

Developing Key Account Managers

A difficult question for companies introducing KAM is the question of how to develop Key Account Managers. Are they in fact 'developable' from within the existing sales force, or do they need to be recruited? Diana Woodburn, Managing Director of Marketing Best Practice, refers to this as a 'make or buy' decision.

Two issues immediately emerge:

- Do the best sales people (who are typically transactionally focused) make the best Key Account Managers?
- How can companies select and keep their Key Account Manager in a specific role?

The first point raises the question as to whether – and to what extent – the skills of a key account manager can be taught. Good key account managers are rare indeed, and companies therefore tend to try and focus them onto the priority key accounts. However, this has an important side effect if the company moves the key account manager onto another role or another client, because customers hate it when their supplier changes the Key Account Manager! Clearly, if the customer changes, there might be a specific need to change the Key Account Manager, but there are cases where the supplier re-organises so often that the customer sees four or five Key Account Managers in a single year. So, Rule 1 of developing Key Account Managers is:

Rule 1: Have a policy of relationship development and carry out succession planning for your Key Account Managers.

Best practice companies such as RS Components take the view that it can take two years for a Key Account Manager to really get to know a client. Their policy is that Key Account Managers should stay in place for four years (2 in National & 2 at Strategic level) for RS to really optimise the relationship. Thus, too rapid a rotation of key account managers can be damaging to a supplier's most important relationships.

A challenge in developing Key Account Managers is to decide whether there are different types of key account relationship and whether that implies different types of skill and competency in the Key Account Manager. Companies such as BP and RS Components have started to apply this thinking to their key account portfolio and now seek to match the Key Account Manager to the key account in a systematic way:

Rule 2: Identify the appropriate management strategy for each type of key account in the portfolio and match the Key Account Manager to the appropriate key account.

For example, an interdependent relationship should probably be managed by a 'business manager' type of Key Account Manager, who has consultative, managerial and leadership skills. This role has even been described as being analogous to that of a business unit manager. The 'business manager' type is co-ordinating a major relationship and should be spending most of their time within their own company (*not* with the client), ensuring that the relationship is properly managed. However, traditional sales-based performance measurement and reward systems may focus on face time with the customer – an inappropriate metric in key account management. This brings us to Rule 3:

Rule 3: Ensure that the measurement and reward system is appropriate to the strategic imperatives for the key account.

The portfolio management approach to KAM suggests that there are different mixes of skills and competencies that are appropriate to different types of key account relationship. RS Components, for example, has identified 13 Key Account Manager competencies that are specific to its industry and company. These competencies are used to drive the personal development plan for each Key Account Manager. It is important that this is a supportive process and that the focus is on developing appropriate skills and competencies. There should be no suggestion that some roles are 'better' than others; each different role is important and has its place in appropriate client management. Thus, rule 4:

Rule 4: Identify the appropriate competencies and levels for each relationship manager and use this as the basis for a personal development plan.

The bottom line, as Diana Woodburn says:

"Good Key Account Managers are not easy to find and are much in demand, so instruments that recognise, develop and help them are very valuable".

Some organisations believe that attributes as well as competencies are important. Competencies are about what people can do, and are skills and behaviours. Attributes are about *how* people do things, and may make all the difference to the 'chemistry' of a relationship. Psychometric and personality tests may be useful in evaluating attributes.

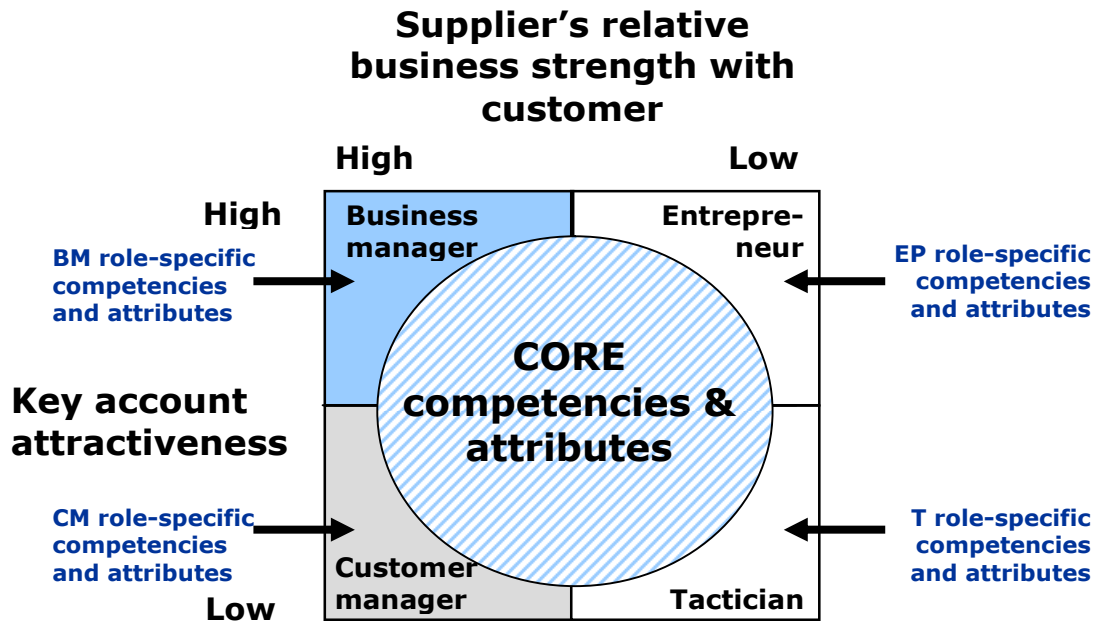
In addition, there may be other factors such as organisation or local culture that may influence the success of relationship management. Some organisations even carry out cultural fit tests on job applicants for sales and customer management roles, to see how well a potential employee would fit into the organisation and role.

