

# CHANGING YOUR GAME PLAN

Lynette Ryals, Iain Davies and Diana Woodburn explain how companies can make the critical transition from a traditional sales-led culture to a key account management system

Over the last 30 years, key account management (KAM) has emerged as one of the most significant trends in sales and marketing practice. Its adoption across companies of all sizes has been driven by an increase in powerful customers dominating their sectors nationally, regionally and globally, and leveraging their purchasing potential to the maximum. KAM provides our current best model for servicing these customers, and yet it is still in its infancy in many companies, sometimes stuck at an immature and fragile stage.

The external, customer drivers of KAM are clear and often irrefutable, so we can assume that it is the internal issues that are holding KAM back. For that reason, perhaps, we do not know a great deal about the process of KAM implementation, but we do know that suppliers have major difficulties with achieving the KAM orientation they seek. This gap urgently needs to be filled. The competitiveness of those companies trying but failing to make the transition from a traditional sales-led culture to a KAM approach will be seriously compromised, and they can ill afford to lose market share at a time

when markets are shrinking.

We have built a robust picture of how companies make the transition, bringing together two research projects that used very different methodologies, but showed rather consistent findings. That gives us confidence that the multi-phased, extended transition period both projects uncovered is the 'normal' route to successful KAM. However, it comes with a warning notice – Rome was not built in a day, and neither is KAM. Companies need to be prepared for the long haul. Some, expecting a quick sprint to the finish, have weakened and slipped back. Unfortunately, that is not an attractive proposition for customers, especially those that have already been promised something better.

#### The implementation process

We found four main phases in the process of implementing KAM that are common to most companies. These phases are fairly distinct: Introducing KAM, Embedding KAM, Optimising KAM and Continuous improvement

The first phase, Introducing KAM, consistently takes two years. This phase could be considered as two periods, in which the early part is about Scoping KAM, and the later part about Launching KAM, but they overlap by a substantial margin. During this period, the decision to implement KAM is made, even though there is still a great deal the company does not yet know and has not yet worked out, and so the scoping of KAM continues even as the supplier launches into the marketplace, recruiting people to key account manager positions and approaching customers. As a result, at the end of this period, even though it is not long since KAM has been rolled out, the supplier will already need to re-evaluate and revise its approach.

In fact, KAM progress is characterised by repeated cycles of gearing up and implementing, rejuvenating and expanding the KAM programme. After the first phase, the length of time taken to progress through Embedding KAM and

'Rome was not built in a day, and neither is KAM. Be prepared for the long haul'





**'KAM is not initially driven from the top. Top management is behind the curve'**

Optimising KAM is much more variable than the first phase, and depends on the persistence and intensity with which the company pursues its KAM vision. It can certainly take longer than the transition curve below suggests – it can even plateau at a sub-optimal stage. We found that suppliers that were making progress implemented elements of KAM at an increasing rate over the life span of the programme. For example, as they begin to realise that KAM is not contained within the salesforce and involves most of the organisation, the range of stakeholders and activities required grows.

Thus, companies aiming at successful KAM implementation should be prepared to:

- Revise their vision of how KAM will operate several times
- Work more, not less, to develop the programme as time progresses
- Allow at least six years to arrive at a robust and established approach that is recognisably KAM.

The transition curve below combines both the discussions of the action research practitioner group and the quantitative study.

**The role of senior management**

Although generally seen as vital to any cross-functional initiative such as KAM, senior manager buy-in is relatively low in Introducing KAM companies, which suggests that KAM is not initially driven from the top.

Senior management gains a significant increase in focus during the Embedding period, as the real KAM champion wins hearts and minds; followed by an even greater increase in the Optimising period, when evidence of positive results might be expected; and flattening off at this level in the Continuous improvement period when KAM has proved itself.

Top management, it seems, is more likely to be behind the curve than in the driving seat, which causes some major headaches for those trying to install KAM in their organisations.

