

# **Organising for key account management**

**Research in action**

Diana Woodburn, 2009

## Acknowledgments

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### Introduction

Warwick Business School's Strategic Sales and Customer Management Network was founded in April 2005, to explore new approaches to customers, and their implications. The reshaping and transformation of the traditional salesforce is one of the major areas which the Network addresses, and dealing with large, demanding customers through key account management is another.

The Network facilitates focused action research sessions as part of its development of knowledge in these areas. Members choose a topic of concern to them in which they feel there is a shortage of understanding or of material to apply to it, and work together to explore it and develop ideas and tools around it.

The internal issues in key account management (KAM) constantly frustrate companies trying to develop their KAM capability. Restructuring is a common approach that has proved unsatisfactory for many companies. If restructuring failed, was it making the transition that failed, or the new structure? What kind of structure is best for KAM? This project set out to understand how KAM should be organised internally in order to optimise its implementation.

A group of practitioners from a variety of sectors with mixed experience of KAM considered these issues through 2007 and 2008. The work of the group, facilitated by the author, has been developed and summarised in this report, in order that other companies can better understand how to (and how not to) design their organisations to deliver their KAM objectives. Participants had two key questions to which they wanted answers:

- What does a good KAM organisation look like?
- How do we get there?

The report addresses these questions in four sections:

- A. Organisational structure
- B. KAM teams
- C. Development of the KAM organisation

The last section provides a framework that describes a KAM organisation at significant points in its transformation to an effective key customer facing state, which companies can use to assess where they are now, and how they need to change to reach a best practice position. The chart at the end will help companies identify their overall position and elements on which they particularly excel or need to improve.

In order to explain some concepts in this report, illustrations have been used which were previously published in 'Key account management: The definitive guide' by McDonald and Woodburn, Butterworth Heinemann, 2006.

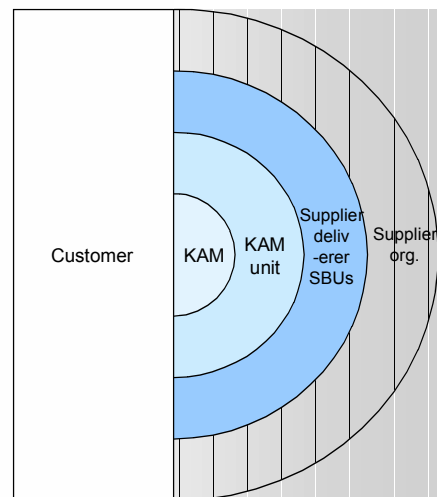
## A. Organisational structure

### A.1 Requirements of a KAM organisation

#### KAM in the supplier organisation

Suppliers setting out to determine an organisational structure for KAM have a number of areas to consider. Arguably, the overriding principle in design should be matching the needs and structure of the customer but, perhaps because of the variation on the customer's side, more internal concerns seem to take over. The main focus and, probably, greatest area of difficulty is how key account managers relate to and work with the rest of the organisation, particularly with those parts of the company that deliver the promises that key account managers make. Figure 1 illustrates the areas that are all involved in the organisational structure for KAM.

**Figure 1: Structures in organising for KAM**



#### Factors affecting KAM structure

There is no single approach to how best to structure these areas in relation to each other. A number of factors could affect the structural design, although probably not, members of the group thought, the supplier's sector (members themselves came from very different sectors). They did, however, identify other factors that were expected to have an influence:

- Scale and complexity of the business
- National or global key customers
- Boundaries to be crossed, both internal and external
- Length of the sales cycle
- Skill set of key account managers/salespeople

## Linking key account managers with deliverers

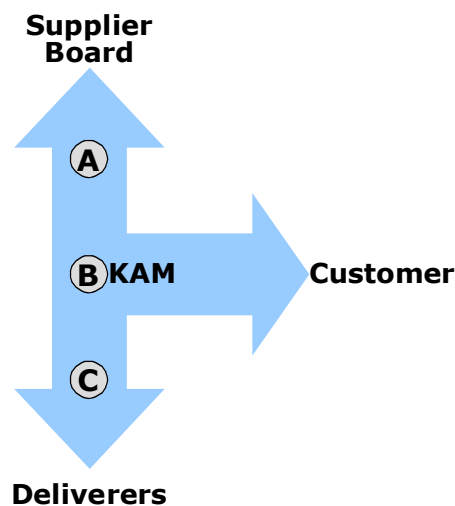
A crucial 'boundary' occurs between the key account manager's function or host company and deliverer functions or strategic business units (SBUs). Geography is not necessarily critical to a key account manager's activities, so they can operate independently and separately from regional considerations. In contrast, geography is almost always important in delivery. Few, if any, companies have separate delivery for key customers: practical economics do not allow it. So all key account managers must have effective links with the deliverers in the company, as well as with the customer and senior managers. They will have to:

- represent the customer's needs to the deliverers e.g. the countries
- represent the deliverers to the customer
- represent the customer to senior management

Figure 2 shows the positioning of the key account manager conceptually, including three possible positions of the key account manager (and therefore the customer):

- A: close to senior management, but distanced from deliverers
- B: equidistant between senior management and deliverers
- C: close to deliverers, distanced from senior management.

**Figure 2: Positioning of key account managers**



The key account manager and the customer are linked together, so the customer's entry point to the supplier organisation is at a higher or lower level depending on where the key account manager is positioned. A strategic customer expects to be positioned at a level in the business that gives access to the Board, so that is where the key account manager needs to be. Less important customers will be satisfied with a lower level of representation. It follows that there needs to be more than one level in an organisation at which account managers operate.

## **The ideal KAM structure**

The characteristics of the ideal structure for KAM make a good starting point for exploring which organisational structures are more or less supportive of KAM. The group agreed that a KAM organisation should have:

- Very flat structure
- Reach/representation at Board level
- Formalised communication/engagement structure
- Flexibility depending on the customer
- Key account manager linked horizontally across organisation and vertically through sales
- Specified and shared business strategy and objectives
- Carefully constructed rewards and recognition

The following sections show how companies translate these concepts and requirements into a real organisation.

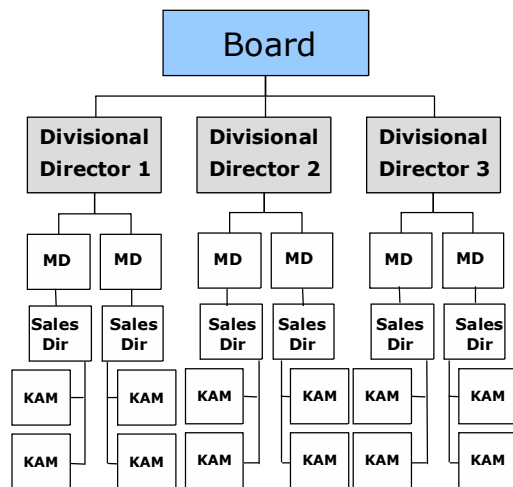
## A.2 KAM in existing structures

### Positioning in traditional structures

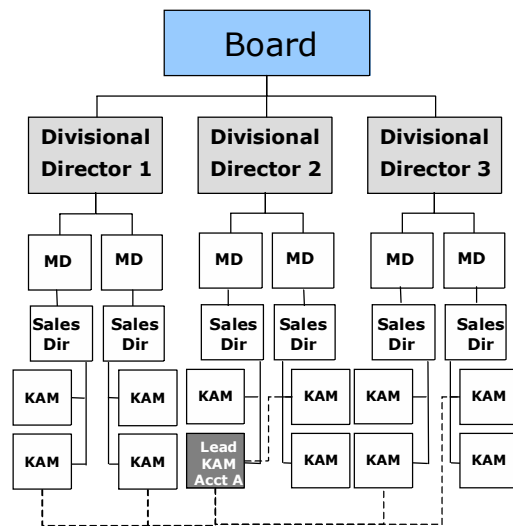
All structures in companies of any size carry with them intrinsically anti-KAM features, some of which are identified in this report, so companies will have to choose the structure that seems the least unhelpful rather than an ideal. That does not mean, however, that all structures are equally good for KAM: there are forms of organisation that make KAM particularly difficult.

For example, multi-level military-type hierarchies where key account managers have numerous layers between them and top management (see Figure 3) are not popular with key customers, who see the key account manager in this kind of structure as having very low levels of seniority, influence and decision-making power, which is probably true. Customers also want a 'single point of contact', and in these organisations the key account manager is not empowered to speak for other divisions in the company from which the customer might also purchase, and has to refer discussions to another key account manager.

**Figure 3: Multi-level hierarchy**



**Figure 4: Adding 'lead' key account managers**



### 'Lead' key account managers in traditional structures

Companies often attempt to deal with the issues around such a divided view of the customer within their existing structure, by adding 'dotted line' reporting, as in Figure 4, with the appointment of a 'lead' key account manager to co-ordinate with others. The 'lead' is normally positioned in the division that already does most business with the customer, because the existing relationship is seen as a deciding factor. The chart shows an example of one lead key account manager but, in reality, there would be at least several more, and then the picture becomes very complex and difficult to manage. Key account managers in such situations generally have limited empowerment, and are trying to operate a difficult model from a relatively weak position.

Some companies felt this arrangement kept the key account manager closer to business reality: but it is also a difficult way of managing the customer which is

heavy going for the key account manager and has very variable degrees of success, depending on how well the company works with cross-boundary teams.

**Table 1: Advantages and disadvantages of lead key account managers**

<b>Advantages</b>	<b>Disadvantages</b>
Improves communication and co-ordination	Does not deliver genuine integration, sub-optimal for customers
Keeps key account managers close to delivery, keeps them 'real'	Key account manager promotes home business more strongly: works in comfort zone, responds to 'home' senior management
Does not disturb current structure in the rest of the company	Not good for growing new business from other divisions, maintains status quo
Aligned with current role and competencies of key account managers	Limited empowerment, hard to operate, involves constant, difficult internal negotiations
Flexible	Complicated, difficult for others to understand and work with

One company sought to operate in this way and deal with some of the disadvantages by:

- Selecting the lead key account manager from the division with the greatest potential opportunity, not from the one with the most business currently.
- Incentivising key account managers to offer propositions from other divisions (seems obvious, but quite commonly key account managers are incentivised only by the home business, and are therefore effectively disincentivised to extend the business to other divisions).

One company that had tried this approach had experienced a number of issues with it:

- 'Lead Key Account Manager' not an acceptable title, unlike Key Account Manager, National Key Account Manager, or International Key Account Manager
- Resentment from colleagues not chosen to take 'lead' positions.

### **Empowering key account managers**

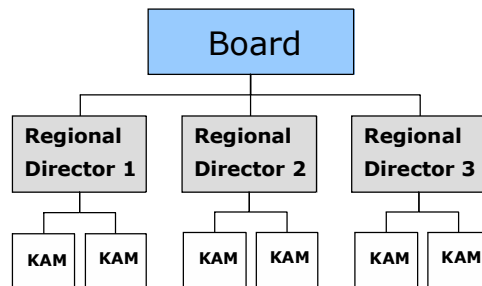
The crucial issue is the key account managers' degree of empowerment, especially outside their home organisation. Some companies are good at cross-boundary team working and have empowered their key account managers sufficiently to make this approach genuinely effective. However, while the model may work in other situations, like project management, the majority of companies struggle to make this model work well enough to meet the expectations of key customers.

