The account review process will shift to senior management positions. Hence, resource allocations are the possible outcome. The Partnership KAM is already a mature stage of the development of KA where sensitive commercial information is shared on a regular base and problem resolution is made jointly. When the maturity goes beyond partnership the Synergistic KAM phase is in place when synergies in the marketplace are developed jointly and the seller and buyer consider themselves as both being part of a larger entity instead of two separated organizations. The last stage of the model of Millman and Wilson is the Uncoupling KAM and refers to the dissolution of a KAM relationship. The right timing for this step is of high interest as it prevents both companies from high political, economical and emotional costs.

KAM is the framework of GAM. Due to the competitive marketplace corporations are forming strategic alliances with their most important customers for a very high level of differentiation and competitive advantage. KAM as a RM approach is focusing on long-term partnering and therefore aims at achieving a strategic collaborative business relationship. Selecting key accounts the strategic value of the customer has to be considered due to the long-term view on profitability. The KA development cycle proves the stages of development of KAM and builds an instrument for determining the level of the buyer/seller relationship.

4 Global Account Management

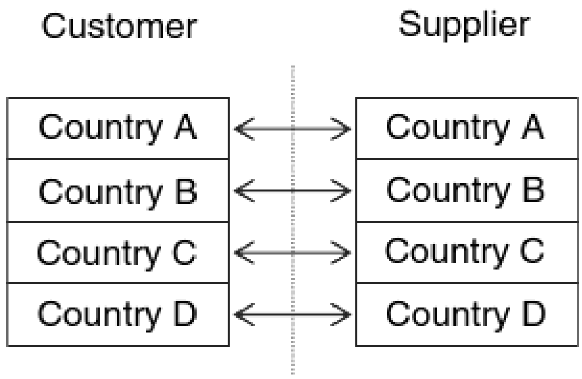
What is GAM? Although many people would assume it to be just KAM with different time zones, it goes far beyond the nationally based KAM approach. The organizational and structural complexities are the challenges next to geography and time zones. Managing global needs of a customer is different to dealing with local needs as they are usually not matching each other. Therefore demand for an additional service next to KAM is created (Cheverton, 2008, p. 78). Harvey et al. (2003, p. 563) describe global account coordination as the setting of “critical linkages for the firm with the globally dispersed customer’s units, while simultaneously managing the internal functional and cross-functional relationships within the supplying firm.”

GAM is the extension of national account management to a global level. Account Management has to be adopted if the geographic scope of the customer changes due to the very complex coordination process between two multinational corporations (Gosselin & Bauwen, 2006, p. 379). The pioneers and first adopters have introduced their GAM programmes in the late 1980s. They were primarily set up by technology giants like Hewlett-Packard, IBM and Xerox whose target groups included multinational customers in the automotive, financial services and petrochemical industries. The purpose of managing their accounts globally was their customers demand for IT products and services to all of their locations to be compatible and supported to the same standard. Since then GAM has been adopted not only by large-sized suppliers and is nowadays used in almost every industry sector. However, multinational customers have always been the driving force for GAM (Yip, & Bink, 2007, p. 104). Research on the topic of managing international key accounts has started in the 1990s with the identification of the specific characteristics and the drivers for GAM (Zupancic, 2008, p. 324).

Yip and Madsen (1996, pp. 24-25) confirm the shift from national account management to GAM. National account management programmes have one executive or team taking over the entire responsibility for all customer requests directly or in coordinating way. The concept of GAM extends national account management across countries.

Therefore the old operating model was one of traditional national account management. National subsidiaries of multinational companies could individually make their own decisions about suppliers. On a global level this meant that different national subsidiaries of one multinational customer could be purchasing from the national subsidiaries of a multinational supplier. Therefore the business relationships would be on a national level between national subsidiaries instead of the multinational company level as shown in figure 9 (Yip, & Bink, 2007, p. 4).

Fig 9: Multilocal buying

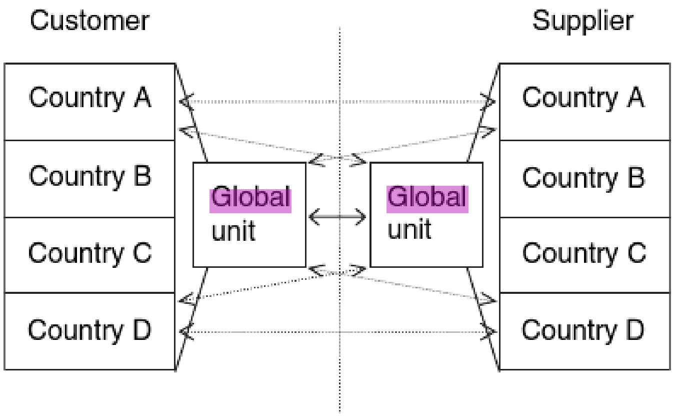


Source: Yip, & Bink, 2007, p. 4

The need for global customer management has increased due to the ongoing globalization movement of countries, industries and companies. Economic blocs as the European Union, ASEAN or NAFTA have reduced barriers regarding trade, investment and other cross-border business activities. This has resulted in a wider market for companies for both sales and sourcing. An increasing number of multinational customers are dealing on a globally coordinated basis with their suppliers, asking for services as global contracts, global pricing, product standardization and a global account relationship. (Yip, & Bink, 2007. pp. 5-6)

Adapting to the demand for providing global service is often a very difficult change for multinational corporations as they face organization structures and management processes focused on providing services locally with a national customer service approach. Although adaptation towards a global service approach for customers is very difficult for most of the multinational suppliers they put many efforts into changing their processes to fit global customer management. (Yip, & Bink, 2007. p. 6)

