

The Effectiveness of Key Account Management Practices

<p>Dr Iain A. Davies* Senior Lecturer in Marketing School of Management University of Bath Bath BA2 7AY UK</p> <p>Tel: +44 (0)1225 386839 Fax: + 44 (0) 1225 386473 i.davies@bath.ac.uk*</p>	<p>Professor Lynette J. Ryals Professor of Strategic Sales and Account Management Centre for Strategic Marketing and Sales Cranfield School of Management Cranfield Beds MK43 0AL UK</p> <p>Tel: +44 (0)1234 75 11 22 Fax: +44 (0)1234 75 18 06 Lynette.ryals@cranfield.ac.uk</p>
--	---

* Lead author for correspondence

Abstract

This paper investigates the extent to which Key Account Management (KAM) programs are achieving a range of financial and non-financial measures of effectiveness for implementing companies. It investigates a wide range of KAM practices as well as comparing the predictive power of these practices on nine desirable effectiveness measures. The paper therefore provides greater depth of insight than previous models in terms of both the practices included and the effectiveness measures used, giving a far richer insight than previous models. The results suggest that the extent to which KAM practices are embedded within the company is strongly related to all nine effectiveness measures. However it is outcomes which favor the customer which are most realizable such as increased customer satisfaction, relational improvement and joint investment, with a significant time lag and lower predictability for supplier benefits such as increased revenue, increased profit margins or cost efficiencies.

Key Words: Key Account Management, Strategic Account Management, Global Account Management, Sales Management, Relationship Management

Research Highlights:

- KAM appears more effective at driving relationship benefits for customers than financial benefits for suppliers.
- Supplier benefits do accrue but after a significant time lag from implementation and customer benefits
- KAM requires substantial commitment over a number of years including substantial changes to structures and processes.
- KAM is more than a sales or marketing initiative as it requires change across the entire organization.

The Effectiveness of Key Account Management Practices

1.1 Introduction

Key Account Management (KAM), also referred to as Strategic Account Management (SAM) is a systematic supplier process for managing strategically-important business-to-business relationships (Millman & Wilson, 1995; Ojasalo, 2001). Considered to be a development from Relationship Marketing (McDonald, Millman & Rogers, 1997), it involves the adoption of collaborative ways of working with key customers rather than traditional transactional and adversarial practices (McDonald & Woodburn, 2007).

Despite the pervasiveness of KAM in managerial practice, there is little empirical work examining what differentiates successful from unsuccessful KAM programs (Tzempelikos & Gounaris, 2013; Workman, Homburg & Jensen, 2003). There is therefore a need to investigate the practices companies implement as part of their KAM program and the role they play in driving KAM effectiveness. Although work has been done in this area by the likes of Birkinshaw, Toulan & Arnold (2001), Montgomery, Yip & Villalonga (1998) Salojärvi, Sainio & Tarkiainen (2010), Tzempelikos & Gounaris (2013) and in particular Workman et al. (2003), they study a limited range of KAM practices and report few effectiveness measures. In this paper we investigate the influence of a wide range of KAM practices on a number of program-level effectiveness measures.

1.2 Literature Review

In their 2010 systematic review of the KAM literature Guesalaga & Johnston (2010) identify a number of papers that investigate the elements of, the organisation of, and the critical success factors of KAM programs as three of the more common fields of study in KAM (representing 9, 12 and 11 papers respectively). However further investigation into these papers, and those that follow, shows very few linking the practices of KAM to effectiveness measures. Fewer still attempt to identify any causal relationships between practices and effectiveness. In the following sections we will explore what is known about KAM effectiveness measures and KAM organizational practices, highlighting the gaps in knowledge about specific practices and KAM effectiveness.

1.2.1 KAM Effectiveness

Motivations for suppliers to implement KAM include higher revenues and faster growth rates (Bolen & Davis 1997). There are also indications that customers may be demanding

KAM, thereby driving supplier implementation. Customers appear to benefit substantially when their suppliers introduce KAM: collaborative relationships with suppliers are thought to yield between 10% and 100% greater value for the customer (Hughes & Weiss, 2007). The evidence relating to supplier profitability following the introduction of KAM is less clear-cut. Some researchers have found evidence of higher profitability (e.g. Kalwani & Narayandas, 1995; Galbreath, 2002) even in the presence of considerable power asymmetries (Narayandas & Rangan, 2004). Others have found that higher service levels lead to suppliers struggling to profit from their key account relationships (Homburg et al. 2002). The profitability problem may be compounded by customers bargaining away the benefits of KAM in the form of lower prices (Ryals & Davies, 2013) which may result in relationships with the largest customers becoming unprofitable for suppliers.

This raises a question about why, if the benefits of KAM are uncertain, the adoption of KAM has become so widespread that it has been characterized as one of the most fundamental changes in the way that business-to-business companies organize their sales and marketing effort (Homburg, Workman & Jensen, 2002)? Although multiple papers investigate individual capabilities or behaviors of Key Account Managers and the impact on relationship success (e.g. Alejandro, Souza, Boles, Ribeiro, & Monteiro, 2011; Guenzi, Georges, & Pardo, 2009; Sengupta, Krapfel, & Pusateri, 2000; Wotruba & Castleberry, 1993), we can only identify five which expressly investigate causal relationships of KAM practices on KAM effectiveness at an organizational level (see table 1). Table 1 summarizes these studies' principal findings and some weaknesses of their approach. Whilst providing valuable groundwork, previous studies have addressed a limited range of organizational KAM practices (see section 1.2.2) and usually treat KAM effectiveness as a single measure / scale rather than having multiple, different aspects (c.f. Ryals, 2008).

[Insert table 1]

In this study we use the term 'effectiveness measures' to cover a range of financial and non-financial benefits associated with KAM programs in the extant literature. Workman et al. (2003) make a distinction between 'effectiveness' at the KAM program-level and 'performance in the market' at the organizational level. Others such as Tzempelikos & Gounaris (2013) focus on 'financial performance' at the organizational level but 'non-financial performance' as being at the KAM program / account level. In this paper we are interested in program-level effectiveness measures as these most closely related to the KAM

program, rather than organization-wide performance. Within the literature multiple terms are used to describe these program-level effectiveness measures including account performance (Birkinshaw et al., 2001), performance effect (Montgomery et al., 1998) and KAM effectiveness (Tzempelikos & Gounaris, 2013; Workman et al., 2003). However we will use the one term ‘effectiveness measures’ to refer to both financial and non-financial predicted program-level benefits of KAM.