The same issues occur in supplier organisations with strong regional organisations, which are also unfriendly to collaborative KAM. The situation can be improved by elevating the key account managers in the hierarchy (see Figure 5), but the application of internal geographical boundaries, normally strengthened



by financial targets, will give rise to most of the same problems. These matter when the most important customers operate in more than one supplier-defined region, or if the customers are even beginning to cross boundaries: self-imposed supplier boundaries can irritate customers and potentially delay their expansion.

**Figure 5: Regional structure with more senior key account managers**

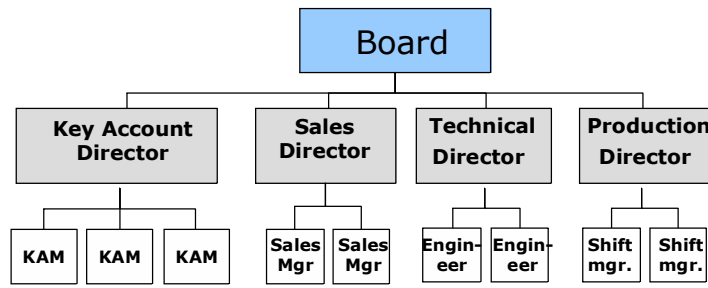


## A.3 Structures adapted for KAM

### KAM units

Companies with a single product division operating in one country with national key accounts can organise themselves for KAM more easily than multi-nationals and multi-product companies. They can more readily change to the structure shown in Figure 6, where key account management operates as a unit one level removed from the Board. This structure minimises internal boundaries and reduces the distance between the board and the key account manager representing the customer: in some cases key account managers are part of the board/senior management team reporting direct to the MD, without an intervening director level. However, such simple companies are increasingly rare among the kind of organisations that practise serious KAM. One UK professional services company still had a regional structure plus seven service areas, each with its own profit and loss account.

**Figure 6: Simple KAM structure**



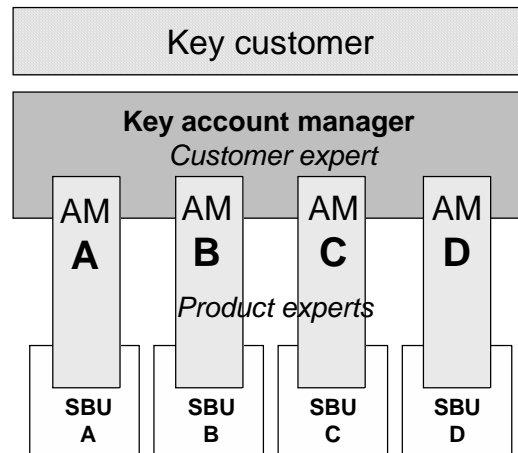
### KAM in matrix structures

Alternatively, companies operate a matrix structure, preferably with two dimensions reflecting both product/service and customer requirements. Most companies need to operate with a strong structure around their products/services, in order to achieve and maintain excellence in what they offer. For a similar reason, to maintain excellence in how they offer it, they also need a strong structure around their customers, particularly their key customers. When suppliers operate a third, geographical axis as well, one or two axes generally emerge as stronger than the others, and it often appears to be the customer dimension that is weakest.

One company was working on achieving the matrix organisation shown in Figure 7, in which the key account manager dealt on an equal footing with all product divisions for the key customer (not across the whole world, but at least in Europe, which represented the bulk of its operations).

### Figure 7: Matrix organisation

(AM = Account manager: SBU = strategic business unit)



Some companies were concerned that key account managers in this position might become divorced from daily operations and lose touch with the real 'tangibility' of the business. One supplier decided that a global remit was too far away from the ground, and that regional key account managers were the best compromise for its business. It may or may not be inevitable that as the position gets closer to the customer it gets further from operations, but it would be wise to take very definite action to stay sufficiently in touch with both.

Because the key account manager needs to pull activities together across the company, any structure will have its shortcomings. Ideally, the organisation should be flexible enough to mirror the customer's organisation, but companies struggle with managing the complexity and general untidiness of such a variable approach.

## **A.4 Key Account Manager roles**

### **Positioning the KAM role**

Whether companies choose to operate KAM within their existing structure or change the structure more radically to reflect the needs of the customer, there are implications for the role of the key account manager that should receive careful consideration. However, the impact on the role may be somewhat different depending on which kind of structure the supplier is trying to apply.

Traditional sales departments have sales management positions which seem to be clear and accepted, but KAM and its career pathway are relatively new, and companies do not seem to have given enough thought to what a career in KAM might look like, how it fits the current set-up and how progress is made. However, in traditional structures the position may still be seen as a sales role and pegged at quite a low level which, given the difficulties and stresses of the job, can make it quite unattractive.

The organisation needs to think about scales and appropriate remuneration for positions like key account manager, national account manager, lead account manager etc., so that people understand and are motivated to work through the ranks. We have seen that key account managers are often allocated to key customers according to their existing relationship, sector knowledge, or even where they live; not necessarily according to their level of seniority or competency. A problem then arises when they are effectively promoted to 'lead' key account manager because they are the 'owner' of a relationship that has been rather arbitrarily allocated in the first place.

As key account manager becomes more of a management position, it needs to be benchmarked against other jobs in the company as well. Potential key account managers will be watching carefully to see at what level these jobs are really pitched. Companies need to consider the value and difficulty of the KAM positions they offer relative to other jobs both inside and outside the sales function.

### **Product v customer expertise**

The matrix structure acknowledges that no individual can span the range of knowledge required to develop an active key customer's business, and allows differentiation of roles between participants in the team addressing the customer, as shown in Figure 7. This kind of structure has important implications for the roles of the players in it.

- The key account manager cannot maintain leading-edge expertise across all the products/services that the customer could potentially buy from most large suppliers.
- The key account manager's role is to become a professional expert in the customer and the customer's business, and to use that understanding to the benefit of the customer, the supplier and the supplier's account team.
- Since the key account manager is covering customer expertise, that part of the account manager's role becomes largely redundant, but they need to take up and strengthen their product expert role.

Key customers expect in-depth understanding of their business (from the key account manager) with sufficient product knowledge to summon product expertise when it is required (when the business-orientated contacts will probably

field their own experts anyway). Unfortunately, the product-SBU based account managers are often unwilling or unable to take up the role of product expert, and therefore fight to retain their traditional position with the customer. That leaves the supplier over-staffed with amateurs and under-staffed with product/service specialists.

## A.5 Structural distance

### Flattening the structure

If the key account manager has to plough through many layers of management to communicate and influence as necessary, the mission will suffer. The best KAM structures seem to be those that have the minimum number of layers between the key account manager/customer and the people they have to reach. The key account manager must link the customer's needs to the Board and to the deliverers, and organisations can facilitate these links by:

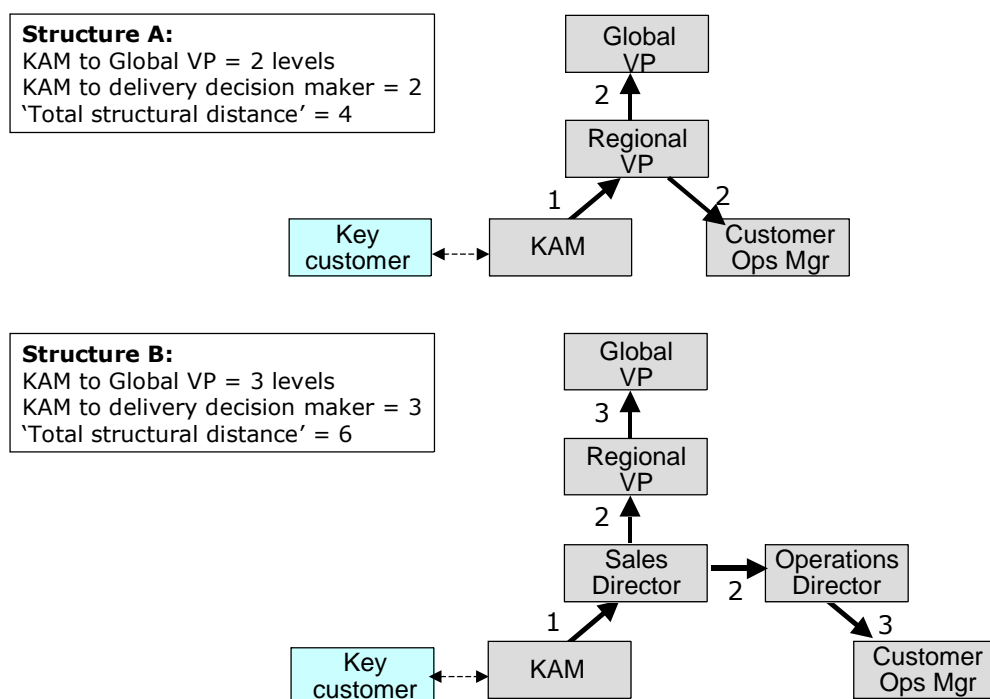
- flattening the structure so the layers are few anyway
- positioning the key account manager outside the regular organisation and providing special access to senior people in it, so they bypass layers of management.

We identified a concept of 'structural distance' in an attempt to express the distance placed between the customer and the supplier organisation in different structures.

### Measuring structural distance

Structural distance was defined as the total of the number of layers of management required to reach senior management on customer issues, plus the number of layers of management required to reach delivery decision-makers. Figure 8 demonstrates how the concept works.

**Figure 8: Structural distance**



Key customers want to stay close enough to delivery on the ground to ensure that it works for them, and they want to be close to the supplier's Board too: lack of access to the Board sends a negative message. So the concept of structural

distance seems to be valid for key customers, and minimising it must be important.

Nevertheless, while structural distance worked as a concept, attempts to quantify it were difficult. Key customers usually involve more than one supplier offer (e.g. supplies, technology, research; or products), more than one country, and often more than one SBU, and counting levels becomes difficult and not sufficiently meaningful in such complex relationships.

It was concluded that suppliers should look at the structures they propose for KAM and consider whether they meet customer expectations of 'total structural distance'. However, unless the relationship and number of entities involved is relatively simple, it will be hard to quantify, but the idea of minimising structural distance through compacting, eliminating or bypassing levels of management is very worthwhile.

## A.6 Organisational boundaries to KAM

### Boundaries as barriers

Formal structures create boundaries between people by defining separate groups of people and allocating individuals to them. Many companies further reinforce the boundaries caused by defining groups by giving them different targets, like sales revenue, profit & loss or productivity.

Boundaries are unhelpful in KAM because business with a key customer is likely to span a number of areas, and key customers, even though they may have similar issues in their own company (or even because they have similar issues) are impatient with the delays, debates and restrictions that are driven by the supplier's boundaries. Suppliers should be aware that, unless they have really integrated their organisation, these boundaries get in the way of doing business and cannot be hidden indefinitely from a closely-engaged key customer.