So, who should develop the competencies, levels and attributes? This would normally be the role of the HR department, but it is essential that HR develops a clear view of KAM roles in different key account relationships, to enable them to develop appropriate measuring tools. Several companies have reported problems where the HR department develops inappropriate scorecards for Key Account Managers, often focusing unduly on traditional sales competencies and attributes.

One reason these problems arise is that it is difficult to generalise about the competencies of a Key Account Manager, as these tend to be quite situation-specific. Some competencies that do often appear on competence scorecards for Key Account Managers include: information-handling and analysis; planning; and political astuteness.

When considering the team of Key Account Managers and the KAM portfolio as a whole, the method needed here is to consider how many customers of which type a Key Account Manager can handle. So, if you have ten key accounts of a low/low 'manage for cash' type, and each Tactician can manage five of them, the organisation needs two Tacticians (Figure 1). If there are also ten high/high strategic investment customers and each Key Account Manager can manage one or two (because of the depth and complexity of these relationships), the organisation needs at least five and up to ten Business Manager types. Because Business Managers are hard to find, this could pose a problem for the organisation.

Figure 1: Core Competencies and Attributes



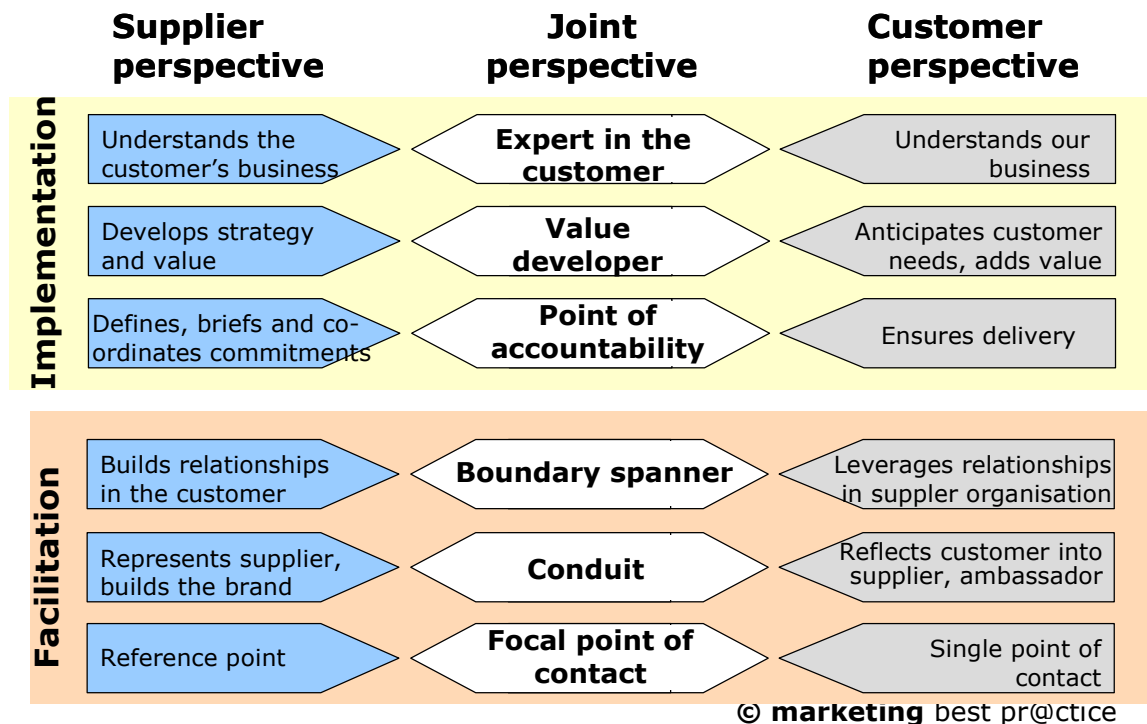
© marketing best pr@ctice

So, just as there is not one type of key account, there is not one type of Key Account Manager. Instead, the company should think in terms of a team or portfolio of Key Account Managers (Rule 5).