Our review of the literature highlighted nine different KAM program-level effectiveness measures. These include non-financial effectiveness measures such as customer satisfaction (Hausman, 2001; Workman et al., 2003), retention (Hausman, 2001; Sharma, 2006; Workman et al., 2003), and advocacy (Ryals, 2008); and financial effectiveness measures including profit margins on key accounts (Sengupta et al., 1997; Sharma, 2006; Stephenson, 1981), increases in shared investment (Sharma, 2006), increasing key account revenues and reducing costs to serve (Birkinshaw et al., 2001) and increasing share of account spend (Workman et al., 2003). However we do not include some of the less objectively measurable effectiveness measures used in the literature such as improved reputation or status (Tzempelikos & Gounaris, 2013; Workman et al., 2003), or organizational-level measures such as overall revenue, profitability or market share (Tzempelikos & Gounaris, 2013; Workman et al., 2003).

Past studies have investigated how KAM implementation drives overall effectiveness measures (Tzempelikos & Gounaris, 2013; Workman et al., 2003), and other research such as Davies and Ryals (2009) and Montgomery et al. (1998) explore how implementing KAM increases perceptions of overall KAM performance; however there is no existing exploration of what effectiveness measures constitute a perceived successful program (in essence, what measures need to be improved to constitute a successful KAM program). Our first research question therefore examines the extent to which the different effectiveness measures identified in the literature reflect overall perceptions of KAM performance.

1.2.2 KAM practices

Despite the concerns raised by some researchers about apparently high failure rates in KAM implementation, there is relatively little research investigating whether the way in which companies actually implement KAM affects its success (Kempeners & Hart, 1999; Sengupta et al., 1997; Wengler et al., 2006). We know that implementation is a lengthy multi-stage process (Davies & Ryals, 2009; 2010); and the Davies & Ryals research also indicates the kinds of activities that form part of the implementation of a KAM program. However

most previous causal studies use a limited range of KAM practices; Workman et al. (2003) have the largest range, employing 6 reflective scales (inferring practices), plus one formative practice to explore KAM. This circumscribed approach to the constituent practices of KAM is a limitation of existing research.

In previous causal studies the critical success factors for KAM and the constituent practices of a KAM program are often considered at the same level of analysis, as though they are formative indicators (Table 1). Thus *culture* (an organizational culture that supports KAM - Homburg et al., 2002; Millman & Wilson, 1999; Pardo, 1999; Workman et al., 2003) or ‘*Customer Relationship Orientation*’ (Salojärvi et al., 2010: p1396) is considered alongside *differentiated and higher service levels for key accounts, top management involvement* and *use of teams* (Salojärvi et al., 2010, Workman et al., 2003), all of which are routines or practices which would be constituents of an organizational culture which supports KAM. In a recent example, Natti & Palo (2012) refer to different practices as “organizational mechanisms and capabilities” (p1849). In principle this would liken KAM to a dynamic capability consisting of a set of practices; although Natti & Palo (*ibid*) go on to include not just management commitment, key account manager skills, resources, clear goals and follow-up mechanisms, and a supportive management system, but organizational culture. This seems to risk confusing a set of KAM practices with higher-order measures (such as ‘culture’), which are at a different level of analysis, ‘culture’ being often characterized as a *set* of practices, behaviors or orientations (e.g. Khan et al., 2010) and therefore possibly subsuming the other KAM practices identified.

Our concern with this approach is that, for causal modeling, including higher order measures (such as ‘culture’) risks masking the unique influence of implemented practices due to multicollinearity in the models. In other words, the notion of a ‘KAM culture’ or ‘a culture that supports KAM’ (c.f. Homburg et al., 2002; Workman et al., 2003) includes other independent variables such as top management involvement (c.f. Salojärvi et al., 2010; Workman et al., 2003). Tzempelikos & Gounaris (2013) illustrate this by using many of the practices such as top management commitment, top management involvement and inter-functional support as indicators of KAM Orientation, which is proposed as a measure of organizational culture.

This concern is compounded by studies not reporting, or using unsubscribed tests for, multicollinearity or discriminant validity. We therefore follow Storbacka (2012) and Storbacka, Polska, & Sääksjärvi (2011) in referring to ‘KAM practices’ and avoid higher order constructs such as culture, orientation or knowledge. Table 2 sets out a summary of the

literature relating to various KAM practices that have previously been linked with KAM effectiveness and utilized in this study, grouped around organization-wide practices, operational practice, targeting and performance practices, people related practices and procedural practice to assist in readability.

[Insert table 2 here]

To address these issues, and to gain a better understanding of what results KAM practices are driving, we needed to investigate a considerably broader range of both KAM practice and KAM effectiveness measures than are currently explored in the literature. Our second - and principal - research question is therefore to examine how effective implemented KAM practices are at predicting desirable effectiveness measures.

1.2.3 Conceptual model and Hypotheses

Our conceptual model (Figure 1) illustrates the two research questions outlined in the literature review and presented in Table 3, linking the importance of KAM effectiveness measures with the perception of overall KAM performance (RQ1) and the importance of KAM practices with effectiveness (RQ2). The specific research questions are:

RQ1: To what extent do the different effectiveness measures identified in the literature reflect overall perceptions of KAM performance?

RQ2: How effective are implemented KAM practices at predicting desirable effectiveness outcomes?

As we have 22 independent variables and 10 dependent variables we needed to avoid developing an unwieldy number of hypotheses, and we have therefore proposed 11 hypotheses based on our nine effectiveness measures and one overall satisfaction measure such that:

- The 1st hypothesis is that: Increases in objective effectiveness measures positively influence overall satisfaction with KAM
- The 2nd hypothesis is that: Implementation of KAM practices positively increases overall satisfaction with KAM
- And nine hypotheses (H3-H11) took the general form of: The implementation of KAM practices positively affects [the stated effectiveness of KAM measure];

The conceptual model illustrates the relationships and suggests that the nine effectiveness measures identified in section 1.2.1 will positively affect perceptions of overall KAM

program performance (H1). It also suggests that the 22 identified KAM practices, identified from the literature and set out in Table 2, are linked to overall satisfaction with a company's KAM program (H2); and that the KAM practices positively influence each of the nine effectiveness measures of a KAM program (H3-H11). Table 3 sets out the 11 specific hypotheses associated with the two research questions.