Fig 10: Global customer-supplier relationship

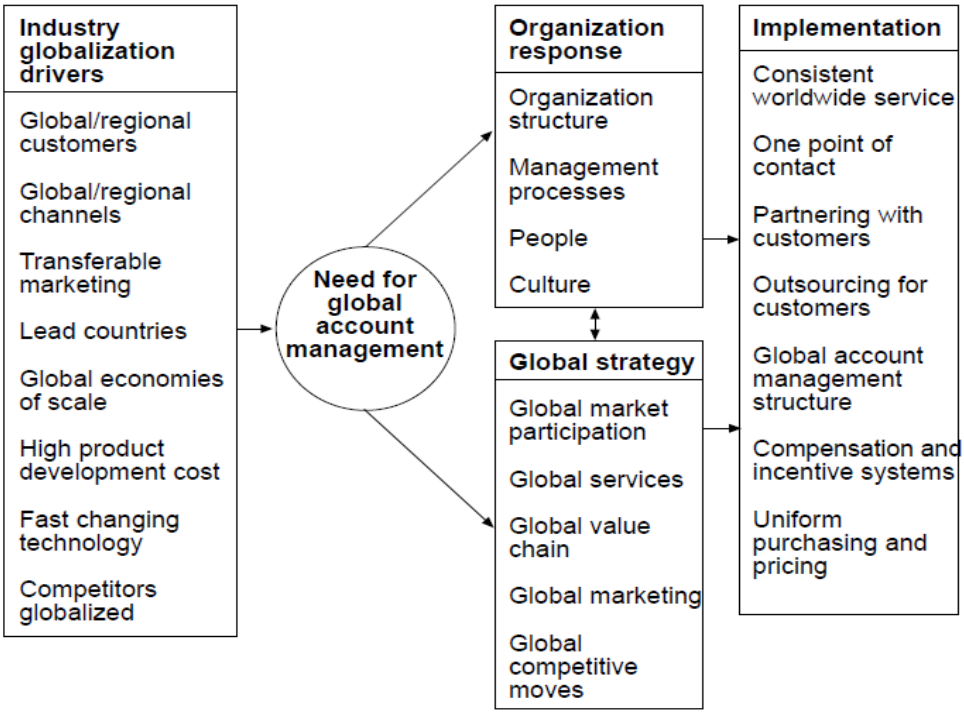


Source: Yip, & Bink, 2007, p. 6

As the example structure of a global customer-supplier relationship in figure 10 shows that processes towards a global relationship have to be adapted on both customer and supplier sides. While on the customer side a global unit could for example act as a global purchasing function, on the supplier side it may be the global account management function. Global account management is the extension of national account management across countries. It is not necessarily focused to all countries, but to the most important ones for the supplier's most important customers. (Yip, & Bink, 2007, pp. 7-9)

What are drivers and the best point in time to go beyond national account management towards GAM? Yip (1992) developed a globalization framework and listed industry globalization drivers which create the potential for a global strategy as seen in figure 11. For the achievement of all benefits the organization needs to implement the defined strategy while considering internal and external factors (Yip and Madsen, 1996, p. 24)

Fig 11: Framework for GAM



Source: Yip, 1992

Yip & Madsen (1996, pp. 26-27) researched the list of industry globalization drivers in figure 11 which affect GAM. The existence of global customers is the strongest force for establishing GAM within an organization. As the purchasing function of global corporations more and more shifts from a local to a centralized approach buyers request a global service from the seller on this level. Global channels or regional distribution channels ask for a worldwide pricing and global terms. Lead countries are the most innovative and competitive countries. Customers in these countries have to be penetrated more intensively by GAM due to the high importance of these markets. If national markets are not huge enough in size global economies of scale or scope can be served by GAM more economically. High expenditures for product development and technology increases the interest in globalization as these costs can be partitioned on several markets. Furthermore corporations can be forced for going global due to globalized competitors. If sellers are not able to facilitate sales and marketing across national markets they face the opportunity cost of losing key accounts (Harvey et al., 2003, p. 111).

4.1 The role of interorganizational fit in GAM

There is plenty of research focusing on the relationship between the seller and the buyer, mostly concerned with theories of interorganizational fit. The level of congruence between various internal and external factors directly influences organizational performance. Micro congruence refers to internal fits within a corporation as structure or culture whereas macro congruence determines the interplay of the corporation with its external environment (Toulan et al., 2007, p. 63). The role of international fit is increasing as there is the trend towards matched systems and processes of seller/buyer relationships instead of merely personal relationships (Storbacka, 2012, p. 265).

Millman and Wilson (1995, pp. 15-16) refer to the strategic and operational fit of both seller and buyer. They emphasize the significance of the strategic realignment process and creation of operational synergy. The product, process and facilitation needs have to be integrated into the organizations' strategy to close gaps for collaboration and partnership. The product need is defined as the technical match of the offering from both perspectives. To integrate those products into the buyer's internal transformation the process need becomes the crucial factor. The process need has to fulfill the buyer's requirements by improving the internal logistics and manufacturing. The facilitation need is the process of managing the adaptation towards the desired transformation of the buyer and seller. Successful account management requires a customer focused organization through efficient process management. Millman & Wilson (1999, pp. 328-329) confirm the importance of business process redesign in organizations trying to improve buyer/seller interaction and collaboration. Business relationships tend to evolve over time without clear documentation of processes regarding the management of specific accounts.