For example, if a key customer were opening a new facility in another country and wished to receive the same products as in their current facilities, they would generally want to discuss terms, timing, quantities etc with their key account manager. However, the key account manager may have no authority to discuss these matters outside his/her home country, so the customer has to start all over again to build an understanding with a new key account manager, which is irritating and time-consuming, and may not have a similarly satisfactory outcome. Or, not much better, the new country stays behind the scenes and passes messages to the key account manager, who relays them to the customer, but cannot discuss them or influence them. Not only do boundaries annoy the customer, they also hinder the key account manager's acquisition of knowledge about his/her own business, which is also important for the customer.

### Cross-boundary team-working

Successful KAM requires effective team-working across boundaries. Any formal organisational structure contains boundaries, by definition, but they can be minimised by:

- reducing the number of boundaries
- encouraging cross-boundary collaboration.

Minimising boundaries involves the co-operation of the managers and the individual key account managers concerned. However, sometimes it seems that both constituencies are trying to strengthen boundaries, not dissolve them, and it is worth considering the reasons why, if those tendencies are to be overcome.

**Table 2: Reasons for creating boundaries**

<b>Management</b>	<b>Individual</b>
Creation of internal competition	Self-interest
Internal communication and engagement	Poor information, unchallenged assumptions
Territory, power base	Tribal nature
Transparency	Tunnel vision
Simplicity, manageability	Simplicity, security



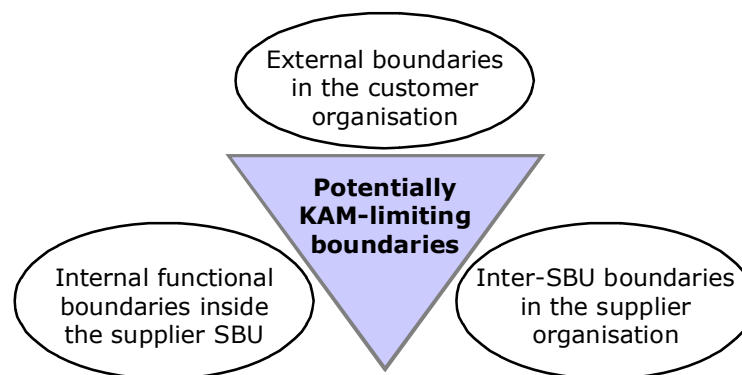
It is important to recognise the reasons why people create and protect boundaries if companies are to have any success at reducing them or working across them. Most companies report that they have major issues in this area, but efforts to tackle the issues are weak or ambivalent. People often feel insecure without boundaries, so perhaps companies need to consider offering an alternative kind of security, if this one is to be removed.

### Three types of boundary for KAM

Boundaries in KAM can be identified in three areas, which have different characteristics and issues attached to them, as shown in Figure 9:

1. External boundaries in the customer organisation
2. Internal functional boundaries inside the supplier SBU
3. Inter-SBU boundaries in the supplier organisation

**Figure 9: KAM boundaries**



#### 1. External boundaries in the customer organisation

The customer's boundaries were not considered problematic: key account managers are used to working with them. However, they often report that different parts of the customer do not seem to talk to each other, which is a symptom of customer boundary issues that can certainly be unhelpful.

#### 2. Internal functional boundaries inside the supplier SBU

These boundaries were deemed manageable, but effort was still needed to mitigate them: they are of fundamental importance in supporting KAM and actually delivering to key customers, whose requirements go beyond the standard sales department response. However, response needs to be co-ordinated: where there are multiple 'owners' of leading products or markets and no global overview of the customer, the company is in danger of making serious errors in selling, finance, risk assessment etc. Furthermore, where functions are responding to key customers independently, suppliers can unintentionally expend a lot of resource on the customer. Issues with functional boundaries may arise because of:

- the function's physical location, if it is not readily accessible to the key account manager
- key account managers' poor briefing skills, so the function does not understand the situation

- the function's lack of understanding on how to respond differently
- key account managers' poor understanding of how the function works and what it can be done differently
- functional team members' 'dotted reporting line' to the KAM, with varying degrees of commitment
- key account managers' competing for functional time and attention
- confusing variability of key customer needs.

The solutions to each of these issues are fairly obvious. Success lies in constant, persistent, unremitting implementation rather than revolutionary ideas. Senior managers, functional managers and key account managers will all need to be involved:

- developing their own understanding of others' capabilities
- internal selling of the importance of key accounts and cross-functional support
- developing customer interaction as a desirable part of the job
- rewarding functions for customer interaction
- sharing of best practices
- constant communication - of the situation and the strategy for each key account, new internal capabilities, problems and opportunities.

If the management invests enough care and time, internal functional boundaries can be overcome, and some companies have been very successful: the more intractable issues occur between supplier SBUs.

### **3. Inter-SBU boundaries in the supplier organisation**

Integrating with other SBUs in the same company so that the customer buys more from the supplier is one of the most important positive benefits of KAM. Unfortunately, it is also one of the most difficult to achieve, not because the customer does not want it - often they do - but because of disputes over ownership of the prize inside the supplier. Buying more products, knowing more people, gaining more benefits and delivering more profit all build the relationship between the two organisations as a whole, and yet squabbling and ignorance of each other frequently defeats the strategy.

The way that the Board drives the numbers through the business lies behind the problems. Where Managing Directors are congratulated, promoted and financially rewarded entirely according to the financial performance of their own SBU, they have no incentive to contribute to the success of any other SBU, and have every reason to apply their resources only for the benefit of their business. If the Board is genuinely committed to key account management, it should:

- recognise the inconsistencies and conflicts between its words and actions
- be more flexible and clever in the way results are allocated
- include other performance measurements with significant weight in the MD's assessment and rewards, e.g. on key customer performance.

Some companies are excellent at 'slicing their numbers' in alternative ways: by product, by SBU, by customer, by revenue, by cost. They use multiple ways of allocating the results, whereas some companies can only handle one way of presenting results, which only poorly reflects the interdependence of business today. These allocations can be made for analysis, in order to give understanding, and another way for rewarding people. Companies are understandably cautious about double rewarding, but where more people have genuinely contributed to achieving a result, then perhaps the rewards should recognise that contribution by being distributed more widely, albeit at a lower ratio than when one individual gains it all.

While there are strong positives for the business in crossing boundaries to address the customer through more than one SBU, there are some very significant negatives for the individual, and boundary-crossing is unlikely to happen unless those disincentives are tackled.

**Table 3: Crossing SBU boundaries**

<b>Drivers, for the business</b>	<b>Barriers, for individuals</b>
<ul style="list-style-type: none"> <li>• Customers dislike supplier silos</li> <li>• Integrated offer more powerful and potentially more differentiated</li> <li>• Improves knowledge of and actual company capability</li> <li>• Increases size of prize/opportunity</li> <li>• Increases customer commitment</li> <li>• Sharing market/customer intelligence and insight</li> </ul>	<ul style="list-style-type: none"> <li>• Other SBUs not understood</li> <li>• Poor ability to share</li> <li>• Squabbles over ownership of gains</li> <li>• Conflict with SBU P&amp;L objectives</li> <li>• Lack of incentives effectively disincentivises</li> <li>• Different views of same customer</li> <li>• Where customer decisions genuinely mirror SBUs</li> <li>• Human tendency to create boundaries</li> </ul>

These opportunities and barriers are what leads suppliers to the conclusion that KAM needs to be a central function, operating with an equal remit above all SBUs. However, as stated earlier, operational delivery is always local, and therefore the KAM organisation cannot and should not be completely divorced from the local organisations.

## B KAM teams

### B.1 Composition of KAM teams

#### Customer expectation

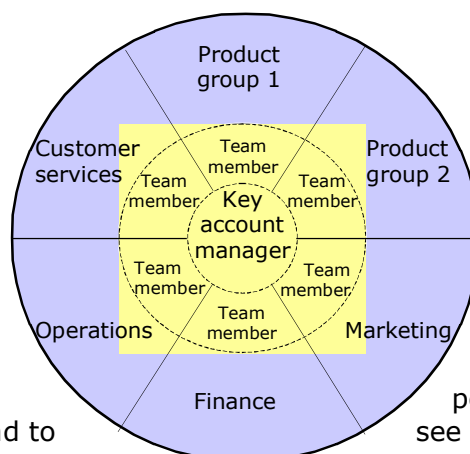
Key customers generally assume that there will be a KAM team in the supplier working with their business. They are keen to have a 'single point of contact' in their key account manager, whom they would expect to have the overall management of the relationship, but their requirement would be better called a 'focal point of contact', because they certainly do not want the key account manager to be the only person working on their behalf in the supplier organisation. The supplier needs to offer this resource, and yet it is one of the most challenging internal issues they face.

KAM teams are tasked with the long-term management of the customer, so there should be at least a consistent core of team members, who form a fundamental part of the relationship. While they may pull in additional team members when required, key account teams are **not** project teams, which work towards achievement of one objective and then disband when that objective is achieved. The account team shares customer-related objectives, some long-term and some shorter-term, but as any specific objective is accomplished, there will be others to which they are still working.

#### Team member dedication

KAM team members are almost always only partially dedicated ('designated' could be a better term for partial dedication) to the key account and in most cases they have 'dotted line' reporting to the key account manager, and 'solid line' reporting to their functional head. Occasionally, when the business with the customer justifies it in terms of the volume or the particular nature of the business, a team member may be wholly dedicated to a key customer, but even then, they may or may not report directly to the key account manager. Normally, team members have other key customers with which they work and/or they also have objectives set by their 'home' function. As a result, the biggest single issue in the effective operation of KAM teams is generally the co-operation of team members, given the conflicting demands of the key account manager (possibly more than one) and their functional head. Figure 10 illustrates the situation, showing how team members are shared between their functions and the key account manager.

**Figure 10: KAM team members**



The sharing is not team members tend to

perceived as being equal and see their primary responsibility

as being to their department, and their role in the account team as secondary and often as an unwelcome add-on to their workload. This makes the job of leading and managing the team rather difficult, and, to make matters worse, the key account manager may also have more than one key account, with different members on each of the KAM teams they lead. One company had found it necessary to produce a 'red book' containing the complete strategy for this business model, which was used as a reference in conflict resolution and arbitration up to the highest level.