[Insert Figure 1]

[Insert Table 3]

1.3 Methodology

1.3.1 Data collection

To test the relationships between practices utilized in KAM programs and the effectiveness of those programs we developed a 7-point Likert scale survey (see Appendix A) applicable across industries as suggested by Schendel & Hofer (1979). The survey measures were based on the practices and KAM effectiveness measures discussed in the literature, as summarized in section 1.2.1 and Table 2.

Within the extant literature there is a propensity to investigate KAM from outside of the KAM program using customers, sales people or senior managers (Davies & Ryals, 2009). However relying on data from people outside the KAM program (as with Workman et al., 2003; Ivans & Pardo, 2007), or high proportions of respondent companies with no formal KAM program (Workman et al., 2003; Montgomery et al., 1998) carries some danger of respondent error when investigating KAM practices. For this study we therefore selected only companies who considered themselves to have a formal KAM program, defined to participants as 'a specific program for the management of customers who are of strategic importance to the supplier'; and we only surveyed senior managers inside the program. Focusing on companies having a formal KAM program increased the specificity of the sample, reducing the issue of 'non-KAM' organizations seen in other work (c.f. Workman et al, 2003); and this definition of a key account follows a number of previous researchers (e.g. Davies and Ryals, 2013; Guenzi et al., 2007; 2009; McDonald et al, 1997) and addresses inter-country and inter-industry differences in terminology (Davies and Ryals, 2013; Homburg et al., 2000)

To target this hard-to-reach group we followed Guenzi et al. (2007, 2009), McDonald et al. (1997), Montgomery et al. (1998), Ryals & Rogers (2007) and Wengler et al. (2006) in approaching key account managers and directors attending KAM-specific executive education programs and conferences at one of the leading KAM executive development institutions, making it a highly purposive sampling method. To gain a large enough sample the data took 3 years to collect; analysis of variance (ANOVA) tests between the years of collection suggested no significant differences between collection years or type of event (education vs. conference). Over the 3 years a total of 294 delegates from different companies were sampled out of those attending these events. Where multiple delegates from one company attended, only the most senior was included in the sample; and checks ensured no delegates or companies were surveyed twice. 217 surveys were returned. Eight responses were discarded as respondent indicated the company did not have a formal KAM program, leaving 209 usable surveys (71% response rate). In this way, we collected a sample in which 100% of respondents indicated they had a formal KAM program.

Surveys were handed out before the commencement of the event to be completed during registration and collected as the event began, to minimize the impact of the event on the responses (Table 4 shows descriptive statistics for the respondents).

[Insert table 4 here]

All the events at which surveys were distributed were held in the UK, which accounts for the preponderance of respondent companies based there (54%). The range of KAM-related events over the data collection period enabled a wide range of industries. Of particular interest, given the considerable time period required for KAM implementation (Davies and Ryals, 2009; 2010), was the range of KAM program duration, ranging from less than two years (37%) through 2-3 years (22%) and 4-6 years (26%) to more than 6 years (15%).

1.3.2 Data analysis

Our paper is exploratory in that it investigates multiple dependent variables and the predictive ability of KAM practices in achieving them, rather than looking specifically at the practices independently. To investigate the overall effectiveness of KAM programs on a range of effectiveness measures we analyze data using hierarchical multiple regression. Our rationale for taking this approach, rather than grouping the KAM practices through the development of formative indices, is that if we were to develop formative indices this would

have to be based on theoretical grounds (see Diamantopoulos & Winklhofer, 2001), because there are no statistical techniques for doing data reduction with formative indicators. In essence there is no formative version of factor analysis (Diamantopoulos, Riefler, & Roth, 2008; Edwards & Bagozzi, 2000; Jarvis, Mackenzie, & Podsakoff, 2003). There are no theoretical grounds by which to group the practices apparent in the extant literature. Moreover, Davies & Ryals (2009) suggest companies may not implement all the identified practices in tandem, questioning the development of indices at all.

Hierarchical multiple regression has a number of underlying assumptions governing form and quality of data input into the program. We follow the procedures outlined in Hair, Black, Babin & Anderson (2010) and Tabachnick & Fidell (2007) in undertaking our analysis. With a sample size of over 200 we have high levels of statistical power without running the risk of over-fitting (Tabachnick & Fidell 2007). Our sample size met the ideal suggested by Tabachnick & Fidell (2007) of $N > 50 + 8m$ (where m = the number of independent variables) and exceeded the 5-1 minimum ratio suggested by Hair et al. (2010) in all tests.

Two practices ('Benchmarking against other companies' and 'Having a KAM champion') were removed because very few companies indicated any use of these practices leading to very poor correlation (<0.3) with any of our effectiveness measures. All other practices correlated with our overall satisfaction measure (How good is your company at KAM?) and were retained for all regressions. These were even retained when they did not correlate with other effectiveness measures to maintain both the comparability across the outputs but also because, as with formative indicators, practices are heavily inter-related; meaning that low or no correlation does not necessarily indicate that they play no part in the predictive capacity of a management program (Bollen & Lennox 1991).

None of the practices correlated at above the 0.7 level, indicating no problem with multicollinearity (see table 5 for correlation matrix) also justifying our decision not to index these practices. We did have 3 higher order reflective measures for KAM Knowledge, Culture and Structure and to justify our approach carried out pre-test for multicollinearity of these items with implemented KAM practices. This pre-test confirmed that these items were highly correlated (>0.7) with many KAM practice items, justifying our decision to focus purely on the practices and not including these higher order constructs. Our lowest Tolerance statistic is 0.182 and Variance Inflation Factor (VIF) is 5.486 (both for the measure "KAMs had good access to additional internal resources") satisfying the recommended >0.1 for

Tolerance and <10 for VIF suggested as indicators of multicollinearity by Hair et al. (2010) confirming no effects of multicollinearity.