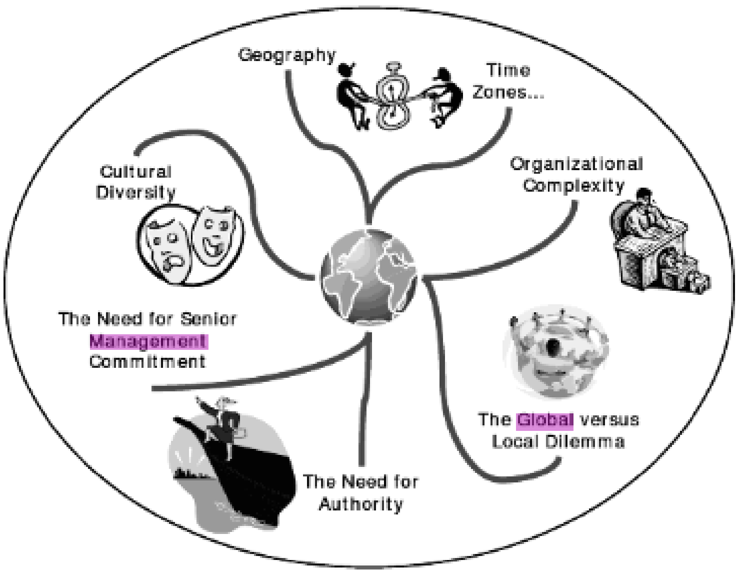
Vendor-customer relationships are key elements of the macro congruence level as they obviously affect performance. Long-term business relationships are the outcome of continuous adaptation and collaboration between corporations. Therefore interorganizational fit is the result of the process of establishing business relationships on the macro congruence level. GAM programs are dedicated to serving a single customer across countries. The degree of complexity sharply increases in dealing with both the vendors and customers internal and external organizational environments within their markets. The importance of interorganizational fit is even more essential in managing customers globally than on a local or domestic level (Toulan et al., 2007, pp. 64-66). Through understanding the customer's business and jointly developing a value proposition the seller and buyer can achieve inter-organizational alignment as the ultimate goal of account management initiatives (Storbacka, 2012, p. 261).

4.2 The challenges of Global Account Management

The challenges of GAM include a lot of those of Key Account Management but they are surely not similar due to the larger scale and complexity of globalization. Therefore many tasks of Global account management can be mentioned as the same as within traditional Key account management but the execution of them is more complex because of the given factors. Hence, the challenges have to be analyzed separately. In figure 12 Cheverton visualized the most important differences between GAM and Key account management.

(Cheverton, 2006, pp. 17-18)

Fig 12: The particular challenge of GAM



Source: Cheverton, 2006, p. 18

4.2.1 Organizational and structural complexity

Organizational and structural complexity is a major challenge to be considered in GAM. Looking at one global organization the internal structures and processes are already complex but within GAM there are at least two organizations involved. The task is not only to understand those; it is about matching them in order to make trade between them the most beneficiary. There are two particular obstacles which tend to be the most likely within organizations. First, some organizations have a strong local and national character and there have most probably been proper reasons for that in the past, but also now and there may be reasons to stick to this approach in the future. Facing this situation the majority of the customers are have not gone global and are still dealing on a local level and therefore also require local servicing from their supplier side. The purpose of GAM asks these local teams of global suppliers to work with new or existing global customers. If current customers should be penetrated with a GAM approach the relationship has to be managed with a different set of values, principles and practices (Cheverton, 2006, p. 19).

GAM is a process affecting the whole organization and its other processes, systems and structures. It has diversified global functions and roles involved requesting efficient collaboration and communication. The complexity of managing all global needs of a global customer internally within the own organization and structure is one of the most demanding challenges in GAM (Yip & Madsen, 1996, p. 28).

The risk of conflicts between GA manager and local teams is huge as their interest can vary to a high extent. This is mentioned as the second big obstacle regarding to organizational and structural complexity of GAM. The local operation basically has no interest and motivation for any support of a global customer as their performance is usually measured based on the local situation. This internal problem has to be considered closely before executing a GAM approach with customers as they are not going to accept any problems concerning their business due to internal problems within the supplier's organization. (Cheverton, 2006, pp. 20-21)

Managing all customers needs the complex structures within the internal but also customers organizations are a major challenge in GAM. The integration of customer specific demands leads to adopting certain processes within the own corporation to match the requirements for the inter-organizational fit of both corporations. The willingness and commitment for these changes in structure for a common strategic partnership are prerequisites for prosperity and internal restraints against alignment built risky obstacles for the GAM relationship.

4.2.2 The global versus local dilemma

A truly global customer would have consistent needs across countries and the solution would be equal all over its countries of operation. This theory does not meet the picture of reality as products and services customers ask for vary to some degree through different locations. Local solutions of suppliers have their own cost structures which have to be examined. Moving towards a global consistency of these cost structures may severely affect local teams as they are facing different costs of their business operations and would be highly hindered by providing services globally at the same conditions. That would mean that some of the supplier's local entities would have to damage their own profitability in order to support the GAM approach, what is in real life not a number one priority from the point of view of the local entity. Changing the local working practices in favor of a global servicing practice would often compromise the existing strengths of the local operations which it has been developing over years and may also weaken the relationship with the local business of the customer if the service offer is changed to its disadvantage. All these factors and possible problems have to be considered beforehand when establishing GAM but in practice corporations often start with measures reducing these risks after the problems have already arisen. Facing troubles with GAM local entities start resisting to the GAM approach by neglecting global governance and decisions. (Cheverton, 2006, p. 22)

The varying global and local interests are very common barriers in global account management. Local account managers are worried about losing their responsibilities when implementing a global supply approach. Facing resistance corporations have to communicate the change sufficiently and build a global corporate culture. Local account managers have to be integrated into the decision making process to understand the benefits for the organization on a global level. To limit the global vs. local conflict an efficient compensation system rewarding benefits for the global level or a clear global corporate culture can be set up (Yip, & Bink, 2007, pp. 179-180). In practice regional and local account managers often feel undermined and therefore resist executing the GAM policies and strategies formulated on the global level (Harvey et al., 2003, p. 115).

