KEY ACCOUNT MANAGEMENT STRATEGY IN BUSINESS-TO-BUSINESS RELATIONSHIP: A PROPOSED RESEARCH FRAMEWORK

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ABSTRACT

Key account management, a supplier company initiated approach targeted at the most important customers to solve their complex requirements with special treatment that eventually ensures both parties’ financial and nonfinancial objectives, has regarded as a pressing concern of many companies’ sales efforts. Based on the extant literatures, we introduced a theoretical model highlighting antecedents and consequences of key account management performance. We theorized the conditions under which operational, organizational and relational factors influence the performance of key account management approach. In addition, moderating effect of length of relationship on the relationship between key account management performance and repeat order is also presented. We endeavored to provide theoretical and methodological suggestions to isolate a platform for future empirical research. Beyond this span, an improved understanding from this framework will help developing policies for key account management.

Keywords: Key account management performance, business-to-business relationship, social exchange theory, length of relationship, repeat order.

INTRODUCTION

Due to their strategic importance, some customers are key for supplying company in the business-to-business relationship and they are termed as key customers (Millman & Wilson, 1995). Managing these customers with a great emphasis on operational, organizational and relational factors is pivotal to ensure mutual interests. As organizations are adopting key account management (KAM) approach more and more, it is imperative for them to clearly understand which operational, organizational and relational factors are important for key account management performance and how they influence the KAM approach. Although various success factor of key account management are examined in the extant literatures (Abratt & Kelly, 2002; Sharma, 2006; Shi et al., 2010; Workman, Homburg, & Jensen, 2003), theoretical study that reveals the drivers of key account management performance and its resulting consequence in business-to-business context is scant. In response to these aspects, the present paper is endeavored to accumulate the knowledge from existing literatures on key account management performance, provide a theoretical framework that encompasses operational, organizational and relational factors for scholars to devote thinking for future empirical studies.

The remainder of this article is organized as follows. In the first few paragraphs we provided a brief review of existing literatures on key account management domain. Subsequent sections are devoted for describing the drivers of key account management performance. It follows a brief elucidation on moderating variable length of relationship. We then describe the outcome of key account management performance. The article then turns to develop and discuss our theoretical model on the basis of social exchange theory. Contributions of this study are outlined then. We organize our paper with these topics before ending the article with conclusion.

REVIEW OF THE RESEARCHES ON KEY ACCOUNT MANAGEMENT

Keeping the subject matter of the present research in mind, we now started our journey with a brief domain review on key account management that encompasses key account, key account management and key account management performance.

KEY ACCOUNT

Companies differ in paying their attention to serve those customers which have financial and nonfinancial importance. In defining key account Workman et al. (2003) mention that key accounts are those customers in a business-to-business market, identified by the selling company as the most important customers and serviced by the selling company with dedicated resources. Similarly, Pardo (1999) mentions that key customers are particularly important for the company and have a real impact on the
supplier’s strategy. This strategic importance relates to sales turnover, profitability, centralized purchasing systems, requirements of special treatment and so on (Barrett, 1986; Cooper & Gardner, 1993; Platzer, 1984; Shapiro & Posner, 2006).

Within the array of name variety namely key account, major customer, strategic customer, global customer, national account (Capon & Senn, 2010; Al-Husan & Brennan, 2009; Pardo, 1999; Weilbaker & Weeks, 1997), to maintain uniformity we are using key account as it encompasses all of these (Sengupta, Krapfel, & Pusateri, 2000).

**KEY ACCOUNT MANAGEMENT**

Account management can be seen as a practical implementation of long-term buyer/seller relationships (Gosselin & Heene, 2005) where perennial interaction takes place between seller and key account. Zupanic (2008) calls it as systematic selection, analysis and management of the most important present and future customers of the company with the set up and maintenance of needed infrastructure. Brehmer and Rehme (2009) define key account management as the organization that caters for the management and the development of the relationship in a more or less formal structure. Thus from the array of key account management definition we termed it as the supplier company initiated approach targeted at the most important customers to solve their complex requirements with special treatment that eventually ensures both parties’ financial and nonfinancial objectives (Ahmmed & Noor, 2012).