However, some practitioners suggested that if senior management fully understood at the outset all the changes necessary to make KAM a success they would never agree, and that sometimes KAM champions might even keep senior managers in the dark on purpose!

**The four phases of KAM**

**1. Introducing KAM**

This phase is driven by a KAM champion and characterised by:

- The formal announcement of a programme
- Some kind of business case, often based on fairly tenuous information
- The identification of key accounts (usually by volume)
- The creation of a new role of 'key account manager', which may be only a change of title for some salespeople.

A weakness here is that, rather than changing the culture or the dynamic of customer engagement, the supplier may focus too much on cosmetic and superficial 'naming' of parts of the KAM programme, and on raising the service levels for key accounts.

**2. Embedding KAM**

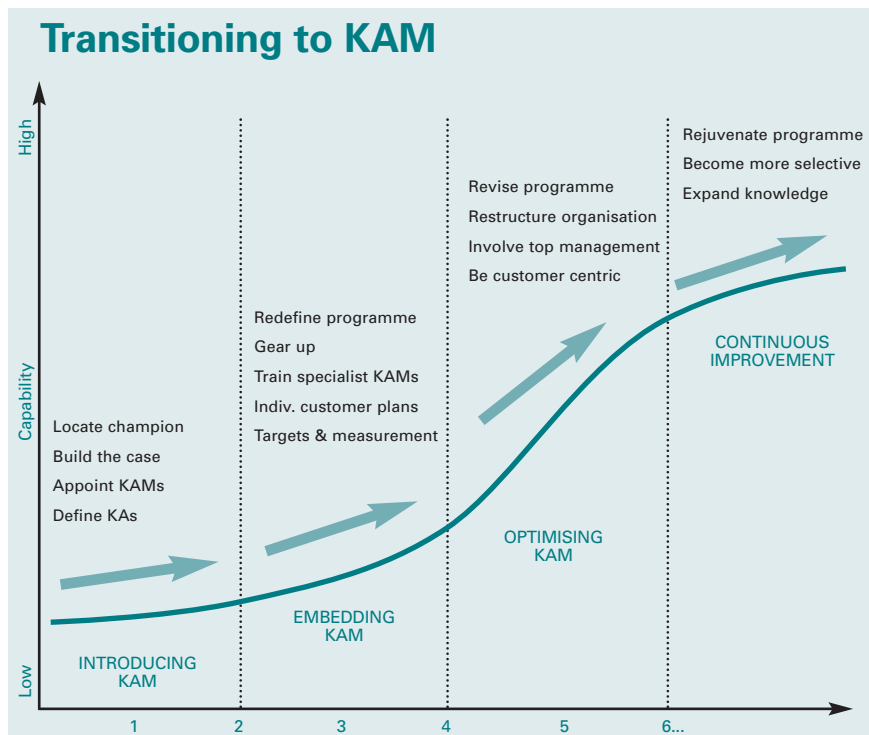
At this stage, the realisation dawns that KAM is less about selling and more about relationship management. Some companies are unable or unwilling to replace their sales orientation towards immediate revenue return with a longer-term relationship orientation. These are the suppliers that are likely to become disillusioned with KAM and begin to backtrack. Certainly, costs increase as key accounts are offered additional services and internal resource. The Embedding stage exhibits:

- Investment in better-selected and utilised key account managers
- KAM teams
- More policy and procedure, eg. planning, performance measurement and monitoring
- Increased cost-to-serve for key customers.

Now, senior managers buy into KAM and more of the organisation engages in the programme, which begins to influence leadership and organisational culture.

**3. Optimising KAM**

This phase demonstrates real commitment to KAM: high financial investment in building the programme into the fabric of the organisation, structural change to adapt to KAM and big pushes by senior management to change the culture through education and engagement of the entire



organisation. Optimising KAM shows:

- More senior people taking on key account manager roles
- Big increase in the involvement of top management with key accounts
- Adoption of KAM-orientated internal processes, policies and IT systems
- Increased service levels, more joint activities and joint investments with customers
- Benchmarking against competitors and customer feedback.