The global versus local dilemma occurs due to different perspectives within the corporation. Adopting GAM means the centralization of decision-making on the global level. As local subsidiaries are used to more autonomy in their activities from the past the effect of centralization is resistance to global strategies on the local level. To avoid negative implications of the struggle for power the multinational corporations have to communicate the benefits of GAM within their local entities and establish organizational structures which ensure the smoothest way of delegating global on the local level to avoid the opportunity cost of resistance.

4.2.3 The need for authority and senior management commitment

The GA manager has to deal with one of the most challenging management tasks as the GA manager has to lead a team of people who mostly do not work for the GA manager directly. Additionally several team members may hold a very senior position as well and have more experience and knowledge in their individual specializations. This situation is quite similar to those of national Key Account Managers but it dramatically increases in complexity in a global context. Therefore the question of authority is highly crucial for GA managers. They need not only authority over a business unit or a country, they need authority worldwide. Holding a position with worldwide authority would make them equal to the most senior management of the entire organization but practice proves this to be wrong. GA managers usually come from a middle management position with a background in sales. In most of the cases the GA manager still has to report to a sales director what makes the job even more challenging (Cheverton, 2006, pp. 23-24).

The global strategy needs to be implemented by the management of the organization which has to promote this idea and convince all employees of the competitive advantage for overall commitment. Managers have to take global responsibility within GAM (Yip & Madsen, 1996, p. 28). Building a consensus across the organization which is supporting the aims and goals of the global account plan is the provoking task of a GA manager. For a proper performance people at all levels in the organization have to support and contribute to ensure the success of GAM. Winning all people fully can be seen as unrealistic considering varying goals and motivations of individuals, business units, countries and regions within the business. Senior management commitment can be of tremendous help to the GA manager if he/she is not in the position of exclusive authority (Cheverton, 2006, pp. 24-25). Millman and Wilson (1995, p. 14) confirm the necessity of senior management commitment in both the seller's and the buyer's organization. Both parties have to strive for a partnership at the same level. The potential mismatch in those interests is a crucial issue for the establishment of a success buyer/seller relationship. Especially when establishing business processes to establish efficient procedures for managing the customer's specific requests senior management commitment is needed to address the importance within the own organization. Furthermore senior managers can improve the relationship with the account by personal visits at the customer to demonstrate their full commitment to the business relationship (Millman and Wilson, 1999, p. 330).

Managing the requests of international key accounts the GA manager has to establish processes and internal structures globally. To realize the desired model of inter-organizational fit globally the GA manager has to hold a strong and powerful position which entitles to adopting internal measurements concerning the varied service portfolio of GAM. Serving a GA changes in diversified business areas can be necessary and therefore power enforcement within all corporate units has to be ensured. As the GA manager cannot have complete power over the entire organization top management commitment is needed to make global adaptations to implementing and executing strategic buyer/seller relationships.

4.2.4 Cultural diversity and geography

A global supplier should offer its clients more than global geographic presence. Understanding the impact of global culture on business is essential but the adaptation of these findings is the key to success. Local culture cannot be compassed without any exception. In GAM there is not exclusively the global/local culture conflict there is additionally the diversity of attitudes and behaviours on both the customer and supplier side. Managing this melting pot of cultural diversity is obviously highly complex. There is no right or wrong decision when facing these kinds of circumstances as actions regarding culture in GAM have to be agreed individually but the importance is undisputable. Global rules regardless of local sensitivities are required within GAM on the one hand but on the other hand it has to be recognized when there is the severe need to adapt to local flavor and appropriateness (Cheverton, 2006, pp. 25-27).

Culture has severe influence on the successful implementation of a global strategy. GAM can be an instrument for building a global culture within an organization due to the global interactions of local subsidiaries and global functions (Yip & Madsen, 1996, p. 29). Cultural diversity is of high interest in any global activity and therefore also a critical success factor in GAM. Dealing accordingly with cultural awareness the GAM team can create a very valuable competitive advantage. In all areas of GAM it is important to question both companies involved. Therefore it is not sufficient to think about the culture of the global customer and in the first place GA managers have to understand their cultural diversity within their own organization. It is far more complex to handle this challenge as it is much more than the way of exchanging business cards. GA managers have to understand how their global customers work on a global level, how they make decisions, how they communicate and other actions influenced by culture. The diversity within the GAM team can be a hub for internal learning but furthermore even a key to success. The internal diversity within the GAM team has to be used to meet the demand for diversity the customer is asking for. (Cheverton, 2006, pp. 211-213)