### KAM team types

The composition of the account team varies from one company to another, depending on the nature of the business and the organisation of the rest of the company. Team members may include people from:

Head office functions

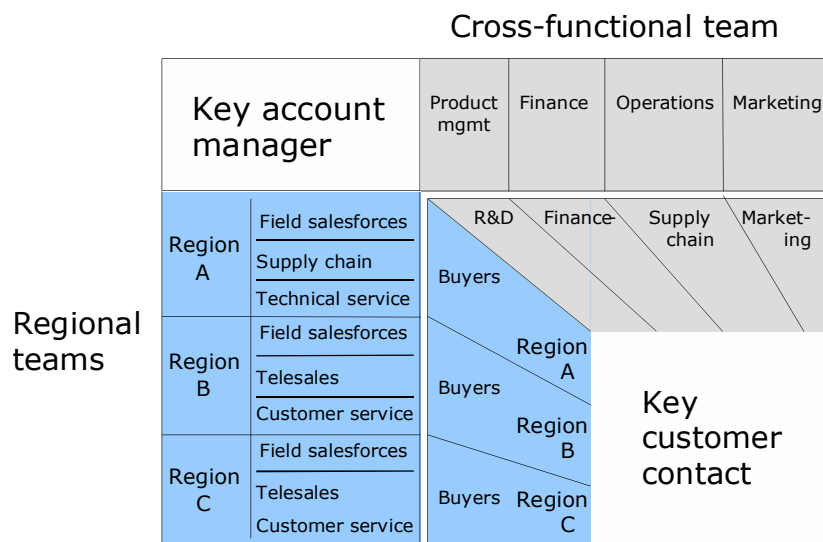
- Marketing
- Finance
- Product management etc.

Field-based functions

- Sales
- Supply chain
- Technical service etc.

Figure 11 depicts two types of team that the key account manager may have to work with: the head office team, and field-based teams for sales, delivery or customer support. Depending on how the company works, these teams might come together as one, or practicalities of location and time might effectively mean they have to be managed separately.

**Figure 11: Central v regional KAM teams**



In some cases the key account manager can work with field-based functions through one team member at head office representing, for example, technical service in the field, but not always. Often the key account manager has to deal with each Regional Manager directly to access the salesforce (or service organisation) who will sell to customer locations in their territory and apply the terms of the contract that has been agreed with the customer centrally. However, the region's objectives may not be aligned with the key account managers'

objectives, and implementation can be poor if the gap is not bridged somehow. Key account managers can spend a great deal of time communicating with, providing information to and lobbying Regional Managers and their teams to get time and attention for their key account.

### **Recognising KAM teams**

These teams are vital to the operation of KAM: it is the account team that brings a wide range of quality knowledge to the customer, delivers the business case, sets the milestones and gains the results. However, while they are recognised by the customer, they often do not get the level of recognition in their own business that they need to make them effective. Suppliers should consider how they can support their account teams by:

- Constant reinforcement of the team
- Congratulation and celebration of team efforts
- Executive sponsorship
- Opportunities for the team to present the customer to the Board
- Public articulation of interest and support from the Board.

These teams need all the support they can get to operate well over a long period of time. They do not have the advantages of direct-reporting relationships with the team leader, and often team members are not located in the same place either. In theory, 'virtual' teams have benefits that should suit the KAM environment well, as discussed in the next section but, in practice, they can be very difficult to manage.

### **Virtual teams**

The account team is frequently referred to as a 'virtual' team, but this term means different things to different people, including:

- Indirect reporting to the team leader
- Voluntary relationships
- Transient team membership
- Members in different locations.

In KAM, indirect reporting is the norm, and having members in different geographical locations is common as well. In this context, voluntary relationships and transient team membership are also found, but should be minimised, since they add extra layers to the difficulty of operating the team effectively. In spite of the issues, however, this model is very widely used for KAM teams, representing the principal vehicle that adds value to the relationship with the customer, by providing access to resources (capabilities and capacity) and decisions.

### **Virtues of virtual teams**

A virtual team offers the benefit to both supplier and customer that it can provide a wider range of expertise than can be expected of any individual. In particular, the customer knows that the key account manager cannot maintain a position of product expertise across a wide range of products, so team members often have product specialisms, or functional specialisms, made available on a part-time basis.

The involvement of team members from different functions offers a mix of skills that is not easily sustained if they are detached from their home function, which includes knowing how to propose and get a decision from their function. Team members from different locations contribute in similar ways, providing insight and connections in their geographies. This kind of team is a much more flexible engagement model than having direct reports, since people can be assigned to a team without uprooting themselves from their existing positions; and it enables resources to be shared, and therefore used more efficiently, compared with a fixed allocation of staff.

There are good reasons why virtual teams work well too: they offer more autonomy and empowerment to the individual (though this can, but should not, be seen as problematic by key account managers). There are fewer, better quality interactions, and the negative aspects of face-to-face teams (like time requirement, personal antipathy) are minimised, albeit along with some of the positive impacts.

### **The influence of company culture**

While many teams in a business are set by the formal structure, KAM teams transcend the structure, and it is the culture of the organisation that is more influential than the structure in determining their success. In a sharing culture, where staff and managers are prepared to share resources and power for the good of the business, these KAM teams can be very successful, and make a huge difference to the value the customer receives and therefore its perception of the supplier. Where the culture is driven by the ownership of power and resources, KAM teams face major barriers. Fortunately, 'blame cultures' find it more difficult to apply to teams than to individuals although the balance of people and competencies in the team makes for fewer errors anyway.

To compensate for their lack of attachment to the formal organisational structure, these teams need strong leadership, internal structure, recognised ways of working and terms of reference. However, the supplier loses the value of flexibility if the formula becomes too rigid or standardised. Flexibility should be applied by selecting team members and varying their input of time according to customer characteristics and/or needs, but then making members' roles and value clear.

Leaders of these teams, i.e. key account managers, need to engage team members' functional heads, initially and on an on-going basis. Key account managers should make the business benefit clearly visible, and try to achieve a two-way exchange of value between the team and the function by ensuring that the team member delivers quantifiable value to the source function. Rather than squabbling over ownership of the outcomes, if companies can double-count their numbers to look at the value from both perspectives, function and key account, both parties can be satisfied.

## **B.2 Operating KAM teams**

### **Managing KAM teams**

Key account managers have a big job to do to manage the team. It is probably the most important part of their role, but they often see it as an add-on to their real job, give it very little time and do it rather badly. However, there is a substantial list of tasks involved in managing the team:

- Position the team in the business
- Promote its role and importance
- Develop and implement account strategy
- Align drivers: supplier and account, account team and function
- Recruit team members
- Define the benefits of team membership to members and their managers
- Set explicit shared objectives
- Establish clear expectations (e.g. through setting individual objectives)
- Clarify team standards and culture
- Establish good communications
- Facilitate team working and knowledge sharing
- Empower team members
- Establish ways of working relative to contracts, legality, confidentiality, compliance
- Clarify language to be used; national and professional
- Manage members' entry and exit process
- And more.

Perhaps one of the most pervasive activities required to enable the team to operate effectively is communication which, again, often does not receive nearly enough time and attention.

### **The importance of communication**

Communication comprises a large part of the key account manager's job of facilitating a KAM team's expectations, for which they require a superior level of skill to communicate effectively with the:

- customer
- team
- rest of their organisation.

Team members cannot be empowered by ignorance, so communication with the team is particularly important. It needs to be timely, engaging and tailored to the audience and the message, and key account managers should be proficient in the use of all the media available, face-to-face as well as intermediated channels like phone and email. Use of newer technologies like SMS and video conferencing are increasingly important when the team is physically separated, and the organisation should support them by fit for purpose IT/communications systems.



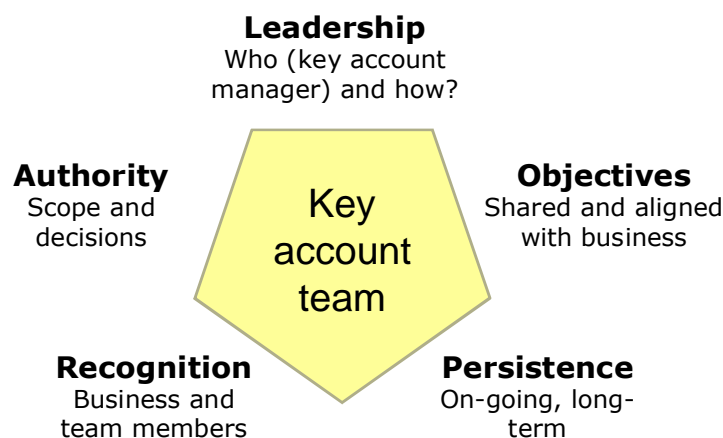
Superior communicators:

- talk the language of the recipients of their communications
- can use a wide range of media effectively
- manage their own and the team's standards on security protocols for confidential and sensitive information
- expect a response and are prepared for it
- operate 'closed-loop' communications for effective follow-up, and check the results.

### Characteristics of KAM teams

The key account manager's leadership is a critical factor in the way the team works, but not the only one. Figure 12 shows the five characteristics that have a major impact on how each account team works.

**Figure 12: Defining characteristics of key account teams**



### Leadership

This factor is considered important enough to warrant a separate discussion (see section B.3).

### Authority

Key account managers constantly ask for more hierarchical authority, by which they often mean the power to tell people what to do: preferably, they believe, as direct reports. That would neither match modern management theory (that motivating people is more successful than instructing them), nor the practicalities of the situation (resource sharing). Having said that, the organisation needs to clarify the key account manager's mission and remit, so that they have an acknowledged authority to pursue their customer goals with some idea of how and where that authority can be exercised.

Just as the key account manager is asking for empowerment from senior managers, team members need to have power devolved to them in turn. If key account managers keep and exercise all of the authority, then it is likely that they will be acting as bottlenecks for the business and sub-optimising the use of the resource by creating dependency in their teams. Teams need to be

clear about the extent of their authority; which geographies, products and divisions it covers, and where there are conflicting forces that need to be addressed.

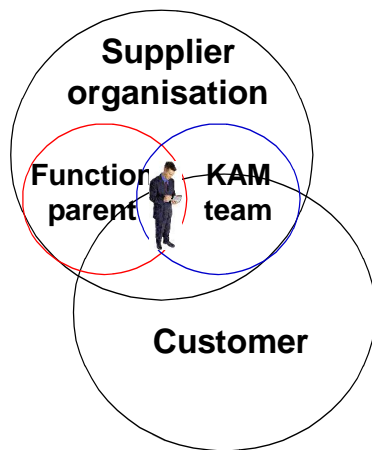
Key account managers must create trust between themselves and their team members, and between them and customer stakeholders and internal managers, in order to exercise any authority. Creating and clarifying a visible business benefit will go a long way towards building that trust.

## Objectives

Teams are defined by the fact that they have shared objectives, and agreeing objectives should constitute the first step in developing cohesion in a KAM team. KAM team objectives should be:

- Shared by all team members
- Explicitly stated
- Adding identifiable value for the customer
- Compatible with the customer's objectives
- Aligned with individual and supplier objectives.

**Figure 13: Position of KAM team members**



To specify the team objectives, however, consideration should be given to a complex overlap of interests, as Figure 13 suggests: those of the individual, the functional 'parent', the organisation and the customer.

Alignment is most likely to be achieved through an explicit process of understanding all their objectives, identifying potential conflicts, debating them to achieve ownership and then setting team and business objectives. The process should start by identifying pre-set, fixed objectives where there is no point in discussing alternatives, but it should also acknowledge individual objectives, which are often more around contribution and commitment and may not be formally set, but exert an important influence nevertheless.

## Recognition

Since these teams do not fit into the formally-drawn organisation structure chart, they can easily be seen as insubstantial and irrelevant by the rest of the company, which is not helpful in executing projects and actions for key customers. It is therefore extremely important that extra efforts are made to recognise them, from:

- the key account manager
- team members
- team members' functional heads
- the customer
- the Board

- the rest of the organisation.