[Insert table 5 here]

To test for normality, outliers and heteroscedasticity we inspected the normal P-P plot of regression standardized residuals and all partial regression plots for all independent variables in all models run. There was no indication of heteroscedasticity or non-linearity. For outliers we conducted both the Mahalanobis D^2 measure which had an average of 22.869 and maximum of 53.206 with 23 degrees of freedom. This provides a D^2/df of 2.3, well below the advised <3 for samples of this size (Hair et al., 2010). We had one case with a standardized residual over 3.0 but, with a Cooks distance maximum of 0.106, this case suggests no major bearing on the overall results, being well below the score of 1 suggested as a problem by Tabachnick & Fidell (2007), so the case was retained.

No attempt has been made to refine the models to reduce the number of independent variables analyzed despite the statistical possibility of doing so through backward elimination. This is due to ensuring the comparability of the models and also the lack of theoretical grounding for removing less influential variables (Hair et al., 2010).

1.3.3 Control variables

Three control variables are utilized in this study to control for major influencers of KAM effectiveness. Firstly we control for industry type. Although to date there has been no extensive study into industry effects on KAM program structure and success, the authors' experience of working closely with industry partners suggest both KAM programs and their effectiveness may be different across industries. This is included through a dummy variable based on the industry identified by respondents as their company's primary industry. Secondly we control for the size of the KAM program. We control for the size of the program rather than the size of the company on the basis that a KAM program by its nature covers only a subset of the overall company's customer base. The overall percentage of revenue this accounts for is likely to vary considerably company-by-company (Ojasolo, 2002) and possibly also by industry. KAM program size was investigated through a measure of the number of people in a specialist Key Account role employed by the company ('Number of KAMs'). We chose 'Number of KAMs' to measure KAM program size for a number of reasons: to aid generalizability across industries; to give us a measure of KAM program size

that reflects the supplier's up-front investment in the program, rather than the results of that program; and because 'Number of KAMs' is less likely to be affected by exogenous factors than absolute or proportional revenue. Finally, we control for the age of the KAM program, following the findings of Davies & Ryals (2009), Montgomery et al. (1998) and Wotruba & Castleberry (1993), all of whom linked the age of a KAM program to greater overall success of the program. The analysis here was based on a single measure: "How long has your company had a recognized Key Account program?" Despite the previously-suggested importance of the age of the KAM program, we believe that it has not been included in previous causal modeling in KAM.

1.4 Results

Our first test of the effectiveness of KAM is by a simple inspection of different magnitude of desired effectiveness measures. Figure 2 shows a graph of the effectiveness of KAM at achieving the nine measures investigated in this study.

[Insert figure 2]

Figure 2 shows that KAM appears to be good at improving customer relationships and customer satisfaction; good to moderate at retention, share of spend, revenues, and advocacy; and less good at costs to serve, profit margins, and shared investment. This is suggestive of a situation in which KAM is rather more effective at driving benefits for customers (measured by satisfaction, retention and relationships) than benefits for the supplier (such as share of wallet, revenue, profits, or advocacy). It also indicates that suppliers are right to be concerned about potential cost increases and therefore margin pressures when introducing KAM which may, in turn, indicate that KAM is not an ideal vehicle for managing cost efficiency.

In the following results (Tables 6, 7, 8a and 8b) all odd numbered models (1, 3, 5, 7, 9, 11, 13, 15, 17, 19 and 21) are models for the control variables only. Our first two models (table 6) explore research question 1: the extent to which our nine effectiveness measures account for the overall perceived KAM program performance ("How good would you say your company is at KAM?"). Although we are able to explain a large proportion of overall perceived KAM program performance (57.7%) with our measures, supporting hypothesis 1, this still leaves 42.3% unexplained by the measures we introduce. Our results show that, of the effectiveness measures three (cost to serve, profit margin and satisfaction ratings) provide no significant unique explanation of overall perceived KAM performance.

[Insert table 6]

Models 3 and 4 (see table 7) explore the relationship between KAM practices and the overall perceptual measure of KAM performance. The control model (model 3) is identical to model 1. Model 4 shows a stronger relationship (66% variance explained, supporting hypothesis 2) between the practices of KAM and the perception of KAM performance than in model 2 (Effectiveness measures --> Perception of KAM performance), showing that KAM practices are more indicative of an Account Manager's perception of a good KAM program than measures of effectiveness.

[Insert table 7]

Models 5 to 22 look at the role of the 20 remaining KAM practices in driving the effectiveness measures of KAM. Here, we see that KAM practices are indeed good predictors of the effectiveness of KAM (Tables 8a and 8b) supporting hypothesis 3-11. All models are significant and all show the practices of KAM provide unique explanations for the effectiveness of KAM programs.

[Insert table 8a]

[Insert table 8b]

1.5 Discussion

Our research makes two major contributions to the KAM debate. The first relates to effectiveness measures and the second to KAM practices. This extends previous papers by Workman et al. (2003), Birkinshaw et al. (2001), and Montgomery et al. (1998) by exploring the relative ability of KAM practice to deliver against a range of effectiveness measures. Our first research question asked to what extent different KAM program-level effectiveness measures reflect the overall perception of KAM performance. The results show that effectiveness measures explain much (although by no means all) the perceived performance of a KAM program (Table 6). The biggest single measure of KAM effectiveness that influences overall perception of the program's performance is shared investment, perhaps because this represents a substantive and visible commitment by both sides. Customer retention is also important in perceived performance; the loss of a key account from a program would be a highly visible indicator of low performance. The age of the KAM program is significantly associated with perceived performance; probably, longer-established

programs have more time to gain legitimacy (and presumably the causality also works in the reverse direction, in that KAM programs that are perceived as better performing are also more likely to persist over time). More research would be needed to examine what other measures affect overall perceptions of KAM performance to account for our missing 42%.

When we look at how well KAM practices influence the overall perception of KAM performance (Table 7) we find that they have greater predictive power (model 4: 66% variance explained) than the effectiveness measures (model 2: 57.7% variance explained). This result is perhaps indicative of the problem identified in Davies & Ryals (2009) that companies are poor at objectively measuring KAM effectiveness. This difference supports our decision to further investigate effectiveness measures and suggests that studies using only perceptual measures of KAM performance such as Montgomery et al. (1998) and Wotruba & Castleberry (1993) may provide inflated performance outcomes.

The final area to note from models 2 and 4 is the lack of significance for our control variables. Industry does not appear to explain the perception of overall KAM performance. Nor does the size of the KAM program; larger KAM programs are not necessarily viewed as more successful.