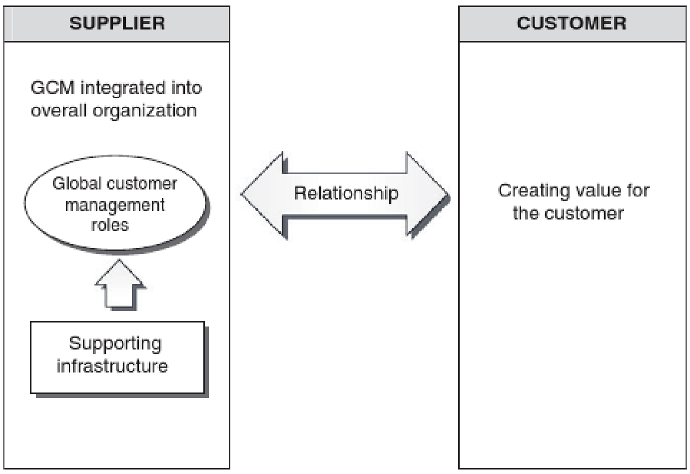
Yip and Madsen (1996, p. 28) refer to the geographic challenge for GA managers as it is not possible to control all global transaction due to the distance und time zones. Therefore they suggest the GA manager to act in the home country of the supply where the role of coordinating local transaction while establishing interfaces with the customer can be achieved. Although GAM is striving for harmonization geography and physical distance cannot be standardized. The physical separation of GA teams and their spare personal meetings may cause problems even in times of e-mails and videoconferencing tools the advantages of personal contact with your colleagues cannot be replaced electronically. Furthermore time zones affect collaboration with GA teams as they may carry cultural and political baggage next to practical issues. Time zones are an issue within all organizations but especially within GAM there is not only the internal communication within the global or local team of the own organization, there is the same procedure in dealing with the external counterpart. Therefore the degree of flexibility working is the highest in GAM compared to other job fields (Cheverton, 2006, pp. 27-28).

Multinational corporations are obviously cultural melting pots. The appearance of cultural diversity within GAM cannot be neglected and is faced at both customer’s and seller’s organization. GA managers need to find the balance adaptation to local cultures while striving for the globally managed approach. They are heavily dependent on the match of existing corporate cultures at both corporations as this affects the inter-organizational fit directly. Internal diversity within the GAM team leads to increased awareness for diversity and facilitates the planning and execution of global buyer/seller relationships. Furthermore the location of GA managers at the customer's headquarters support the understanding of the nature of the account's corporate culture and avoids inefficiency through geographic distance.

4.3 The critical success factors in GAM

In the last chapter the basic challenges of GAM were discussed, mostly focused on the additional challenges in GAM in comparison to traditional KAM. Within this chapter the focus is on a more detailed analysis about the critical success factors which have to be accurately observed for the prevention of failure in GAM. Yip & Bink (2007, pp. 189-190) stated four main groups of critical success factors in GAM as seen in figure 13 - "the infrastructure of the company and the GCM programme, GCM roles, the relationship with the customer, an integrated approach."

Fig 13: Critical success factors in global customer management



Source: Yip, & Bink, 2007, p. 190

4.3.1 Getting the big picture

In GAM the big picture has to be considered including knowledge about your own products, services and propositions but the knowledge about the customer and its products, services and target markets is of the same importance. Understanding the customer's business is necessary for setting up a long lasting relationship where the seller is able to assess and fulfill the customer's demand in a prosperous way. There are different types of analysis focused on the customer's markets, business and the shared future analysis between the seller and buyer. Analyzing all those factors will help the Global Account Manager to gain extensive knowledge about the customer and create an efficient penetration plan regarding future sales activities. These analyses are of high efforts but will provide important information for a competitive advantage over your competitors when going for GAM relationship with your customers and on the other hand prevent from implementing GAM for customers requesting another sales approach.

(Cheverton, 2006, pp. 45-72)

As already proven GA managers have various interrelated duties with a strategic focus. They have to establish the highest degree of inter-organizational fit and are therefore concerned of all functions and processes at both corporations. To understand and implement the appropriate measurements the big picture is needed for managing this complex environment.

4.3.2 Understanding the global buyer's motivation and structure

There is a shift in purchasing activities of most global corporations. Traditionally, local subsidiaries were independent in their purchasing and therefore had a varying behaviour and selected different products and sellers (Yip & Madsen, 1996, p. 26). Due to incompatibility of equipment and standards multinational corporations started by adopting centralized purchasing functions. That means global customers need suppliers which can offer consistent and standardized products and services across countries (Ives et al., 1993, pp. 143-161). Besides analyzing their own motivation for global selling Global Account Managers have to question the customer's decision for GAM. The customer has its own individual reasons for global purchasing and is asking for GAM as benefits are expected. For a global deal the seller is usually forced to offer better prices and terms in exchange for the full global sales opportunity. This basically addresses a very hot topic – winning the full global sales opportunity. The winning of the deal can be the very positive outcome but you have to be aware of the chance of losing – indeed, the full global sales activities with a customer (Cheverton, 2006, pp. 73-75).

Naturally, the buying power leads to the customer's pressure for better pricing and terms. Obviously the buyer is in a brilliant position in negotiations for requesting discounts as it is a global deal on a larger scale. The buyer's interest in price negotiations is to achieve standardized pricing on a global basis (Harvey et al., 2003, p. 111). This fact is surely a disadvantage for the supplier but due to economies of scale this negative impact can be reduced or even neglected by supplier internal cost saving measurements in sales and production. Most of the resources for local sales activities are reduced in GAM. These internal calculations of local margins have to be considered for a global offer by a GAM. The complexities of different local price structures are varying depending on the product or service. Global Account Managers have to manage these challenges in order to provide a global pricing. Studying the reasons for global buying in more detail there are more factors of interest than buying power. As the supplier is able to reduce sales expenses the buyer can increase the purchasing efficiency due to GAM. Hence, there are cost savings also on the buyer's side due to operational efficiencies. Finding the suitable supplier for global supply chain excellence is of highest importance in today's competitive business environment (Cheverton, 2006, pp. 76-85).

Yip & Bink (2007, p. 182) agree on the price reduction in global contracts due to the large sales volume. The price reduction has to be reasonable and in line with the supplier's selling cost reduction and a "downward pricing spiral" has to be avoided by appropriate financial communication within the supplier's corporation. The GAM has to convince the customer from the beginning that the main purpose of the global contract is a win-win situation for both parties and not to make the pricing the dominant issue in the relationship.