To reach a level of recognition that enables the team, key account managers should leverage customer recognition – which is normally not a problem - to engage the Board, possibly through director sponsorship of the key account. It will help enormously if the Board gives high profile public support to the concept and the specifics of KAM teams. At the same time, the team can help gain attention by delivering visible results against an agreed business case: the easiest way to be recognised in most companies is simply to get results and shout about it.

First, team members themselves need to recognise the existence of the team. They must understand that they are part of an on-going team, not an ad-hoc, time-bounded project, and that their commitment generates recognition of their roles. From the organisation's point of view, if it wants this form of team to operate effectively, it must play a part in facilitating and promoting its activities.

To ensure team members' acceptance of their role, their line managers can embed KAM expectations in individuals' performance assessments, regularly review them, and reward them directly by taking KAM team responsibilities into account in the individual's personal development plan. Key account managers should be careful to recognise individual effort within the team, demonstrate how it is valued and find ways of rewarding it.

## **Persistence**

The account team should expect to be in operation now, next year and into the future, and the membership of it should be as stable as can be managed. There may be other people who join for a specific purpose and disengage when that task is completed, but the core team, of perhaps five or six people, should remain to provide the continuity the customer seeks.

The team therefore can, and should, set and support long-term objectives and work towards them, aligning drivers across the business with team operations. As team members will be in this relationship with the customer for a prolonged period, it will be worth their acquiring a deep understanding of the customer's business and the customer's customers: they should be involved long enough to contribute to strategy development, deliver it and see the results.

The key account manager needs to understand the time span just as much as team members, in order to lead the team for the future, not just manage it around current needs and problems. He/she may need to consider issues like:

- Finding shorter-term milestones to maintain progress towards longer-term goals
- The role of the team in the on-going personal development of team members
- Managing new joiners in a team with established relationships
- Avoiding complacency.

## **B.3 KAM team leadership**

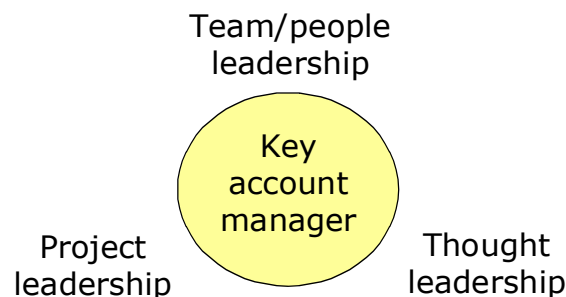
## Qualifying for leadership

In the absence of hierarchical authority, the key account manager's leadership takes on even more importance than in any normal team. Unfortunately, many companies recruit their key account managers from their salespeople, whose 'lone wolf' background gives them less experience of leadership than many other roles in an organisation. In fact, salespeople do not normally have experience of participating in a team, which would help them to understand how teams work. Nevertheless, although some organisations (particularly professional services) do appoint someone more senior as the team leader, in most companies that would seem to seriously and unhelpfully undermine the position of the key account manager in the eyes of the customer and in the supplier organisation too.

## Leadership roles for key account managers

The role of the team leader in this matrix environment is different from the military model, although it is still not a situation for democracy. Decisions need to be made, but in this environment the leader needs to identify the added value and engage team members in delivering it. In fact, the key account manager has several leadership roles, which apply in the relationship with the customer as well as in the supplier organisation, as shown in Figure 14. Leading the account team is one of them, but not the only one.

**Figure 14: Key account manager leadership roles**



Although Figure 14 shows team leadership separately from project and thought leadership, these roles are also interlinked. It has a very significant impact on the team if the key account manager is a strong project and thought leader as well as a good team leader: the team is more likely to be inspired, motivated and valued, and to be successful, if all the leadership roles are fulfilled. So the key account manager should also have inspiring business leadership qualities, which means being driven by a broader, longer-term vision of the business; championing the customer and customer's customer; aligning the customer needs with those of the supplier; and operating 'above their authority' with senior people in the customer and their own organisation.

## The environment for leadership

There is a difference between leadership and management, which might be broadly described as the distinction between administering and co-ordinating current activities (management), and motivating and facilitating others towards a future vision (leadership). In this form of team, the requirement for management is diminished to the extent that some management responsibilities remain with functional managers, but the opportunity and expectation for leadership is heightened. Both the team and the business environment demand leadership from the key account manager (see Table 4).

**Table 4: key account manager leadership roles**

<b>Team</b>	<b>Environment</b>
<ul style="list-style-type: none"> <li>• Select members to match customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify and promote team role and importance</li> </ul>
<ul style="list-style-type: none"> <li>• Set clear expectations and objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Create visibility of business benefit</li> </ul>
<ul style="list-style-type: none"> <li>• Define terms of reference and ways of working</li> </ul>	<ul style="list-style-type: none"> <li>• Engage team's line managers</li> </ul>
<ul style="list-style-type: none"> <li>• Be pro-active and open</li> </ul>	<ul style="list-style-type: none"> <li>• Secure flexible input of time</li> </ul>
<ul style="list-style-type: none"> <li>• Steer team standards and culture</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver two-way value: to function as well as team/customer</li> </ul>
<ul style="list-style-type: none"> <li>• Share knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Share knowledge</li> </ul>

These roles are a long way from those associated with salespeople, and they suggest another reason for challenging suppliers' tendency to appoint salespeople as key account managers.

## Competencies to fulfil responsibilities

The kind of responsibilities that key account managers carry, shown below, the competencies and personal attributes they need to fulfil them, can also be challenging to people who have spent their working life in sales. In fact, the competencies (skills) and attributes (personal qualities and values) are probably broader than those listed below, and it may be argued that the people best suited to this kind of role are those with wide experience of as many different functions and activities as possible.

### Responsibilities

- Objective setting
- Decision-making
- Communication
- Boundary spanning
- Supporting team
- Aligning customer and supplier needs
- Mobilising resources
- Accountability

### Competencies/ attributes

- Integrity/trustworthy
- Inspiring
- Gravitas
- Vision
- Commercial acumen
- Knowledge of own organisation
- Networking
- Open

Because of the breadth of the job, appraisals for key account managers are beginning to use 360° feedback with their team, the customer and the line manager, as well as other elements like business value and specific achievements. However, relying too heavily on feedback runs the danger of encouraging key account managers to court popularity rather than adding real value to the position.

## C. Developing a KAM organisation

### C.1 Making the change

#### Making the business case for KAM

It is often very difficult to make the business case for a major change, because of the range of implications and the uncertainty associated with assessing a complex position in the future, and KAM is no exception. Nevertheless, most organisations will require strong justification before taking on the changes they must make to operate KAM successfully. Unfortunately, they quite often embark on KAM as a short-term initiative, fail to get a quick and unequivocal pay-back, and then suffer what one company described as 'corporate wobble': hesitation from senior management about their commitment to the programme they have started. Needless to say that this ambivalence is very unhelpful to key account managers and customers who have committed to KAM.

For this reason, it is important to be as clear as possible about the reasons why the company is adopting KAM, and to attempt to model the business case for it, but in an appropriate time-frame, i.e. as a medium to long-term strategy, probably about 5 years. The investment required should be identified, and any cost savings that may be made from KAM ways of working. However, cost saving should not be the prime justification for KAM for two reasons:

- KAM generally increases the cost of running the customer interface for key customers. Companies often find those resources by withdrawing them from other, smaller or less important customers, but there may not be a cost saving
- KAM is more likely to increase volumes or maintain business that might be lost, rather than save cost.

It would therefore be dangerous to start a KAM programme on a promise to senior management of cost saving that probably will not materialise, then inviting disappointment and 'corporate wobble'. Making the business case will be easier if the supplier has a culture of investing in customers, but for some even this concept is a novelty. If the wrong baseline, i.e. using the assumption that current levels of business would be maintained if the supplier does not adopt KAM in a KAM-ready marketplace, is applied, the business cases can look misleadingly unattractive. A baseline that represents the decline that will occur if the company does nothing different should be applied.

#### Defining KAM success

Financial outcome is a 'lag' indicator that will respond after inputs to the situation have been made, so in addition to the longer-term, financial justification, suppliers should identify some different metrics to track in advance of the anticipated movement in results, that will help track progress. The company should define what success in KAM would look like for them, describe the journey towards that success, and develop a balanced set of metrics of 'lead' and 'lag' indicators. Outcomes for both the company and the individuals involved should be taken into account.

Champions of KAM would be wise to look outside at the marketplace for their justification, at what their most important customers are saying and doing, and at what approaches their competitors and other leading companies are taking.

### **Changing culture**

Perhaps KAM is difficult to implement because it is a cultural change, not a straightforward business initiative. Successful cultural change starts with an exploration of the gap between the current situation and the desired situation. The change champion will then have to sell the change to senior management. He/she will also have to sell the change to a salesforce that is likely to be lacking the skill set required to fulfil the new positions, which presents potential personal problems that must be recognised and responded to empathetically rather than dismissively, but firmly.

There will be others around the organisation who are also threatened by the change, both in reality and in their imagination, and their issues need to be recognised too. Overlaying the corporate culture are all the functions such as sales, delivery, service etc which all have their own subcultures to be understood and considered and, of course, national cultures too. Furthermore, underlying the corporate culture in all companies are the informal networks and links, the 'under-culture'. All these cultures need to be understood in order to align them with a significant change like KAM.

People will need to be moved from positions where they have control and comfort to situations that they cannot yet visualise. One company had been very successful in making the change by conducting sessions in which participants were offered KAM scenarios and then developed their own projections and conclusions. The workshops had focused on cross-functional ways of working to make the requirements concrete rather than abstract, working with the functional business language in use. At the same time, the champions pinpointed where existing language was unhelpful, and where new language would be helpful and powerful, and introduced new, carefully-chosen vocabulary.

Successful change programmes demand sensitivity, political awareness, clarity, consistency, translation into practicalities, energy and stamina from the people determined to make the change happen.



## C.2 Transforming the organisation

### Key players

There are five groups of people are involved in KAM who define the application of KAM in an organisation.

- **Key account managers:** the people who are responsible for the management of key customers
- A. **The KAM unit:** a separate group of key account managers working in parallel with each other for different key customers
- B. **KAM team:** the people in different functions or locations who are partly or wholly dedicated to a key customer and support the key account manager in the execution of the customer strategy
- C. **Associated functions:** the departments which host KAM team members or otherwise work with a key customer's business to deliver expectations
- D. **Senior management team:** the Board or other senior team that manages the company or SBU overall.

How these groups approach KAM will determine the supplier company's position. They all have important roles to play, so it is clear that they must be engaged in the journey to KAM, and should therefore be targeted in any successful KAM change programme.