The results with regard to the age of the KAM program are less clear-cut. Davies & Ryals (2009), Montgomery et al. (1998) and Wotruba & Castleberry (1993) all suggest that the age of a KAM program is a significant indicator of KAM performance. All three of these studies rely predominantly on a perceptual measure of KAM performance (as in models 1-4 in our study). The significance of the 'age of program' variable in models 1 and 3 (the control model) and model 2 (effectiveness measures vs. performance perception), but lack of significance in model 4 (KAM practices vs. perceptual measure) suggests that the age of a KAM program is associated with increased use of KAM practices and it is the implementation of the practices rather than the age of the program itself which dictates the overall perception. However when it comes to the nine effectiveness measures the age of the program does still provide unique contribution to variance, as we discuss below.

Our second research question asked whether KAM practices are good at predicting nine different effectiveness measures identified from the literature. Whereas previous studies such as Workman et al. (2003), Tzempelikos & Gounaris, (2013) and Birkinshaw et al. (2001) formed scales out of the effectiveness measures and found all practices to be related to effectiveness, we can build on their work and give a more detailed interpretation, dividing our

results between financial measures of effectiveness (increased share of customer spend, revenues, costs to serve and profit margins - Table 8a) and non-financial measures (relationship improvement, customer satisfaction, retention, advocacy and shared investment – Table 8b). There is no particular pattern of difference between the two, although KAM practices seem to have a slightly greater explanatory power in relation to non-financial than to financial effectiveness. Specifically, models 16 and 22 show that KAM practices are significantly more likely to drive customer satisfaction ratings and levels of shared investment (88.5% and 75.8% of variance explained respectively) than other effectiveness measures.

Although our models show that KAM practices are always significant drivers of effectiveness, they have the lowest influence on cost to serve (48.3% variance explained – model 10) and customer retention (52.3% variance explained – model 18).

Combining the results of the regression models with the descriptive statistics for the effectiveness measures (Figure 2) we can suggest KAM practices are most effective at driving benefits for customers (particularly satisfaction) but also drive supplier benefits, supporting previous research on the positive impact of KAM on the supplier (e.g. Hughes & Weiss, 2007; Kalwani & Narayandas, 1995; Galbreath, 2002). However based on the strong significance and unique contribution of years of the program for models 6 and 8, there may be a significant time lag between implementing KAM practices and benefits in the form of increased share of spend or revenues accruing for the supplier (Table 8a). This finding emphasizes the importance of taking a longer perspective on a KAM program, regarding it as a multi-year investment on the part of the supplier (Davies & Ryals, 2009).

With respect to particular KAM practices, we can identify some interesting trends in the individual variables and their effect on overall KAM effectiveness. Individual key account plans appear to be of particular significance in driving customer satisfaction, supporting previous research highlighting the central role of KAM plans in the role of a key account manager (e.g. Holt, 2003; Ojasolo, 2001). Differentiated service levels are also significant in driving higher customer satisfaction, supporting previous normative claims (e.g. Ryals & McDonald, 2008).

When it comes to driving increased share of spend (61.7% variance explained) from a key account, model 6 suggests that senior management buy-in is extremely significant, as are KAM plans and specifically-appointed key account managers. However, where revenues and

profits are concerned (models 8 and 12), measuring performance is vital and, in the case of profit margins, fully-trained key account managers (suggesting that KAM training should include management of customer profitability). These results provide empirical support for previous work around the role and required skills of a key account manager (Davies and Ryals, 2013; Holt, 2003; Ojasalo, 2001; Ryals & McDonald, 2008).

Our results also show that relationship improvement (model 14) is predominantly driven by a combination of senior management buy-in, joint activities, feedback, and planning. Interestingly, advocacy is significantly driven by joint activities (model 20), whereas increased retention is driven predominantly by higher service levels. The role of higher (i.e. differentiated) service levels in driving customer satisfaction and retention provides useful evidence in favor of introducing KAM programs that incorporate such differentiation (c.f. Salojärvi et al., 2010). Thus, in terms of the independent variables, our research supports previous claims made for the importance of individual KAM plans (Ryals & McDonald, 2008; Storbacka, 2012); differentiated service levels (Ryals & McDonald, 2008); and senior management buy-in (Davies & Ryals, 2009; Workman et al, 2003). Interestingly, KAM teams were not particularly significant in our models, despite emphasis on KAM teams in previous research (Alonzo 1996; Arnett et al., 2005; Guenzi et al., 2007) and an apparent link to perceived KAM performance (Salojärvi & Saarenketo, 2013). This may be because our sample draws exclusively on companies with formal KAM programs, therefore most already utilize KAM teams.

One area of particular note relates to the control variables. The relevance of the actual size of the KAM program is varied across the KAM practice models. It usually provides a relatively limited or insignificant unique contribution to the model but in certain instances (such as profitability) we see the size of the program leading to potential financial inefficiencies. Conversely the age of the KAM program is consistently relevant to improving effectiveness measures and exclusively positively related. This supports literature suggesting the long-term nature of KAM programs, a time lag in the effectiveness of KAM practice adoption and the importance of persevering and probably adapting programs over time (Davies & Ryals, 2009; Montgomery et al., 1998; Wotruba & Castleberry, 1993). Age certainly should be used as a control variable in any study of KAM effectiveness and its omission in previous studies raises questions over the significance of individual practices explored.

In terms of the impact of industry, there is evidence from this research that industry does have a significant impact on some KAM effectiveness measures (even if not perceptual measures); it is uniquely significant in 5 of the 9 effectiveness measures (as a dummy variable the sign of the relationship is irrelevant). To date no authors have attempted to diagnose or control for industry variations in KAM. This obviously is an important area for further research and needs addressing if practitioners are to diagnose the relative importance of KAM, and the nature and form of KAM practices adopted in their industries.

Across respondent companies there is a wide variety of approach and level of implementation of KAM practices and our results suggest that having a myriad of complementary unique KAM practices is fundamental in ensuring KAM effectiveness (as per Homburg, et al., 2002; Montgomery et al., 1998; Ojasalo, 2001). KAM practices are by and large very good predictors of KAM effectiveness (50+% variance explained) both from a perceptual level (model 4) to more objective measurements of program effectiveness (models 6-22). However the practices that provide the greatest unique explanatory power are quite different across the different effectiveness measures. This demonstrates the importance of looking beyond one or two measures or composite scales of KAM effectiveness as previous studies have done. All 20 practices are uniquely important, but for different measures of effectiveness. No single practice was uniquely significant for all effectiveness measures, and none was universally insignificant. This has implications for other studies into KAM effectiveness; if they focus only on one or two effectiveness indicators, certain practices might be thought to be irrelevant even though our study suggests they might have potential to drive alternative, yet still desirable, outcomes in terms of KAM effectiveness.