**KEY ACCOUNT MANAGEMENT PERFORMANCE**

In general performance means an efficient completion of something that comes up with expected outcomes. In marketing, performance is determined by the sales volume, profit margin and return on the investment made by the marketer (Ofek & Sarvary, 2003). In defining the key account management performance Sherman et al., (2003) term strategic (key) account management as a firm-wide initiative where firms systematically and proactively deliver strategic solutions to multiple contacts at targeted accounts with a purpose of capturing a dominant share over time. For our study we have taken performance in key account management strategy as the attainment of goals for both key buyer and seller over a long-period of time in the key account relationship.

To ensure the greater degree of key account management performance various factors and forces exert influence on KAM approach. Regarding this issue, with their untiring efforts, academicians and practitioners tried to isolate diverse factors and also suggested various drivers of key account management performance. The following sections discuss the various antecedents of key account management performance and how does key account management performance impact on the company’s outcome performance namely key customer repeat order behavior.

**DRIVERS OF KEY ACCOUNT MANAGEMENT PERFORMANCE**

This study proposes three groups of antecedent variables of key account management performance, repeat order as consequence of KAM performance and one moderating variable that can be tested in an integrated manner. Three set of antecedent variables include operational variable, organizational variable and relational variable. Operational variable includes internal alignment and perceived risks of serving key account. Top management emphasis and team effort are included in organizational variable. Finally, relational variables included in this study are supplier relational investment, perceived buyer relational investment and relational intimacy. However, in spite of the various researches on the antecedent factors of key account management undertaken, results of these studies are inconclusive, and tend to differ across different marketing environment in terms of their impact on key account management performance (Al-Husan & Brennan, 2009; Kempeners & Hart, 1999; Pardo, 1999; Tsai & Chen, 2008; Wengler et al., 2006) and in response to fill these gaps, this study is an attempt to investigate the antecedent factors of key account management performance and repeat order as its consequence.

**OPERATIONAL FACTORS**

Operational factors are those factors that include the systems, procedures and routines of the organizations which have been linked to facilitate operations. McDonals et al. (1997) explore that the scope of key account management is widening and becoming more complex and to realize the critical benefits and opportunities for profit enhancement, skills of professionals involved in it at strategic and operational levels need to be constantly updated and developed. This study focuses on internal alignment and perceived risks in serving the key account as potential antecedents of key account management performance.

**INTERNAL ALIGNMENT**

Sisco and Wong (2008) define internal alignment as the set of commitments, strategies, policies, procedures, systems and behaviors that support integrated customer decision making based on suppliers’ commercial and ethical commitment and performance. It focuses on the similarities and differences among jobs within an organization and relative contribution of jobs to organizational objectives and tries to make a strategic fit among various layers (Kathuria et al., 2007). O’Regan and Ghobadian (2004) conclude that when a fit is obtained between generic capabilities and strategic planning the resultant organizational performance is at a higher level and Ojasalo (2001) mention that operational and strategic capabilities are essential elements for key account management performance. Thus, people feelings of obligation to common goals and to each other in the key account management team (Workman et al., 2003) and multiple relationships and an appropriate fit with the firm’s strategy and market environment (Jones et al., 2005) contribute to the issue of internal alignment in key account management and influence the performance of key account management approach (Guesalaga & Johnston, 2010).
PERCEIVED RISKS

Perceived risks of serving key account can be defined as the risk of achieving and/or not achieving forecast business or revenues from the key accounts and risk of unexpected events in ongoing business that would result in unforeseen costs being incurred by the supplier (Woodburn, Holt, & McDonald, 2004). These risks include hidden and apparent risks; internal and external risks; financial and nonfinancial risks and simple and complex risks (Piercy & Lane, 2006; Ryals, 2006; Smith, 2009; Woodburn et al., 2004). Piercy and Lane (2006) identified organizational strategic weakness, uncertainty in long-term profit from key accounts, misunderstanding about customer relationship requirements, misreading customer loyalty and challenging competition regulations as the key risks in key account management. Ryals (2006) termed that financial risk as the most common form of risk in the key account relationship context. Cardozo et al. (1987) discuss opportunity loss risk relating to key account management, meaning the risk that by concentrating scarce resources on a few key customers other customers may receive less attention which may susceptible to competitive action and customer prospecting may be neglected that will lead to lower growth of the customer base (Al-Husan & Brennan, 2009).

ORGANIZATIONAL FACTORS

This study focuses on top management emphasis in the key account management program and team effort as potential antecedents of key account management performance. Individual discussion on each variable is given below.