### Elements of the organisation

How KAM impacts on what the key players do can be characterised in terms of nine elements that constitute the organisation and effectively scope the transformation sought:

- A. **Strategy:** how KAM fits alongside the strategy of the organisation
- B. **Structure:** definition of groups of people and how they work together through formal reporting lines
- C. **Leadership:** from the top to the bottom of the organisation
- D. **Culture:** the less formal but pervasive mindset that can embrace or oppose KAM
- E. **Transnational** issues; for global and multi-national companies
- F. **Knowledge sharing/communications:** depends on whether people appreciate the requirements for knowledge and are willing to share what they know
- G. **Data:** the quality and accessibility of information
- H. **Customer profitability:** information and understanding of all the income and costs of each key customer
- I. **Rewards and performance measurement:** recognising the difference between KAM and sales, and aligning with KAM.

## **The transformation journey**

Companies rarely have an appetite for revolution, so they make changes over a period of time albeit, in the case of transforming an organisation to KAM, longer than they expect. Like climbing a mountain, arriving at the top of each foothill marks some progress, but it also shows how far away the top of the mountain still is. The appendix consists of a description of four points along the journey to best practice KAM:

**Change required:** no KAM in a market with important customers, essentially a sales organisation

**Ready to change:** dawning realisation that KAM is needed

**Transition state:** some KAM practices and activities instituted, but not consistent or best practice

**Best practice KAM:** KAM as 'the way we do things around here', throughout the organisation.

From these descriptions, suppliers can identify where they are now in KAM, and consider what the next state might look like in each of the organisational elements listed above. Those target positions should shape the way suppliers manage their transformation to KAM.

## Conclusions

Most companies are organised around their products and countries or regions. Unfortunately, key account management needs to be organised to match customers, and therefore it almost always cuts across the supplier's existing organisational structure. Companies have variously tried ignoring the conflicts; generally exhorting goodwill and collaboration (unreliable); grafting a notion of 'lead' key account managers in amongst the current organisation; and creating central KAM units linked to existing local delivery units. None of these are perfect, but those that have strong functional and divisional structures with weak customer orientation are asking key account managers to execute a high-pressure job in a generally hostile environment, inevitably with limited levels of success.

The most popular choice is still the location of key account managers in some existing host organisation with 'dotted line' links to internal decision-makers and resources, and limited authority over those decisions and resources. That position stresses the need for key account managers to have exceptional powers of influence and leadership and, indeed, stamina. Serious barriers to effective collaboration, both internally and with the customer remain, and supplier directors really should confront the consequences of the structures they put in place, to ensure that their expectations are consistent with the issues involved. If directors agree that key customer business is important to them, then they should at least take the customer's view of the efficacy of their organisation into account.

Companies with mature KAM programmes have often come to the conclusion that a centralised unit of key account managers working with key customers across all geographies and products, and not attached to any localised or specialised structure, is the only way that they can achieve the business synergies they seek. They recognise, however, that this approach still requires major efforts to keep the operational delivery links close and realistic. Whatever the structure, successful KAM requires a willingness to share and to work across boundaries in teams, for corporate rather than territorial objectives.

KAM teams have become a very important part of the offer to key customers: their broad and mixed skill set and specialised knowledge provides a great deal of the value a customer receives from the supplier. These are mostly virtual teams, only partly dedicated to any one customer, so both the organisation and the key account manager that leads the team need to make substantial and continued efforts to give and gain recognition for the team; communicate objectives and ways of working; and attract team members' buy-in to the customer strategy.

In such situations, much depends on the leadership of the key account manager, who is generally considered the only viable option for team leader. Ironically, many companies running regular leadership training courses do not offer them to key account managers, because they do not have direct reports, whereas they are, in fact, much more in need of leadership training precisely because they do not have direct reports, and yet still have a very challenging and important leadership job to do.

Developing the optimum KAM organisation is a difficult task, and not one that can be achieved quickly. This report concludes with a checklist that shows suppliers where they might currently be on the journey, and what they should be aiming for in terms of their organisation, if they wish to reach best practice KAM.

*DJ Woodburn, June 2009*

## Appendix: Transformation stages

In transforming the organisation to KAM, changes in the following nine elements need to be considered.

- A. Strategy
- B. Structure
- C. Leadership
- D. Culture
- E. Transnational issues
- F. Knowledge sharing/ communications
- G. Data
- H. Customer profitability
- I. Rewards and performance measurement

Principally, five groups of people are involved in KAM and must be targeted in a successful change programme. For clarification of these groups, see Section C.2, Transforming the organisation.

- Key account managers
- KAM unit
- KAM team
- Associated functions
- Senior management team/Board

This checklist describes what the situation would look like for each of these groups at four key stages in the journey to developing KAM capability, culminating in best practice KAM. The list is designed to help companies understand what they need to change to get to the next stage of KAM, and to identify their current position. In the early stages of KAM, a KAM unit (central function consisting of all key account managers) will not exist as such, so the observations for that state refer to groupings of key account managers in different locations.

Although it is the detail of each stage that will give most insight to suppliers aiming to make progress in KAM, a scoring line has been added at the side of each element, from which companies can assess their overall score and current position. For each group of people involved, circle which best describes the current position and write the score in the right-hand column as follows:

- |                   |     |
|-------------------|-----|
| Change required   | = 0 |
| Ready to change   | = 1 |
| Transition state  | = 2 |
| Best practice KAM | = 3 |

To assess your company's position, add up the scores in the column for each organisational element and record the total in the top right-hand box alongside the title of the element. Collect those scores on the last page.

<b>A. Strategy</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice KAM</b>	<b>Score</b>
<b>Key account manager</b>	Only short-term tactical approach, no account-focused action plan. Cannot describe corporate strategy	Can describe corporate and customer's situation and strategy. Account action plan	1-year account plan, aligned with knowledge	KA strategy aligned with corporate strategy and captured in live, rolling 3-year KA strategic plan, agreed with customer	
<b>KAM unit</b>	No systematic identification of KAs	List of all accounts, first draft of KA list based on few criteria based on current/historical data	Defined strategic criteria, accounts assessed, listed against identified KAMs Give more attention to and involved in offer development	Accounts assessed v set of strategic criteria and categorised, taking their view into consideration. Portfolio management process. Explicit KA group strategy	
<b>KAM team</b>	Not a team, reacting ad hoc	Recognition of potential benefits from operating as a virtual team	KAM teams exist. Team displays interest in customer's strategy relative to corporate strategy. Two-way sharing with KAM	Team contributes with KAM on strategy development and are empowered to implement their part. Excellent communications inside team and KAM	
<b>Associated functions</b>	Not thinking customers at all	All customers treated the same, but differences recognised.	Recognition of differentiation for KAs required from them	Contribute KAM team members willingly Pro-actively add value to customers. Direct customer interaction.	
<b>Senior management team</b>	Tactical and short-term results orientated	Generic recognition of importance of customers in strategy, and customer role in strategy	Define accounts consistently. Review KA performance v defined strategy.	KAs owned at Board level	

<b>B. Structure</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	Large number of reporting levels between KAM and Board. Calling salespeople KAMs KAMs possibly part-time, have other job	Bring KAMs to higher level in structure	'Lead' KAMs introduced. KAM leads virtual team recognised by business	Minimal 'structural distance', Board to delivery decisions. Global KAMs appointed Able to operate effectively across boundaries; functional, SBU or geographic	
<b>KAM unit</b>	No KAM unit, traditional sales structure. KAMs distributed throughout the business reporting to different points e.g. by product line. Supply-defined structure.	Realisation that KAM and KAMs have specific needs not fulfilled by traditional structure.	All KAMs report to same manager with defined objectives	Separate, fully resourced unit reporting to Board Director, with defined position v delivery units	
<b>KAM team</b>	None	Talked about, but ad hoc co-operation, reactive	Mixture of some working, some not	Recognised by business, delivering quantifiable value. Clear member roles and relationship with host functions	
<b>Associated functions</b>	Operating in their silos	Accept role in providing some resource to KAs	Functions recognise and drive value of teams and provide dedicated, quantified, on-going resource	Complete and visible support for KAM teams and KA activities from Board level function leaders	
<b>Senior management team</b>	No adaptation of structure – no recognition of need	Prepared to make structural changes	Establish KAM teams	KAM unit formed, flexibly resourced around KAs	

<b>C. Leadership</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	Not respected by customer. Not empowered by organisation, little authority. Not regarded as leaders.	A few KAMs starting to network and mobilise cross-functional resources.  New appointments challenging status quo. Customers ask for single point of contact. Frustration with first KAM outcomes	Organisation seeks to empower KAMs. Defined and higher levels of authority. Lobbying senior management. Investment in developing KAMs as leaders. Increased visibility and recognition of position in organisation. Engaging function heads.	Leading virtual team effectively. Focusing resource around customer. Leadership operates with: <ul style="list-style-type: none"> <li>customer</li> <li>team</li> <li>rest of organisation</li> </ul>	
<b>KAM unit</b>	Not defined as such. Lack of understanding of key customer importance.	Understanding of % significance of key customers in whole business, including all brands. KAMs still report into Sales.	Active portfolio management. Acts of leadership in cross-functional negotiations to marshal resources.	Leads portfolio choices, e.g. trade-offs, partner selection Centre of excellence. Major contribution to corporate strategy.	
<b>KAM team</b>	No specific customer focused purpose. No personal ownership in treating key customers differently. No idea who else involved, who to talk to, not trying to find out.	Engaging other functions for key customers. Functions accept need for organisation/ manager recognition	Expectation of involvement in collaboration on key accounts. Make pro-active suggestions on better ways of working.	Recognition by senior management of perceived value of cross-functional operation. Perception of opportunities for efficiency. Engaging senior management leaders of other functions. Clear roles and purpose. Understanding and fulfilling contribution. Has recognised legitimacy company-wide. Champion customer internally.	
<b>Associated functions</b>	Unwilling to commit resources or be involved. No acceptance of benefits. No holistic view of business.	Testing the water. Recognition of involvement of function with customers Recognising importance and difference of key accounts. Recognising need for different skill set in the function.	Embrace holistic view of the business. Understand why KAMs want to engage them. Incorporate customer activities into objectives for function and personal appraisal.	Promoting and facilitating involvement. Seeking 360° feedback from KAMs KA contribution accepted as valuable part of evaluation of function. Seeks quantifiable relevant value and metrics.	