Rule 5: Take a realistic portfolio view of how many of each type of Key Account Manager the company needs. Develop the HR strategy around this.

The customer and the supplier share very similar perspective on the role of the Key Account Manager, although the language they use to describe it may be rather different (Figure 2).

Figure 2: The Roles of the Key Account Manager



The senior Key Account Manager should be a trusted team leader with access to his own company's board and the authority to make decisions. The Key Account Manager should also have P&L responsibility for the key account he or she manages; and this should be rewarded as a management position.

Case Study: RS Components

RS is a global high service level distributor of components ranging from conductors to pliers and safety boots. It describes itself as 'the oil in the engine of commerce'. In 2007 the company will be 70 years old and, has maintained the same core business principles since it began (Figure 3). It focuses on maintaining a wide product range, providing high service levels, and offering multiple ordering channels; in the UK the company handles some 25,000 orders per day. The company is business-to-business and it supplies customers ranging from the world's largest companies down to local one man operations. It trades with over 195,000 customers in the UK alone and UK sales are in excess of £350M, yet with an average order value of just £90.

Figure 3: Core Business Model of RS



© RS Components

Within the strategic account end of its market, RS Components has experienced a substantial market-driven shift in the role of sales from features and benefits, towards value and relationships. RS's approach to Key Account Manager Competencies is based on the following company-facing skills and customer-facing skills:

- Influencing & Negotiation
- Flexibility, Adaptability & Time Management
- Motivation, Selling and Communication
- Business Finance, Problem Solving and Business Awareness
- Opportunity Management, Planning and Activity Management

RS has segmented its entire customer base to help it align its sales resources. This has given RS three categories of customers: regional, national and corporate. Within its corporate account portfolio, RS has set up a number of sector teams, based on the purchase patterns of these corporate customers.

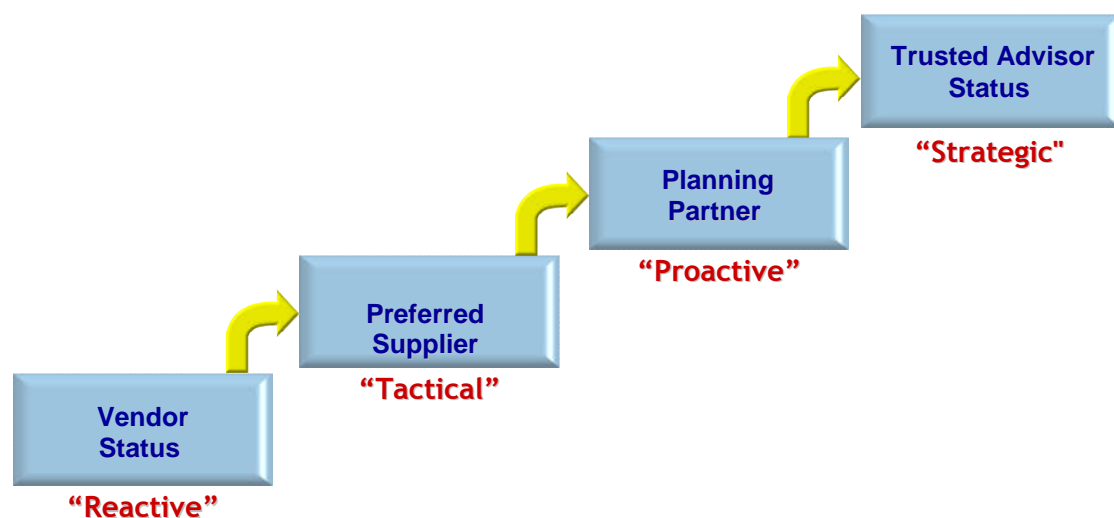
Key Account Managers at RS are set personal and sector objectives relating to acquisition, revenue protection and growing their share of a customer. They take at least a three year view of the potential for key customers.

An important part of RS's success has been the way it has succeeded in changing the behaviours and mindsets of its Key Account Managers. The increased size and complexity of RS's major customers and the greater service demands they place on RS is an issue in ensuring business continuity and effective Supply Chain Management. Kevin Gani, Industry Sector Manager at RS Components, comments:

“The role of our Key Account Managers has become significantly more complex in the past 10 years. The internal purchasing and decision-making processes within the customer is constantly changing (for example, as a result of mergers and acquisitions) and it can be difficult to persuade customers to partner and to take a long-term view”.