TOP MANAGEMENT EMPHASIS

In key account management program, top management emphasis is defined as the extent to which senior management participate in the key account management program (Homburg et al., 2002). Salojarvi et al. (2010) mention that in the context of key account management the importance of top management involvement has been extended across functional borders because they are needed to empower the managers sufficiently and also to strengthen cross- organizational commitment to the program (McDonald et al., 2003; Workman et al., 2003). Hambrick and Mason (1984) explain that organizational outcomes whether strategic choices or performance levels are partially predicted by managerial background characteristics and organization is a reflection of its top managers. Napolitano (1997) mention that making the key account program success supports from senior management must come in the form of availing the needed resources and equipment and must play key role in securing business unit management support for the program . Atanasova and Senn (2011) explain that in particular, support in the form of resource allocations and public recognition of the global customer team efforts conveys the importance that senior management attributes to the global account management initiative and is pivotal for overcoming potential resistance or power struggles within the firm that impact positively on the key account management performance, enhances internal and external collaboration, reduces conflict and enforces a more proactive approach.

TEAM EFFORT

Team effort is defined as the extent to which teams are formed to coordinate activities for key accounts (Workman et al., 2003). Team selling is more likely when (1) the customer faces a first-time buy of a complex product, (2) the information needs of the customer are great, (3) the account requires special attention, (4) a number of people are involved in the decision to buy (e.g., a buying center), (5) the potential sale is large for the selling firm, (6) the product is new to the key account manager’s (KAM) product line, and (7) the complexity of the selling firm’s portfolio of products and services surpasses an individual’s cognitive threshold (Jackson et al., 1999). As customers are becoming more complex and heterogeneous and expect increasing levels of service (Moon & Armstrong, 1994; Workman et al., 2003) it is necessary for the marketer to have some mechanism that includes the needed specialization to serve these increased demand which refers to the team selling situation.

In explaining the benefits of team effort, Weitz and Bradford (1999) assert that the use of sales team has the potential to increase sales by improving the offering provided to customers thus increasing the key account management performance. Thus to realize the benefits from team effort members should have an interest, experience, and stake in the issue at hand, avoidance of political game, avoidance of leaders discretion to invite unnecessary individuals into teams to earn favors and making a synchronization as team members have their own responsibilities to perform (Parthasarathy, 2006) are necessary.

RELATIONAL FACTORS

In addition of dealing with the various operational and organizational factors, management faces a variety of relational factors which impact on the performance of key account management strategy. Relational factors are those variables that act as successful predictors of relationship performance (Wilson, 1995) with the key account customers. This study incorporates marketer relational investment, perceived buyer relational investment and relational intimacy as antecedent variables of key account management performance.

MARKETER RELATIONAL INVESTMENT

Supplier’s relational investment can be defined as the assets that supplier invest and utilize to create a competitive advantage (Sharma, 2006) that are idiosyncratic in nature. In describing this investment, Anderson and Weitz (1992) mention that
idiosyncratic investments are those investments which are specific to a channel relationship. They are difficult or impossible to redeploy to another channel relationship; therefore, they lose substantial value unless the relationship continues. Within the supplier’s relational assets, some are transferable and others are not transferable but help in building the key customer relationship. Pillai and Sharma (2003) state that suppliers have two different but closely related and equally important types of relational assets namely non-transaction oriented assets and transaction oriented assets. Heide and John (1988) mention that transaction-specific investment (assets) includes human and physical assets (tangible and intangible) which are required to support the exchange between buyer and seller and they are specialized to the exchange relationship.

In line of supplier relational investment, Anderson and Narus (1990) and Heide and John (1988) view that on the way of developing the long-term relationship with customers, transaction-specific investment creates buyer’s dependency on the supplier. Whereas other suppliers can invest non-transaction specific assets to obtain the buyer’s business, transaction-oriented assets are harder to duplicate (Porter, 1985) and both these assets create buyer dependence (Pillai & Sharma, 2003). When buyers show their dependence on the supplier then it help to push the key account relationship performance and achieve the desired goals (Frazier, 1983; Ganesan, 1994).