1.6 Managerial implications

Taking our nine criteria for KAM effectiveness, our results provide managerially-relevant evidence for the value of a sustained KAM program typified by a number of unique practices specifically designed to drive forward business relationships with strategically-important clients. If we rank the level of prediction for the KAM effectiveness measures we find an interesting pattern:

- 1) Customer satisfaction ratings with key customers has risen (88.5% variance explained)
- 2) The amount of shared investment has increased (75.8% variance explained)
- 3) Increased Share of Key Customer Spend (61.7% variance explained)

- 4) Revenues from key customers have grown faster than for non-key customers (61% variance explained)
- 5) Profit margins on key customers have increased (60.9% variance explained)
- 6) Our relationships with key customers have improved (58.9% variance explained)
- 7) We have obtained increased advocacy (word of mouth) from key customers (56.7% variance explained)
- 8) Our retention of key customers has improved (52.3% variance explained)
- 9) Costs to serve key customers have grown faster than for non-key customers (48.3% variance explained)

Clearly, suppliers see financial benefits in the form of increased share of spend, faster-growing revenues and higher profit margins (items 3-5) and this supports previous commentators such as Kalwani & Narayandas (1995), Galbreath (2002), and Ryals & McDonald (2008), amongst others. Whilst these financial indicators are important, items 1 and 2 indicate that KAM practices are in fact more effective at driving customer satisfaction and shared investment than financial outcomes. It may be that the gap here can be explained by some key accounts acting to bargain away the benefits of KAM from the supplier through reduced prices or the provision of service levels the customer is unwilling to pay for (Cooper & Kaplan, 1991; Kalwani & Narayandas, 1995; Reinartz & Kumar, 2002). The relative failure of KAM practices to help manage costs (item 9) is further evidence of the potentially costly nature of a KAM program and, possibly, of this bargaining process.

The implications for managers relate to their expectations and targets for their KAM program. Broadly, where the KAM program is intended to improve customer relationships in the wider sense, it is more likely to be effective. However, managers who embark on KAM mainly in the expectation of lower costs-to-serve are likely to be disappointed. The second implication is that introducing a KAM program is not a substitute for negotiating and bargaining with customers; there still needs to be careful management of the costs associated with the program.

According to Wengler et al. (2006), most companies adopt KAM to drive growth or to accommodate changes in customer structures and processes. Therefore, few companies may actually be intent on managing operational efficiency through their program, but rather see a KAM program as a growth / investment strategy. Managerially, our research would support

this; it provides some direct evidence for the effectiveness of KAM practices at driving growth (through a mechanism of revenue growth and increased share of customer spend).

1.7 Limitations

The difficulty of isolating the financial impact of a specific program from within the financial data of a company makes identifying effectiveness measures extremely difficult for a wide-ranging study involving over 200 companies. Whilst we use self-reported data by individuals in the company, the range of effectiveness measures mentioned and the divergent nature of the way KAM practices impact upon them demonstrates that respondents were knowledgeable and capable of distinguishing between different measures. Although critics disagree on the extent to which self-reported data leads to spurious covariance through common method variance (Crampton & Wagner, 1994; Podsakoff et al., 2003), the study adopted the suggestion of Podsakoff, Mackenzie, and Lee (2003) to vary the formatting (through clearly delineated survey sections) as a way of preventing or minimizing common method variance as well as placing the effectiveness measures after the practices. We also used concrete measures (Feldman & Lynch, 1988) rather than abstract concepts to reduce common method variance below the average of 15.8% identified in marketing research by Cote and Buckley (1987). We did not conduct Harman's single factor post-hoc test due to the inappropriateness of using factor analysis on non-reflective indicators.

The study also uses single item measures of effectiveness. This was done explicitly because these items (with the possible exception of satisfaction) would be based on single item measures within the firm. We therefore wanted to ensure the respondents could clearly identify what information we were seeking. Future research may develop more sophisticated measures of effectiveness, possibly developing ways to test them against genuine financial data.

Another limitation concerns the adoption of a purely supplier perspective. Data were only collected inside the supplier firm, whereas Storbacka (2012) suggests that inter-firm factors may play an important role in the success of KAM. These inter-firm factors may account for some of the missing variance in our models. However it should be made clear that customers may perceive the effectiveness of KAM programs differently from their suppliers..

Deeper investigation of the individual practices is beyond the scope of this paper because there is insufficient data to undertake a stepwise regression to investigate which individual

practice can drive specific effectiveness outcomes. However, this would be a fruitful area of future research and may produce additional guidance for companies in prioritizing certain activities. From this research we find senior management buy-in, individual key account plans, higher service level and performance measurement amongst the most frequently reoccurring unique signifiers of effectiveness; future quantitative analysis of the role these play in KAM effectiveness and, possibly, company performance, could be very valuable.

1.8 References

- Alejandro, T.B., Souza, D.V., Boles, J.S., Ribeiro, A.H.P. & Monteiro, P.R.R. (2011). The outcome of company and account manager relationship quality on loyalty, relationship value and performance. *Industrial Marketing Management*, 40, 36–43.
- Alonzo, V. (1996). Selling changes. *Incentive*, 170(9), 45-46.
- Arnett, D. B., Macy, B. A., & Wilcox, J. B. (2005). The role of core selling teams in supplier-buyer relationships. *Journal of Personal Selling & Sales Management*, 25 (1), 27-42.
- Birkinshaw, J., Toulan, O., & Arnold, D. (2001). Global account management in multinational corporations: theory and evidence. *Journal of International Business Studies*, 32(2), 231-248.
- Bolen Jr., W.H., & Davis, R. J. (1997). Overreaching For Mass Retailers. *McKinsey Quarterly*, 4, 40-53.
- Bollen, K., & Lennox, R. (1991). Conventional wisdom on measurement: A structural equation perspective. *Psychological Bulletin*, 110(2), 305-314.
- Brady, N. (2004). In search of market orientation: An experiment in Key Account Management. *Marketing Intelligence and Planning*, 22(2/3), 144-159.
- Campbell, A. J. (1997). What affects expectations of mutuality in relationships? *Journal of Marketing Theory and Practice*, 5(4), 1-11.
- Colletti, J.A., & Tubridy, G.S. (1987). Effective major account management. *Journal of Personal Selling and Sales Management*, 7, 1-10.
- Cooper, R., & Kaplan, R.S. (1991). Profit priorities from activity-based costing. *Harvard Business Review*, 69(3), 130-135.
- Cote, J. A., & Buckley, M. R. (1987). Estimating trait, method, and error variance: Generalizing across 70 construct validation studies. *Journal of Marketing Research*, 315-318.