If there is a strong relationship and sufficient trust there can even be strategic planning between the supplier and customer. They can share their individual corporate strategies and detect room for further collaboration and take additional actions improving their relationship. Hence, the supplier has the possibility to adapt its strategic instruments to meet customer's future demand more precisely and the customer would have a customized supplier in the future. (Yip, & Bink, 2007, p. 178)

A lack of global capabilities is not a phenomenon on the supplier's side as practice shows that it exists on the customer's side in a similar frequency. The customer does not need to adapt to a global procurement function exclusively as an overall global purchasing requests global cohesion within all divisions and business areas. Therefore it will also have negative effects on the GAM as internal barriers on the customer's side will appear when supplying globally. (Yip, & Bink, 2007, p. 181)

The organizational structure and nature of the buyer's decision-making unit has to be identified to establish an appropriate process at both the buyer's and seller's corporations (Millman & Wilson, 1995, p. 12). An efficient support system is a major critical success factor for GAM. Only with the right infrastructure the proper execution of the GAM programme can be assured. Global supply processes have to be integrated into all necessary processes and system of the company. Two elements of this GAM infrastructure are of highest importance for the support – people and information systems including processes. Employees supporting the GAM hold critical positions for success. The support system is divided into operational and executive support. Operational support refers to any central service organization within the company which could be relevant for global supply activities. Executive support ensures commitment within the overall organization and therefore GAM programmes should be sponsored by the executive level of the company as discussed before. (Yip, & Bink, 2007, pp. 189-190)

Understanding the customer's motives for being managed as a GA is essential for developing the specific account strategy and implement measures for the integration of the buyer's needs into the partnership. Through centralized purchasing activities the buyer is striving for lower internal costs due to better pricing, terms and standardization. Hence, the seller needs to calculate with global internal costs and pricing structures to provide a standardized offering. The positive input for the supplier is the decrease of internal costs due to economies of scale.

4.3.3 Understanding the customer's decision making process

A clear understanding of the decision-making process in the buyer's organization is essential for establishing a value-adding process which enhances the relationship (Millman & Wilson, 1995, p. 12). The decision making process in global corporations is slowed due to physical separation. Further the complexity of global procurement arises because of the higher risk than leaving it to the local level. The dependencies on a limited number of suppliers increase in global purchasing activities. The task of the GA manager is to understand the decision making process in the customer's organization. Decision making styles in global buying vary hugely between corporations around the globe. Cheverton (2006, p. 96) has identified three principal approaches in global buying decision making –

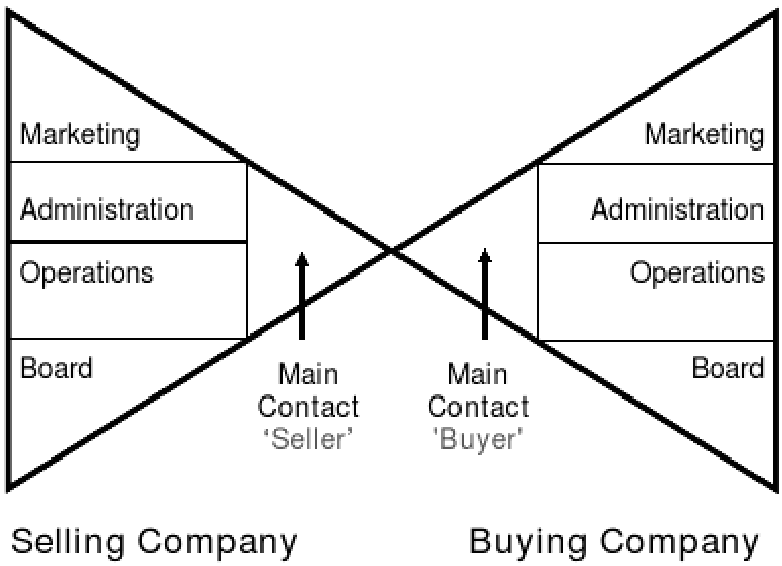
the authoritarian, consensus and consultative approach. Authoritarian decision making can be described as classical top-down approach. Basically there is no or little consultation with the lower level within the organizational hierarchy and the top level decisions are expected to be executed without question. For GA manager this means that there focus is to make contact at the top of the customer as other levels have no influence on the decision. Obviously this would an easy option for the GA manager but in real business environments customers can never fully adapt to an authoritarian decision making as there is always a restrictive force against this dominant style and therefore local issues can never be completely ignored in GAM. The consensus approach in decision making on global buying activities assumes the agreements of all parties involved or at least of the majority. Hence, the GA managers are much more challenged as persuade a larger group of people in a larger number of locations. The consultative approach refers to decision making of a nominated individual after consultation with the interested parties. This approach is assumed to be the hardest for GA managers but also the most common. The supplier has to identify the appointed decision maker and who will be consulted. Without knowledge about these involved persons their views and motivations behind the decision cannot be detected and therefore no measurements can be executed. (Cheverton, 2006, pp. 96-97)

GA managers need to recognize the way of decision-making and hierarchical level the judgments are made at the buyer's organization. The interest of the people involved in the customer's purchasing decision is the most crucial. Knowing their purpose for collaboration the GA managers can adopt the account strategy accordingly to influence the decision-makers in favor of the seller's organization.