**PERCEIVED BUYER RELATIONAL INVESTMENT**

Perceived buyer relational investment can be defined as the perceived magnitude of the investment in relational assets that would be lost or no longer useful if the relationship were terminated (Rusbult, 1980). Similarly it is the investments the buyer electively incurs to build and maintain the relationship in anticipation of future exchanges (Lund, 1985). When buyer’s investment takes place in the relational arena then the performance of key account programs is fostered (Sharma, 2006) and develops credible commitment between the parties involved (Blau, 1964; and Cook & Emerson, 1978) and eventually supports continuing exchange with supplier. Williamson (1985) mention that a lock-in situation is created when the deployment of mutual specific assets taken place, because both the parties are exposed to risk and opportunistic behavior (Burki & Buvik, 2010). This symmetric deployment of specific assets develops balanced dependence structure that serves the interests of both parties and also preserves the relationship (Buvik & Haugland, 2005) and eventually key account relationship performance is ensured.

**RELATIONAL INTIMACY**

In marketing, relational intimacy brings buyers and sellers together in a common cause or emotion and sustains the key account relationship. Relational intimacy can be defined as the investments of time and energy that produce positive interpersonal relationships between the partners (Perry et al., 2002). It is a relational tool that includes familiarity, friendship and personal confidence and this bond built through the exchange process (Rodriguez & Wilson, 2002). Thus, relational intimacy or bonding has been considered as important component of relationship marketing orientation (Wetzels et al., 1998; Sin et al., 2005; Eisingerich & Bell, 2006) which helps the long-term survival of key account relationship (Sharma, 2006).

In the key account relationship greater commitment is required to ensure the greater performance of key account management approach and relational intimacy leads to a greater commitment to maintain the relationship between buyer and seller (Wilson & Mummalaneni, 1986; Yim et al., 2008). In this regard, Sharma (2006) states that strong personal relationship generates the relationship-sustaining factors like trust and commitment. Sharma (2006) explains that a large number of key account relationships are sustained through strong social and personal bond that means through relational intimacy between buyer and seller personnel.

**MODERATING ROLE OF LENGTH OF RELATIONSHIP**

Length of relationship means the duration that the relationship between the exchange partners has existed (Palmatier et al., 2006) and how the parties regard each other as they pass through various phases (Dwyer, Schurr, & Oh, 1987). The study of Palmatier et al. (2006) uses relationship age or length, continuity and duration with firm or salesperson as common aliases. Shi et al. (2010) define relationship continuity as the focal supplier’s belief that the relationship with the key account customer will continue for a long time. Length of relationship between buyer and seller in the key account relationship let them to know each other and facilitates both parties to interact frequently on various issues like knowledge exchange, making adjustment as necessary for mutual benefits and so on.

Social psychology literatures clarify that individual in early stages of a relationship have been found to have less confidence in their evaluation of their partners than in later stages of that relationships (Swann & Gill, 1997). Verhoeef, Frances and Hoekstral (2001) state that this is because the effect of such evaluations on behavior in later stages of relationships enhance. In this regard Bolton (1998) and Rust et al. (1999) argue that this same process might also hold for customers’ confidence in their satisfaction judgments as an outcome of KAM performance. Wagner (2011) mentions that the nature of buyer-seller relationship is dynamic where relationship life-cycle might moderate the relationship between supplier development and firm performance in the buyer-seller relationship dyad. He also states that future research could either use objective measures of relationship length or subjective measures of relationship life-cycle in order to account for the dynamic nature of the buyer–supplier relationship in studies on supplier development practices and its effects on performance.

**CONSEQUENCE OF KEY ACCOUNT MANAGEMENT PERFORMANCE**

In our study we introduce repeat order as the consequences of key account management performance. Repeat order refers to the continuation of purchasing goods and services from an organization (Molinari, Abratt, & Dion, 2008) by key account customer.
Through the performance of key account management approach suppliers can be more aware about the customer’s requirements and able to meet those requirements with more customized attention that eventually ensure the repeat purchase. In this regards Boles, Barksdale and Julie (1997) explore that when a supplier retains a customer it make it easy to ensure more business from buyers and it also allows the supplier to serve a customer better and, perhaps, increase sales to that account.

Theory of reasoned action suggests that if a buyer receives superior service, increased salesperson attention to their needs and best prices, the positive intentions toward continuing to do business with this salesperson and firm will increase (Ajzen & Fishbein, 1980). It implies that key account management performance impact on the customer satisfaction levels that expressed in the form of repeat purchase from the suppliers and make the relationship linger. Because anticipated levels of performance is likely to have an important effect on the stay-or-leave decision (Jackson, 1985; Levitt, 1981). Similarly Kellerman (1987) has identified “anticipation of future interaction” (repeat order) as an outcome goal of dyadic encounters. Hence buyers’ likelihood of future repeat order behavior is predicted by the performance of key account management strategy properly. Homburg, Giering and Menon (2003) argue that, in general, if a customer’s expectations for the required attributes are met by the seller, the customer will be less likely to search for a replacement alternative, thus ensure repeat purchase.