- Crampton, S. M., & Wagner, J. A. (1994). Percept-percept inflation in micro-organizational research: An investigation of prevalence and effect. *Journal of Applied Psychology*, 79(1), 67.
- Davies, Iain A. & Ryals, Lynette J. (2013) Attitudes and behaviours of key account managers: are they really any different to senior sales professionals? *Industrial Marketing Management*, 42, 919-931.
- Davies, I.A. & Ryals, L. (2010). How companies implement KAM: a four-stage model. *Academy of Marketing Science Conference*, in Louisiana, May.
- Davies, I.A. & Ryals, L.J. (2009). A stage model for transitioning to KAM. *Journal of Marketing Management*, 25 (9-10), 1027-1048.
- Diamantopoulos, A., & Winklhofer, H. M. (2001). Index construction with formative indicators: an alternative to scale development. *Journal of Marketing Research*, 38(2), 269-277.
- Diamantopoulos, A., Riefler, P., & Roth, K. P. (2008). Advancing formative measurement models. *Journal of Business Research*, 61(12), 1203-1218.
- Downey, W. S. (2004). Selling to key customers. *Agricultural Marketing*, 42(5), 38-39.
- Edwards, J. R., & Bagozzi, R. P. (2000). On the nature and direction of relationships between constructs and measures. *Psychological Methods*, 5(2), 155-174.
- Feldman, J. M., & Lynch, J. G. (1988). Self-generated validity and other effects of measurement on belief, attitude, intention, and behavior. *Journal of Applied Psychology*, 73(3), 421.
- Galbreath, J. (2002). Twenty-first century management rules: the management of relationships as intangible assets. *Management Decision*, 40(1/2), 116-126.
- Gosselin, D. P., & Bauwen, G. A. (2006), Strategic account management: customer value creation through customer alignment. *Journal of Business & Industrial Marketing*, 21(6), 376-385.
- Guenzi, P., Georges, L. & Pardo, C. (2009). The impact of strategic account managers' behaviors on relational outcomes: An empirical study. *Industrial Marketing Management* 38, 300-311.
- Guenzi, P., Pardo, C. & Georges L. (2007). Relational selling strategy and key account managers' relational behaviors: An exploratory study. *Industrial Marketing Management*, 36, 121-133.

- Guesalaga, R. & Johnston, W. (2010). What's next in key account management research? Building the bridge between the academic literature and the practitioners' priorities. *Industrial Marketing Management*, 39, 1063-1068
- Hair, J.F., Black, W.C., Babin, B.J. & Anderson, R.E. (2010). *Multivariate Data Analysis: A Global Perspective*, Upper Saddle River, NJ: Pearson.
- Hausman, A. (2001). Variations in relationship strength and its impact on performance and satisfaction in business relationships. *Journal of Business & Industrial Marketing*, 16(7), 600-616.
- Holt, S. (2003). *The role of the global account manager: a boundary role theory perspective* PhD Thesis Cranfield School of Management.
- Homburg, C., Workman, J. P. Jr. & Jensen, O. (2002). A configurational perspective on key account management. *Journal of Marketing*, 66(2), 38–60.
- Hughes, J. & Weiss, J. (2007). Getting Closer to Key Suppliers. *CPO Agenda*, 3(1), 18-25.
- Ivens, B. & Pardo, C. (2007). Are key account relationships different? Empirical results on supplier strategies and customer reactions. *Industrial Marketing Management*, 36(4), 470-482.
- Jarvis, C. B., MacKenzie, S. B., & Podsakoff, P. M. (2003). A critical review of construct indicators and measurement model misspecification in marketing and consumer research. *Journal of Consumer Research*, 30(2), 199-218.
- Kalwani, M.U., & Narayandas, N. (1995). Long-term manufacturer-supplier relationships: do they pay off for supplier firms? *Journal of Marketing*, 59(1), 1-16.
- Kempeners, M. & van der Hart, H. (1999). Designing account management organizations. *Journal of Business & Industrial Marketing*, 14(4), 310–327.
- U Khan, I.; Usoro, A.; Majewski, G., & Kuofie, M. (2010). An Organisational Culture Model for Comparative Studies: A Conceptual View. *International Journal of Global Business*, 3 (1), 53-82.
- Koka, R. B., & Prescott, J. (2002). Strategic alliances as social capital: A multidimensional view. *Strategic Management Journal*, 23(9), 795-816.
- McDonald, M. & Woodburn, D. (2007). *Key Account Management: The Definitive Guide*, Oxford: Butterworth-Heinemann.
- McDonald, M. (2000). Key account management: a domain review, *The Marketing Review*, 1, 15-34.