4.3.4 Managing contacts and GAM structures

Managing the customer contacts is an essential task in GAM and requires a high level of customer relations management skills. It influences the relationship towards the customer and the perception of the supplier in general. Failing these activities will severely affect the relationship or even destroy it totally. Relational interaction and management of the relational development lead to strategic advantage in seller-buyer relationships. Personal contacts and interpersonal communication channels are crucial factors for differentiation from competition (Millman & Wilson, 1995, p. 18). Different categories of touch point management have to be implemented for successful GAM. The influencing strategy includes personal contacts which are useful for the relationship. Due to the geographic circumstances a global team managing personal contacts has to be set up. There are different approaches how these contacts are managed in GAM (Cheverton, 2006, pp. 115-117). A well known approach is the “bow-tie relationship” as seen in figure 14.

Fig 14: The bow-tie relationship

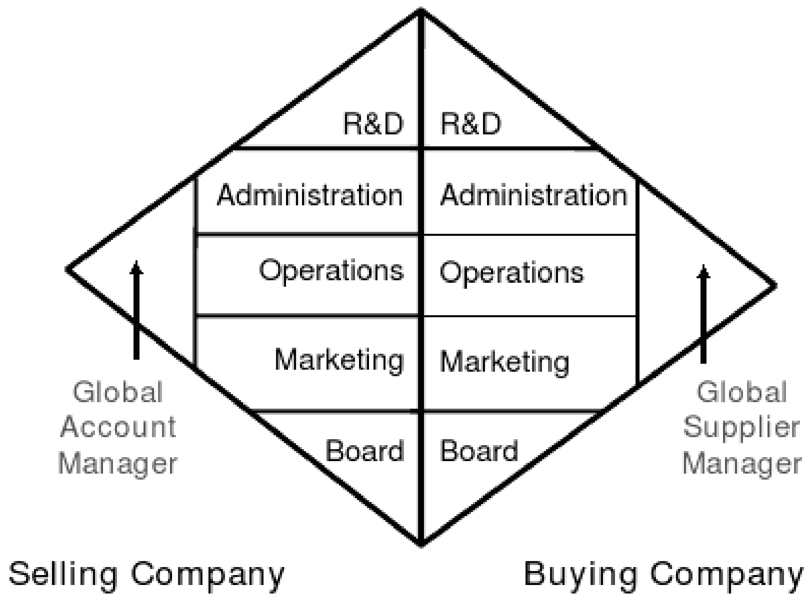


Source: Cheverton, 2006, p. 118

The “bow-tie relationship” has some benefits for both parties, but on the other hand also many disadvantages. The simplicity and high level of control lead to clear communication structure and roles of responsibilities for both companies. The downside is that there is only penetration between the “main contacts”. The relationship is built on two individuals and therefore the penetration level is assumed to be on a minimum as other parties of the companies are not directly affected. There is no direct exchange and relationship between the rest of the company and therefore a cross-functional integration and value-add cannot be realized. (Cheverton, 2006, pp. 118-119)

The penetration process in GAM requires a more developed and integrated relationship than only between two individuals. With the involvement of more business areas at both companies teamwork should be established to foster the business relationship. “Diamond teams” respond to lacks detected in the “bow-tie relationship” by raising the collaboration and communication between the business areas of both organizations as seen in Figure 15. (Cheverton, 2006, p. 120)

Fig 15: The diamond team



Source: Cheverton, 2006, p. 120

The partnership approach within a “diamond team” has to best established on the long term and will strengthen over time. Although these teams seem to be perfect for cooperation and collaboration between both companies they still need to be managed efficiently. All involved parties need to be informed properly about their individual tasks and responsibilities within the relationship. People need to aware of what is their specific function within the GAM hierarchy and act in favor of the overall GAM strategy. Badly managed “diamond teams” are a high risk as every individual is representing the company and can influence the perception of the entire GAM team. These are the challenges to be managed for fruitful GAM. There can be very good benefits for the supplier if it succeeds in managing these challenges. The positive outcome requires time and can be seen as a huge investment for the supplier as the true needs of the customer will be visible. Effective communication channels in the GAM team need to be established for a working knowledge transfer about customer information. The “diamond team” is a vital instrument for successful GAM but it needs to be managed in an excellent way for achieving all the potential. (Cheverton, 2006, pp. 120-122)

Yip & Bink (2007, p. 194) confirm the importance of a multichannel relationship with global customers when there is demand for a relationship that goes beyond sales. More value will be created through a multichannel approach for both parties and the right fit will help to seize opportunities, create management commitment and achieve overall integration. Through this relationship the GA manager will receive more actual information than he would get through exclusive contact to a global purchasing representative from the supplier side. A partnership with the customer can be set up more easily if there is more than collaboration on the sales level. Future plans, needs, wants and problems should be discussed in a cooperative approach and future opportunities for the relationship can be assessed together (Yip & Bink, 2007, p. 195).

Millman and Wilson (1995, pp. 17-18) state the importance of dedicated teams for the coordination of day-to-day interaction with the customer and the development of a long-term relationship. For the establishment of a relational strategy an efficient organization structure and communication process has to be set up. The structure has to meet the requirements of the boundary-spanning role of the team and furthermore calls for a fast reporting route to top management. In practice there is a huge variety of structures managing strategic accounts. The origin of Account Management is within the sales function but there are several reasons for shifting this role to a more general management level. A strategic account management approach involves functions all over the company and is not only addressing the sales role itself. If the account manager is located within the salesperson level the lowest level of account management is in place. There will be a lack of authority and power for managing the customer strategically (Kempeners & van der Hart, 1999, p. 317). The definition of account management as a strategic instrument already suggests establishing this function at top management level due to the conflicting short and long-term interests which have to be handled by senior management (Millman & Wilson, 1995, pp. 17-18).

Yip and Madsen (1996, p. 28) also analyzed the organizational structure regarding GAM. The GA manager has to have authority over other roles within the organization. National account managers are mostly concerned by these changes as GA managers influence local transactions with customers to a certain extent.