CONCEPTUAL FRAMEWORK OF THE STUDY

Based on the abovementioned discussion, an integrated framework on key account management performance is developed. The basic assumption of the model is that some key independent factors act as drivers for key account management performance and at the same time key account management performance is proposed to have a significant positive impact on the key account’s repeat purchase behavior. The following figure 1 depicts these relationships and follows a brief discussion from the context of social exchange theory.

Figure 1: Antecedents and consequences of key account management performance.

The framework is based on the social exchange theory (SET) that was developed to understand the social behavior of humans in economic undertakings (Homans, 1958). The main assumption behind social exchange theory is that actors behave in ways that increase outcomes they value positively and decrease those they value negatively in the relationship (Rodriguez & Wilson, 2002). Social exchange theory considers three core components namely outcome, comparison level and comparison level of alternatives (Thibaut & Kelley, 1959).

In practice, supplying companies serve the key account customers with their best efforts in the form of better quality products, investment in relational assets, intra-organizational coordination and others in an implicit anticipation of maximizing revenue earnings, development of trust and commitment for better relationship, sharing valuable information, reduction of conflict and so on. If companies do not expect to get these benefits from the key accounts to justify the time, energy and money they spent, they are less likely to willingly take part in the social exchange by helping the key account customers. It is evident that companies have no guarantee that the key accounts will reciprocate as expected. It is a matter of supplying companies’ believes in the key account customers’ business continuation intentions. If key account customers justify these believes by reciprocating as expected in the form of repeat order, the reciprocity is likely to lead to ever expanding social exchange between the two. On the other hand failure to do so will be treated as a social offense and will probably lead to reduced future social exchanges between the two (Blau, 1964).

The main parts of this study discussed up-to now are (i) the major three antecedent categories combinedly influence firm’s key account management performance; (ii) key account management performance exerts significant influence on key account customer repeat order behavior. The following sections discuss the contributions of the study and it follows a brief discussion on future research directions.
CONTRIBUTION

From the study several implications can be forwarded. Firstly, we have categories three classes of antecedent factors that impact on key account management performance. First category is operational forces including internal alignment and perceived risks of serving key account. Second category is organizational factors including top management emphasis and team effort. Third category is relational factors including supplier relational investment, perceived buyer relational investment and relational intimacy. Individual influence of these categories helps us to uplift our knowledge about which variables influence key account management performance in which ways. Secondly, we introduce repeat order as the consequence of key account management performance. As from the literature we came to know the dyadic benefits of key account management performance, inclusion of repeat order as the consequence is providing us a new horizon of thinking for KAM performance. Thirdly, showing length of relationship as moderating variable between the relationship of key account management performance and repeat order is another new dimension of exploration. Fourthly, the theoretical framework that is provided created a plate form for future empirical studies. Fifthly, this study also sheds light to the application of social exchange theory (SET) in the context of key account management approach where ‘relationship’ acts as governing mechanism between key account and supplier company.

In addition, several managerial implications are common with this study. Firstly, in applying the key account management approach at the organizational level, management should have the knowledge about which factors influence this approach. From the clear discussion provided here, they can get a clear understanding about the impact of these factors. Although these factors are not all inclusive, management should be vigilant in applying and depending on these variables. Because the context in which they are working is different from one case to another. Secondly, cooperative and coordinate actions can be promoted to avoid uncertainties and realize dyadic outcome.

FUTURE RESEARCH DIRECTION

Based on the theoretical framework, several future directions can be forwarded. Firstly, although we arrange three categories of variables influence on key account management performance, we don’t know which variables exert more influence than other. Thus future empirical research can find out this phenomenon and provide the evidence for more or less influencing variable which are critical for management for decision making in this regard.

Secondly, in our study we were unable to incorporate all probable variables that influence the key account management performance. So, future research should include more antecedent variables to test their impact on the key account management performance. Thirdly, in addition testing the model with the presence of control variable can be a new research direction. Fourthly, as person’s wants and behavior is directly influenced by culture, future key account management research should consider this dimension.

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