An interesting insight that RS has gained from its analysis of its customer base is that the overwhelming majority are essentially tactical relationships, which – interestingly - often failed to deliver the anticipated benefits. In a very few cases, RS identified strategic accounts where it had trusted advisor status (Figure 4). One of the first competencies, therefore, that RS aimed to develop within its Key Account Management team was its understanding of customer financial drivers and the team’s capability to read and understand balance sheets and P&Ls. This has given the team the skills to manage the accounts more profitably and make more effective business decisions on where to invest time and business resources. This has increased their understanding not just of which customers were strategic, but also why.

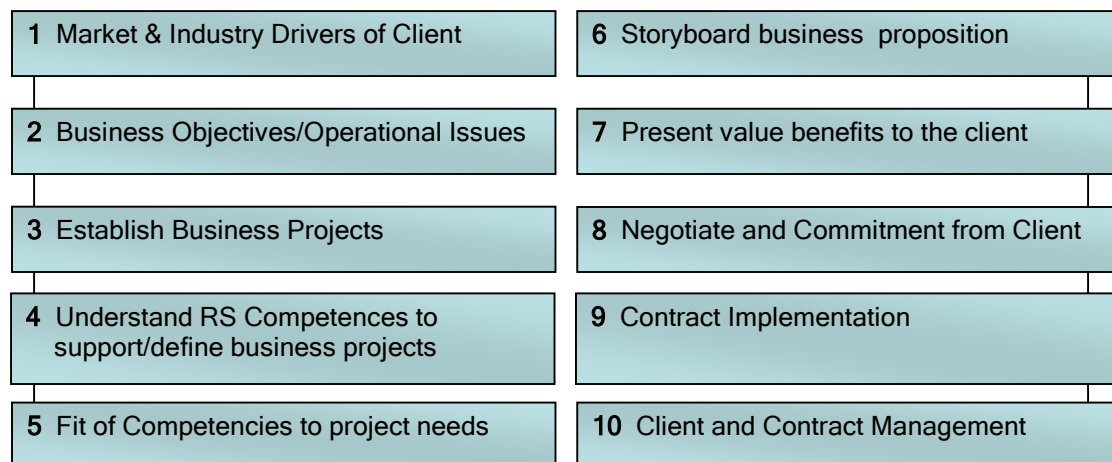
Figure 4: Customer Relationship Development



© RS Components

An important competence for a Key Account Manager at RS Components is the need to understand the customer’s industry drivers and corresponding internal business objectives. In addition, the Key Account Managers are encouraged to ‘look down the supply chain’ and to develop an understanding of the customer’s customer and any supply chain issues that might arise. The Key Account Manager is trained to ask their customers about current and future business projects the customer might be engaged in, and then to take this information away to enable RS to develop effective business propositions that meet the needs of the customer. The resulting debate is not just about how RS can create value for its customers but also about how RS will benefit in return (Figure 5).

Figure 5: 10 steps to Corporate Success



© RS Components

RS has now trained over 35 Key Account Managers. It has also trained their respective business line managers, to enable them to effectively coach all the Key Account teams to a consistent level. The training that RS has given its Key Account Managers has resulted in increased knowledge of how and where RS adds value to its customers, increased account penetration, and knowledge of new and emerging market sectors. It has also resulted in RS attaining key supplier status in a number of relationships.

In addition to the external benefits, RS's increased knowledge of sectors and how to trade within them has enabled better qualification and management of the internal bid process and a better focus on which customers the Key Account team collaborate with. The new process has resulted in RS experiencing a step change in its new contract win rate. RS has also noticed that news has got out about its new approach, because "customers talk". This has increased its market and brand profile.

The company is now engaging in knowledge management, sharing solutions across industry sectors. It has also changed the way it recognises the performance of its Key Account Managers, first identifying the business results priorities, and then targeting relationship development accounts for each Key Account Manager and focusing their efforts and recognition accordingly. As Kevin Gani says:

"We are in danger of being really successful if we get this right!"

All Key Account Managers now have coaching and mentors that will help them to develop their skills and competencies. Although RS admits that, for them, KAM has "evolved almost by accident", it now has an effective training structure, senior management support and is delivering impressive results. Not content with this startling transformation, RS intends to continue investing in KAM in a search for best practice:

"We want to benchmark ourselves against companies from other Industry Sectors, and keep on developing our KAM programme".

Professor Lynette Ryals
Kevin Gani, RS Components
Cranfield Key Account Management Best Practice Club
Lynette.ryals@cranfield.ac.uk
+ 44 (0)1234 75 11 22

October 2007