<p><b>Senior management team</b></p>	<p>Product focus rather than customer focus.          Don't talk customers at board meetings.          No recognition of importance and difference of key accounts.          Unable to name top customers          Alternative, non-customer orientated resource allocation.          Holistic view of business questionable.</p>	<p>Talk about customers overall, not individually.</p>	<p>Talk key accounts more.          Support development of processes and procedures to support KAM.          Invest in KAM development.</p>	<p>Specific key accounts regularly discussed at board meetings and defined review procedure.          Talk key accounts at all times.          Senior team members act as committed/contracted sponsor of specific key accounts.          Senior management team collaborates with KAM to achieve agreed objectives.          Find opportunities for and promote creative customer partnerships</p>	
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<b>D. Culture</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	Sales culture. Secretive.	Recognising different customer needs/ limitations of traditional selling.	Relationship building. Longer-term view.	Collaborative, with customer and internally Open, trusting, communicative, empowered.	
<b>KAM unit</b>	KAMs are competitive rather than collaborative. Focus on individual success.	Open to change. Focus on commercial v. individual success. Resignation of 'fighting for customer' v. business case	Formalisation of key account plans. Business case culture. More structured ways of working. Common working language. 'We' v. 'Me'	Significant % of shared objectives. Pro-active sharing of information. Open and transparent sense of equality.	
<b>KAM team</b>	Silo team ethic. Building barriers. 'Prevention' rather than customer support.	Informal ad hoc engagement. Some customer awareness.	Sense of excitement around customer. Transcending functional or geographical boundaries. Open and learning new approaches.	Integrated team, shared sense of purpose and success. Regular recognition of success. Mutually supportive.	
<b>Associated functions</b>	'My team' ethic. 'My' people. Driven by personal objectives.	See and feel they could add value to company through customer-related activities.	Good corporate citizenship. Quantify value of collaboration.	Active participation in key accounts. Actively creating barriers to exit with customers; see themselves as competitive force 'Helping to put a man on the moon' attitude (cleaner at Cape Canaveral.). Shared and aligned performance contract objectives.	
<b>Senior management team</b>	Territorial. Not customer focused. Hierarchical and authoritarian. Power over v. power through.	Dawning awareness of key customers. Prepared for change/ innovation, 'prepared to enter the room'. Vision, courage and confidence.	Listening and hearing. Talking about key customers. Mutually supportive. 'Back to the floor' contact with key customers. Open to customers. Accepting matrix approach.	Actively promote cross-functional engagement. Addressing and removing barriers. Representing other functions – broadly knowledgeable. 'Our' not 'their' or 'your' Actively seeking customer information. Skilled at customer interaction. Trusting.	

<b>E. Transnational issues</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	<p>Operating on national basis. National customers become transnational, creating new agenda.</p> <p>Transnational customer supported by different KAMs not communicating with each other.</p>	<p>Assessing customer appetite for transnational management and determining response strategy.</p> <p>Developing visibility of transnational benefits.</p> <p>Recognition of need to share data.</p> <p>Assessment of competency gap for body of national v transnational KAMs and developing strategy to close it.</p>	<p>Key customers want transnational management.</p> <p>Transnational ways of working protocols in place.</p> <p>Growing recognition of outstanding issues, still evidence of regular disconnects.</p> <p>Visible cultural barriers to communication.</p> <p>KAMs still recruited against traditional values.</p>	<p>Global/transnational KAMs appointed.</p> <p>KAMs are open-minded and flexible, able to work comfortably with variation, complexity and scale of customer.</p> <p>Engage in and effective at encouraging pro-active dialogue.</p> <p>Global KAMs recruited for leadership and cross-cultural competency. i.e. ability to deal with cultural difference.</p> <p>Operate advanced form of building rapport.</p>	
<b>KAM unit</b>	<p>KAM unit does not exist, or only at national level.</p> <p>No useful data feeds on transactional customers, operate in silos.</p> <p>No visibility of who has data.</p>	<p>Unfortunate events occurring, originating in poor communications or co-ordination.</p> <p>Recognise need for better communication, considering structures to deliver improvement.</p> <p>Incompatible data, recognition of limitations of MI systems.</p>	<p>Structure of lead transnational KAM with stated links to national KAMs, but not functioning pro-actively and/or co-operatively.</p> <p>Lead KAM still belongs to individual business unit or country, 'home' unit steers KAM's agenda and effort.</p>	<p>Separate global unit supported centrally.</p> <p>Well-defined and accepted links to Regional and National KAMs, inc. shared objectives.</p> <p>Highly effective communication.</p> <p>Aware of other GAMs customers and objectives.</p>	
<b>KAM team</b>	<p>National team only</p>	<p>Start to sell benefits of cross-functional engagement.</p> <p>Recognise benefits of overall transnational customer Value Proposition (VP)</p>	<p>Begin to plan engagement model.</p> <p>Accept costs of creating team identity, especially to bring team members together physically. (time, travel, accommodation etc)</p> <p>Overall customer VPs created but locations can still opt out.</p>	<p>Engagement plan developed and implemented.</p> <p>Clear role and strong identity with team and with customer.</p> <p>Regular face-to-face meetings.</p> <p>Open, pro-active sharing. Uncover and use strengths in different locations.</p> <p>Customer VPs effectively applied across all locations.</p> <p>Team pro-actively contributes to formulating VPs.</p> <p>Team participates in and takes responsibility for adapting VPs to local needs.</p>	

<b>Associated functions</b>	National perspective, belong to and support national 'tribe' Operate in silos, no shared objectives, not cohesive around transnational customers.	Begin to realise cost efficiencies of working together. See working with transnational customers as opportunity for personal development.	Interacting with transnational KAM in defined relationship. Share objectives for transnational customer. Involved in customer meetings and have direct dialogue with customer to implement account plan. Open to customer's needs and ideas.	Seek to contribute innovative approaches to global plan with Global KAM. Actively share best practice across locations. Flexible overall plan, explicitly embraces transnational opportunities & local customisation.	
<b>Senior management team</b>	Operating within own national boundaries.	Case for change to transnational customer management aligned with business strategy broadly accepted by majority but required investment constantly challenged. Recognition that current reward scheme does not support transnational customer management.	Case for change agreed, but still some conflict with other objectives. Board sponsor intermittently involved with customer. Ad hoc expenditure on transnational activities. Reward package acknowledges transnational nature of customer but still has areas of misalignment with customer objectives.	Necessary investment agreed and on-going. Board sponsors actively participate in customer relationships. Fully integrated reward package.	

<b>F. Knowledge sharing/communications</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	<p>Non-communicating silos. Secretive, KAMs work with own information. Working with misaligned MI systems, incompatible data. Does not contribute all customer data to system, or keep it up to date. Not seeking existing data from other sources. Transnational customer supported by several different, non-communicating KAMs.</p>	<p>Acknowledged duplication of effort. Recognition of need to share data. Developing visibility of transnational benefits.</p>	<p>1-year account plan, aligned with knowledge. Cultural barriers to communication and sharing. Achieving visibility of account data is effortful.</p>	<p>Develop KA strategy aligned with corporate strategy and captured in live, rolling 3-year KA strategic plan, agreed with customer. Open, trusting, communicative, empowered. Engage in and effective at encouraging pro-active dialogue. Have full visibility of account-specific data, inc. cross-boundary. Align data, translate into customer's language and create relevance with customer view.</p>	
<b>KAM unit</b>	<p>No useful data feeds on transactional customers, operate in silos. No visibility of who has data. Unfortunate events occurring, originating in poor communication or co-ordination.</p>	<p>Recognise need for better communication, considering structures to deliver it. Information needed to represent key customers to the business. Recognition of limitations of MI systems. Business wants data held centrally for accessibility and de-duplication of collection effort.</p>	<p>All KAMs report to same manager with defined objectives. Formalisation of key account plans. Business case culture. Common working language. Structure of lead transnational KAM with stated links to national KAMs, but not communicating pro-actively. Accessible data, pro-actively used.</p>	<p>Explicit KA group strategy. Pro-active sharing of information, e.g. through specific forums and websites. Highly effective communication. Aware of other GAMs' customers and objectives.</p>	
<b>KAM team</b>	<p>Do not provide data willingly.</p>	<p>CRM system installed without clarity of utility. Use of CRM system patchy and inconsistent</p>	<p>Benefits of access to more customer information become evident. Two-way sharing with KAM. Begin to plan engagement model. Accept that benefits outweigh costs of creating team identity and encouraging knowledge sharing.</p>	<p>Team shares knowledge with KAM and contributes appropriately to account strategy development. Engagement plan developed and implemented. Regular face-to-face &amp; other meetings Open, pro-active sharing. Uncover best practice in different locations. Actively engaged in contributing information and analytical and evidential approaches</p>	

<b>Associated functions</b>	No process exists for capturing and communicating internal or external data they may have. Requests for information to support account not appropriately prioritised. Do not have account roles/ responsibilities to share information.	Contribute information when specifically requested. Account roles/ responsibilities not clear	Share objectives for key customers. Involved in customer meetings, have direct dialogue with customers and feed back pro-actively. Use own system to track activities but recognise need to use CRM system	Informed and visible support from Board level function leaders. Shared and aligned performance contract objectives. Actively share best practice across locations. Facilitate easy and timely access to data for KAMs, including mobile/out of office use.	
<b>Senior management team</b>	Don't talk customers at board meetings.	Talk about customers overall, not individually. Want to see some key customer data themselves. Focus on using customer information for their own gain.	Talk knowledgeably about key customers individually. Listening and hearing. Start to seek key account data. Starting to use customer information to develop mutually beneficial partnerships.	Talk key accounts at all times, and regularly at Board meetings. Actively seeking key customer information. Directly and routinely access data for own information. Have high-level customer information 'Board dashboard'. Board members communicate directly with key customers as agreed with KAM	

<b>G. Data</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	<p>Doesn't have appropriate data.</p> <p>Does not contribute all customer data to system.</p> <p>Does not always maintain and keep data up to date.</p> <p>Holds data in forms or locations not readily accessible for sharing.</p>	<p>Recognises gap between data required and data currently available.</p> <p>Important pieces of data occasionally become visible for the first time.</p> <p>Recognise importance of external data, e.g. market research, market intelligence, quality standards.</p>	<p>More data available, working with it.</p> <p>Contribute to defining data set required.</p> <p>Achieving visibility of account data is effortful.</p> <p>Too much manual intervention to manipulate data to required form.</p> <p>Holes exist in data available.</p> <p>Some collection and capture of external data.</p>	<p>Full visibility of account-specific data, inc. cross-boundary.</p> <p>Data applied to deliver tangible benefit.</p> <p>Skilled at flexible data manipulation and using data to create customer insight.</p> <p>Align data, translate into customer's language and create relevance with customer view.</p> <p>Well-defined, formal, pro-active role in external data collection and capture.</p>	
<b>KAM unit</b>	<p>KAMs work with own data.</p> <p>Duplication of effort.</p> <p>Not seeking existing data from other sources.</p>	<p>Business wants data held centrally for accessibility and de-duplication of collection effort.</p> <p>Develop data set specification to support improvement activity e.g. prospecting, VP development, investment.</p>	<p>Unit starts to drive more co-ordinated approach.</p> <p>Unit uses data to represent itself to the business.</p> <p>Uses data to manage customer risk.</p> <p>Accessible data, pro-actively used.</p> <p>Occasional discoveries of new facts.</p>	<p>Uses data to build picture of market, analyse trends, etc.</p> <p>Uses data to manage portfolio of key accounts.</p> <p>Data drives prospecting.</p>	
<b>KAM team</b>	<p>Do not provide data willingly.</p> <p>Resist changing current provision of data.</p>	<p>Start to define data need.</p> <p>Recognise and understand data need.</p> <p>Funding barriers exist.</p> <p>New discussion.</p>	<p>More customer data, but usage drives realisation of need for further development of data supply.</p> <p>Benefits of access to more data become evident.</p> <p>Accept data/evidence-based ways of working.</p>	<p>Comprehensive data set.</p> <p>Used effectively, gives quantitative benefit.</p> <p>Analytical and evidential approach.</p> <p>Actively engaged in data contribution and usage.</p>	
<b>Associated functions</b>	<p>Several platforms, not linked.</p> <p>No external data feeds.</p> <p>No process exists for capturing and communicating external data they may have.</p>	<p>Accept KAMs' need for access to data.</p> <p>Begin to write platform interfaces, but 'clunky'.</p> <p>CRM system installed without clarity of utility.</p> <p>CRM system drives KAM approach: in effect, IT department drives KAM strategy.</p>	<p>Develop common platform with strong customer capability.</p> <p>System capable of multiple cuts/views of same data.</p> <p>Still find holes in the data.</p>	<p>Customer orientated platform.</p> <p>Common platform that gives value to inputting functions.</p> <p>Facilitate easy and timely access to data for KAMs, including mobile use.</p> <p>Powerful and flexible system allowing generation of meaningful data.</p> <p>Keep data current.</p> <p>Secure, selective access.</p>	