The level of the GA manager's power over national account managers can vary from direct control to a role of coordination and advice. National account managers tend to highly control their accounts but especially the geographic facts make total global control of an account usually not realizable. Yip and Madsen suggest that GAM takes over the role of coordinating the efforts of national salesforces and deals with the customer's at its headquarters. To fulfill these requirements the GA manager should be positioned in the customer's home country. The characteristics of a GAM team have to provide the environment for managing interrelated problems. Harvey et al. (2003, p. 117) determined the 3 barriers for the appropriate functional representation in GAM as "gaining acceptance in the organization; smooth reporting processes; and providing the GAM team with the expertise to be able to address cross-functional issues that will be salient when servicing a customer globally". Setting up a GAM can lead to increased costs as specific existing functions on the local level could be duplicated on the global level. Therefore it has to be clarified in the planning phase which functions are needed on a specific level to reduce costs and clarify responsibilities (Harvey et al., 2003, pp. 119-126). Similar functions on the local and global level lead to a matrix organization design in which decisions are made from different perspectives locally and globally. Varying point of views will lead to ineffective GAM and slows down the decision-making process due to the conflict between the GAM team and local functional managers.

There is no perfect organizational structure for GAM that can guarantee success and individual circumstances have to be considered in any case. Zupancic (2008, p. 324) stated that there are many are many models and solutions but a clear and complete structure is still missing. The argument of Gosselin and Bauwen (2006, p. 381) is in contradiction as they suggest that account management structures should be defined similar to those of the customer's strategic business units as mirroring supports inter-organizational coordination and strategic alignment between both corporations. GA managers and teams should have a clear structure and responsibilities with only one superior they are reporting to. The aim of structure should be to match the needs of the customer and therefore the customer's structure has to be understood in the first place before setting a GAM structure. If the supplier has many diverse global customers this becomes challenging or even not realizable. It is not only the sales structure that can be of interest for the customer as all functions delivering value to the customer have to be taken into consideration for an efficient GAM approach. The structure should clarify the responsibility, position and authority of the GA manager (Cheverton, 2006, pp. 175-177). Additionally the GAM infrastructure has to ensure the implementation of global decisions on the operative level (Harvey et al., 2003, p. 123).

The GA manager holds a very crucial role due to the function as major representative of the seller's organization at the customer and has therefore severe influence on the entire relationship. The role of coordinating all business activities requires the setting up a GAM team and additional support functions in accordance with the relevant global account strategy. Several factors of influence have to be considered to determine the best structure of the GAM team and assure the highest level of inter-organizational fit with the customer. All findings of the previous chapters of this thesis need to be observed for the proper positioning of the GAM infrastructure. Influenced by the customer's structure, the need for authority, cultural diversity and other challenges in GAM discussed, the structure of the seller's account management system and the specific balance of those factors have to lead to inter-organizational fit and cross-functional added value through both corporations.

5 Conclusion

GAM is a very complex approach for managing global business customers as there is no common best practice to be applied in all situations. Each decision is highly dependent on the individual customer’s circumstances. Research proves the fact of the importance of customized solutions in GAM. The following concluding words aim to summarize the findings in respect of the two research questions.

1. **What are the challenges in Global Account Management and demands on Global Account Managers from both the employer’s and the account’s perspective?**

Several critical success factors arise in GAM and their intersections create a very challenging and complex working environment for GA managers. The organizational structures and corporate strategy of global corporations are often diverse and unclear within a single organization. Conflicts of interests appear as individual or local objectives are overrated to the drawback of global corporate goals. This situation is the basic day-to-day challenge for GA managers as more difficulties derive from the problems stated. The major obstacle in GAM is facing these unfavourable conditions in two separate organizations and creating a collaborative partnership on a global level between them in which all these individual obstacles fade away. GA managers have always to consider both the customer and their own organizations to a similar degree. Over the time they will detect all contradicting drivers within the organizations due to the conflict of local versus global interest. The lack of global capabilities has to be reduced for efficient and fruitful GAM in both corporations. Restraints and resistance on the local level have to be managed by establishing organizational structures, a global corporate culture and efficient communication channels focusing on the global strategy of the key account. All measurements taken to eliminate these gaps need to be customized for each account separately. Customer specific process requirements have to be implemented within the internal organization to assure a strategic GAM approach.

A beneficiary GAM approach has its focus on a win-win situation for both parties involved. Through setting up an integrated relationship the collaboration between several business areas throughout the partnership can be assured. Hence, GAM goes beyond the sales function as efficient management of all partnership relevant activities, processes and people is necessary. For a value-add to the relationship appropriate information and communication system are required to meet the customer's need. The role of the GA manager within a modern approach is not to carry out all customer related activities but to ensure the management of all global account operations ensuring the inter-organizational fit as the ultimate aim of GAM.

2. Where are Global Account Managers positioned in the corporations' hierarchies?

As already discussed there is also no clear answer for the best positioning of GA managers within organizational structures. However, multiple factors need to be considered when setting up a GAM team and a respective GA manager. The placement of the position should be dependent on the interface to the global buyer and its internal hierarchies. The barrier in finding the best overall solution is caused by the differences between individual customers of the supplier. Organizational GAM structures have to be clear with direct reporting to top management and defined responsibilities within the GAM and local account management teams. The most essential criteria for the positioning of the GA manager in the corporate hierarchy is to give him access to all organizational functions and business areas which are adding value to the customer as the information and knowledge transfer has to be guaranteed in order to penetrate the account precisely. The strategic and inter-organizational role of the GA manager requires a strong and powerful senior management position on the global level of the organization to effectively modify internal processes and the service portfolio towards GAM excellence.

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