The overall 'performance of KAM' measure is far higher in this group than in companies at earlier stages. Certainly, companies need to be aware of the dangers of failing to monitor the results of a programme that is now bigger and more expensive than ever. There is a clear perception of an increase in revenue, but profit margins may fall. Suppliers discover that key customers remain tough negotiators who will, however, give more business to the right kind of supplier.

**4. Continuous improvement**

The syndicate made it clear that best practice KAM is not a stationary position, but one that needs continuous rejuvenation and support from across the organisation. Continuous improvement involves:

- Higher levels of customer selectivity (defined selection criteria, focus on fewer key accounts, and clearer segregation between key accounts and non-key accounts)
- Measurement of contribution, rather than revenue or benchmarking
- Greater focus on the business case for KAM.

Structural change in the organisation should have occurred at earlier stages, so this period involves consolidation instead of major change. Top managers are involved more as sponsors for relationship building

rather than account management. The programme is more focused, business-case led, widely-understood and widely-supported.

**Programme performance**

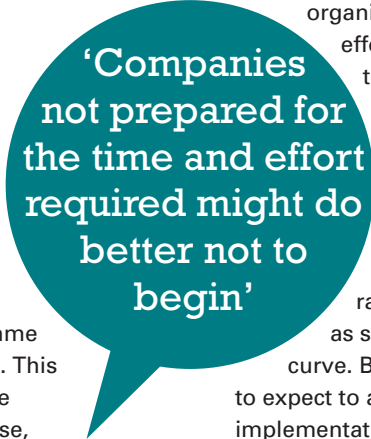
Both research studies found that there were virtually no significant differences based on industry.

In fact, the main differentiator to emerge was the age of the KAM programme. The perception of success tends to increase the longer a formal KAM programme has been established. This effect may peak at the Optimising KAM phase, since older programmes could show lower success scores on some key measures, such as relative revenue growth, customer satisfaction, advocacy and shared investment. On the other hand, companies at the Continuous Improvement phase used more extensive measurement than those still at Optimising KAM, which may mean that the views of Continuous Improvement companies are more reliable.

We allowed survey respondents to note if they had not seen any evidence on which to base their assessment of success. The Introducing KAM group did not have a great deal on which to make its assessment – an average of 44% of them had no hard evidence of success at that point. The average percentage of people relying on unsupported success measures decreased with maturity of the KAM programme, so 26% of Embedding KAM companies had no evidence, but

only 11% of Optimising KAM companies and 8% of Continuous Improvement companies formed their views without any real information.

The lack of measurement in the early stages is surprising; we suggest that the measurement of a KAM programme's success is something organisations should make an effort to investigate earlier in the process.



**Successful implementation**

KAM programme implementations proceed according to a rather consistent pattern, as shown in the transitioning curve. But many companies seem to expect to arrive at a full KAM implementation in months rather than years and if they are not prepared for the time and effort required, they might do better not to begin. They would then need to think about the reasons why they do need KAM, however, since those considerations can certainly outweigh reluctance to change. Most of the companies that have adopted KAM have done so either to fulfil very challenging ambitions, or to ward off very serious threats. Those circumstances demand a response, and the question must be, 'If not KAM, then what?'

Companies that proceed with KAM must be prepared to adapt their approach as they learn more about how it works for them inside and outside the company, and be willing to increase engagement over time. KAM should not be seen as a project to be implemented and then simply used and routinely maintained. The transition is a marathon, not a sprint.

**contributors**

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**RESEARCH METHODS**

These findings emerged from two studies carried out by the authors at Cranfield School of Management: One study was a survey of 204 key account managers across a variety of industries over a three-year period. The KAM programme was less than two years old for 38% of companies, 2-6 years old for 50%, and over six years old for 14%. The other study was a year-long action research group with seven companies ranging across manufacturing, services and financial services, whose KAM programmes were at different stages of development. Their insights were used to segment the data from the quantitative survey, for analysis purposes, and to provide a structure for transitioning to KAM.