<p><b>Senior management team</b></p>	<p>Don't see need for key customer data, consider individual functional data sufficient.</p>	<p>Recognise business need for customer- aggregated data. Want to see some key customer data themselves. Engage consultants.</p>	<p>See that increased transparency of data will drive account specific objectives. Start to seek key account data. Endorse change and spend to achieve it.</p>	<p>Prepared to invest in data (original set-up <u>and</u> on-going). Directly and routinely access data for own information. Have high-level customer information 'Board dashboard'. Discuss data regularly at Board meetings. Make key customer data-based decisions.</p>	
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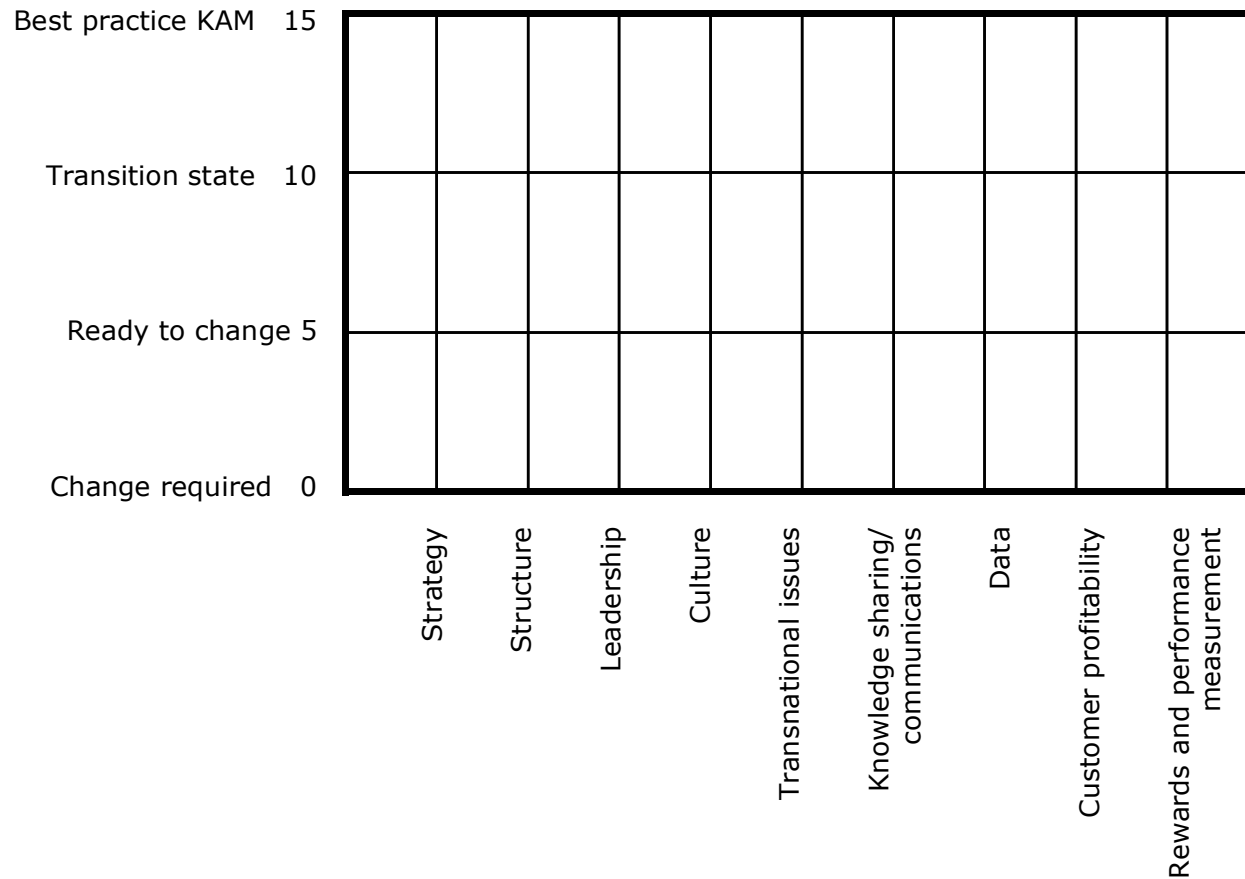
<b>H. Customer profitability</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	Volume-driven. Does not have gross margin (GM) information. No access to resource cost and avoid resource cost allocation.	Provided with GM by key customer. Begins to respond to GM as well as volume..	Objectives set and rewarded by GM, so aims to improve GM performance. Drives product mix optimisation. Identifies simpler elements of resource and supports allocation against key customer account e.g. discounts, marketing.	Objectives set and rewarded by customer profit contribution. Identifies and supports allocation of all customer relevant resource costs. Authorised to manage volume and costs.	
<b>KAM unit</b>	No visibility of customer profitability – only uses volume metrics. Driven by customer request, regardless of cost. No urge to change to be more cost-effective. Reactive and overly customer centric	More demanding customers. Shrinking market and/or margins or other financial pressure requires better understanding of origins of good and bad business. Suspect some key accounts are losing money. Want to introduce valuable changes for customer but cannot justify them in the absence of customer profitability information. Begin to seek better analysis.	Start to categorise customers by GM. Consider impact of decisions in GM terms. Seek resource cost information.	Portfolio profitability measured and managed. Make trade-off choices based on profitability optimisation. Takes medium/long-term view of customer profitability.	
<b>KAM team</b>	Not aware of their costs. Not collecting or recognising time spent on key accounts, not culturally prepared to do so	Understand that collective actions impact on customer profitability. Look at how they can measure customer profitability.	Begin to identify better ways of working from resource allocation. Have to make choices between customers and differentially allocate resource.	Time measured, costed and allocated to customer account to achieve visibility of profitability. Actively optimising use of resource.	
<b>Associated functions</b>	As above.	As above. May be involved in specific customer projects, not necessarily fully costed.	As above. Fully cost all projects for specific customers	As above. Actively budget for and expect to commit resources.	



<p><b>Senior management team</b></p>	<p>No visibility of customer profitability. Do not apply any pressure to gain visibility of customer profitability.</p>	<p>Interest triggered by major negative event or poor company profitability v senior management KPIs. Seek proper diagnosis of issue within customers. Prepared to challenge own beliefs and/or traditional business focus.</p>	<p>Pro-actively drive profitability through key account performance. Seek new customer profitability centric KPIs. Talk new language.</p>	<p>Full visibility of customer profitability. Concern with both individual customer profitability and portfolio profitability. Require response to poor customer profitability and monitor improvements to deadlines (especially account sponsor). In irremediable situations, make decision to disengage from account.</p>	
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<b>I. Rewards and performance measurement</b>					
	<b>Change required</b>	<b>Ready to change</b>	<b>Transition state</b>	<b>Best practice</b>	<b>Score</b>
<b>Key account manager</b>	<p>Driven by volume or basic activity (e.g. sales calls).</p> <p>Activity driven by heavy bonuses.</p> <p>Organisation-centric measures, not customer-centric.</p>	<p>Accept need for relationship approach.</p> <p>Prepared and able to change approach.</p> <p>Accept longer-term commercial orientation in customer relationships.</p> <p>Accept link between relationship approach and reward/ performance scheme.</p>	<p>Elements of strategic activity/ behaviour introduced as part of rewarded performance, but not specifically plan-based.</p> <p>Forms of recognition used and applied broadly to everyone.</p> <p>Define key customer and team objectives.</p>	<p>Reward package related to achievement of explicit key account plan.</p> <p>Good quality, validated account plan produced with focus on profitability for both supplier and key account.</p> <p>Reward both input behaviour and outcomes.</p> <p>Reward scheme has high level of basic salary.</p> <p>Forms of recognition more tailored to individual</p>	
<b>KAM unit</b>	<p>Performance measures are only those from available the company management information (MI) system</p>	<p>Define measurement system for rewards with senior management team.</p> <p>Seek best practice by benchmarking with external/ other internal organisations.</p>	<p>Set up and run appropriate, specific measurement system with senior management team approval and funding.</p>	<p>Own and deliver reward programme.</p>	
<b>KAM team</b>	<p>Ad hoc activity.</p> <p>Do not see themselves as part of account team.</p> <p>Do not expect or work for recognition of contribution to customer.</p>	<p>See themselves as a team.</p> <p>Get feedback from the KAM individually and as a team.</p> <p>.</p>	<p>Work as team and relate to opposite team in customer to deliver shared performance objectives.</p> <p>KAM drives team and individual recognition hard, but ad hoc.</p> <p>Customer role written into individual objectives and appraised</p> <p>KAM informs team members' line managers of individuals' performance on customer team.</p>	<p>Customer-centric team.</p> <p>Recognition of team and team contribution</p> <p>Sense of shared purpose and shared objectives, no silos.</p> <p>Line manager fully aware of individual and team contribution and actively appraises against it.</p>	
<b>Associated functions</b>	<p>Not measured on or aiming at customer-based performance.</p>	<p>Discussion started on role in delivering to key customers.</p>	<p>Specific key customer-related objective in functional objectives.</p>	<p>Pro-actively improving differentiated performance for key customers</p>	
<b>Senior management team</b>	<p>Prefer sales volume based approach to rewards.</p> <p>'Reward on results'</p> <p>Require payment of rewards out of profit.</p>	<p>Accept need for relationship-centric scheme, but no change yet.</p> <p>All rhetoric. No reality.</p>	<p>Implement some changes, trial different approaches.</p> <p>Appoints a strong champion.</p> <p>Open to new ideas and recommendations.</p>	<p>Committed to medium/long term programme fully aligned with key customer objectives and strategy.</p> <p>Involved in delivery of recognition programme.</p>	

## Current position in KAM organisation



### Chart

Take the total scores for each organisational element from the top right hand box and mark that score on the verticals in the chart, to see where your company is currently positioned in terms of KAM development state, on each element.

### Overall

Add the scores up for each element of the organisation and record the total in the box at the top of the scoring column (maximum 15, if all groups are operating best practice KAM), and add all the page scores up on the last page. Look at where the score falls in these ranges:

- 0 - 20 No KAM, not ready
- 20 - 65 Ready for KAM
- 65 - 110 In transition
- 110 - 135 Good/best practice KAM