- McDonald, M., Millman, T. & Rogers, B. (1997). Key account management: Theory, practice and challenges. *Journal of Marketing Management*, 13(8), 737-757.
- McDonald, M., Rogers, B., and Woodburn, D. (2000). *Key Customers: How to Manage them Profitably*, Oxford: Butterworth-Heinemann.
- Millman, T. & Wilson, K. (1999). Processual issues in key account management: underpinning the customer-facing organization. *Journal of Business & Industrial Marketing*, 14(4), 328-337.
- Millman, T. & Wilson, K. (1995). From key account selling to key account management. *Journal of Marketing Practice: Applied Marketing Science*, 1(1), 9-21.
- Millman, T. & Wilson, K. (1996). Developing key account management competencies. *Journal of Marketing Practice: Applied Marketing Science*, 2(2), 7-22.
- Millman, T., & Wilson, K. (1995). From key account selling to key account management. *Journal of Marketing Practice: Applied Marketing Science*, 1(1), 9-21.
- Montgomery, D., Yip, G., & Villalonga, B. (1998). The use and performance effect of Global Account Management: An empirical analysis using structural equation modeling. *Stanford Business School Working Paper # 1481*.
- Napolitano, L. (1997). Customer – supplier partnering: A strategy whose time has come, *Journal of Personal Selling and Sales Management*, 17, 1-8.
- Narayandas, D. & Rangan, V. K. (2004). Building and Sustaining Buyer-Seller Relationships in Mature Industrial Markets. *Journal of Marketing*, 68 (3), 63-77.
- Nätti, S., & Palo, T. (2012). Key account management in business-to-business expert organisations: an exploratory study on the implementation process. *The Service Industries Journal*, 32(11), 1837-1852.
- Ojasalo, J. (2001). Key account management at company and individual levels in business-to-business relationships. *Journal of Business & Industrial Marketing*, 16(3), 199-218.
- Ojasalo, J. (2002). Key Account Management in information-intensive services. *Journal of Retailing and Consumer Services*, 9(5), 269-276.
- Pardo, C. (1999). Key account management in the business-to-business field: a French overview. *Journal of Business & Industrial Marketing*, 14(4), 276-290.
- Podsakoff, P.M., MacKenzie, S.M., Lee, J., & Podsakoff, N.P. (2003). Common method variance in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88, 879-903.

- Reinartz, W. J. & Kumar, V. (2002). The mismanagement of customer loyalty. *Harvard Business Review*, 80(7), 86-94.
- Reinartz, W. J., & Kumar, V. (2000). On the profitability of long-life customers in a noncontractual setting: an empirical investigation and implications for marketing. *Journal of Marketing*, 64(4), 17-35.
- Reisel, W. D., Chia, S-L., & Maloles III, C. M. (2005). Job insecurity spillover to Key Account Management: Negative effects on performance, effectiveness, adaptiveness, and esprit de corps. *Journal of Business & Psychology*, 19(4), 483-503.
- Ryals, L. J., & Davies, I. A. (2013). Where's the strategic intent in key account relationships? *Journal of Business & Industrial Marketing*, 28(2), 111 – 124.
- Ryals, L. J., & McDonald, M. (2008). *Key Account Plans: The Practitioners' Guide to Profitable Planning*. Oxford: Butterworth Heinemann.
- Ryals, L. J., & Rodgers, B. (2006). Sales compensation plans – one size does not fit all. *Journal of Targeting, Measurement and Analysis for Marketing*, 13(4), 354-362.
- Ryals, L.J. & Rogers, B. (2007). Key Account Planning: Benefits, Barriers and Best Practice. *Journal of Strategic Marketing* 15(2&3), 209-222.
- Ryals, L.J. (2008). Determining the indirect value of a customer. *Journal of Marketing Management*, 24(7/8), 847-864.
- Salojärvi, H., & Saarenketo, S. (2013). The effect of teams on customer knowledge processing, esprit de corps and account performance in international key account management. *European Journal of Marketing*, 47(5/6), *in-press*
- Salojärvi, H., Sainio, L. M., & Tarkiainen, A. (2010). Organizational factors enhancing customer knowledge utilization in the management of key account relationships. *Industrial Marketing Management*, 39(8), 1395-1402.
- Schendel, D., & Hofer, C. W. (Eds.). (1979). *Strategic management: A new view of business policy and planning*. Little, Brown.
- Sengupta, S., Krapfel, R. E., & Pusateri, M. A. (1997). Switching costs in key account relationships. *Journal of Personal Selling and Sales Management*, 17, 9–16.
- Sengupta, S., Krapfel, R. E., & Pusateri, M. A. (1997). Switching costs in key account relationships. *Journal of Personal Selling and Sales Management*, 17, 9–16.
- Sengupta, S., Krapfel, R. E., & Pusateri, M. A. (2000). An empirical investigation of key account salesperson effectiveness. *Journal of Personal Selling and Sales Management*, 20, 253–261.

- Senn, C. (1999). Implementing global account management: a process oriented approach. *Journal of Selling and Major Account Management*, 1(3), 10-19.
- Sharma, A. (2006). Success factors in key accounts. *Journal of Business and Industrial Marketing*, 21(3), 141-150.
- Shetcliff, J. (2003). Key Account Management, *Insurance Brokers' Monthly and Insurance Adviser*, 53(10), 22-25.
- Spencer, R. (1999). Key accounts: Effectively managing strategic complexity. *Journal of Business & Industrial Marketing*, 14(4), 291-309.
- Stevenson, T.H. (1981). Payoffs from national account management. *Industrial Marketing Management*, 10, 119-124.
- Storbacka, K. (2012). Strategic account management programs: alignment of design elements and management practices. *Journal of Business & Industrial Marketing*, 27(4), 259-274.
- Storbacka, K., Polsa, P., & Sääksjärvi, M. (2011). Management Practices in Solution Sales—A Multilevel and Cross-Functional Framework. *Journal of Personal Selling and Sales Management*, 31(1), 35-54.
- Tabachnick, B.G. & Fidell, L.S. (2007). *Using Multivariate Statistics* (5th edn). Pearson Education, Boston.
- Tzempelikos, N. & Gounaris, S. (2013). Approaching Key Account Management from a long-term perspective. *Journal of Strategic Marketing*, 21(2), 179-198.
- Weeks, W.A. & Stevens, C.G. (1997). National account management sales training and directions for improvement. *Industrial Marketing Management*, 26, 423-431.
- Weilbaker, D.C. (1999). *Global account management and compensation: lessons to be learned*, research report, Northern Illinois University, De Kalb, IL.
- Wengler, S., Ehret, M., & Saab, S. (2006). Implementation of Key Account Management: Who, why, and how?: An exploratory study on the current implementation of Key Account Management programs. *Industrial Marketing Management*, 35(1), 103-112.
- Wong, Y. H. (1998). Key to key account management: relationship (guanxi) model. *International Marketing Review*, 15(3), 215-231.
- Workman, J. P. Jr., Homburg, C. & Jensen, O. (2003). Intraorganizational Determinants of Key account Management Effectiveness. *Journal of Academy of Marketing Science*, 31(1), 3-21.

Wotruba, T. R. & Castleberry, S. B. (1993). Job analysis and hiring practices for national account marketing positions. *The Journal of Personal Selling and Sales Management*, 13(3), 49-65.

Yip, G. & Madsen, T. (1996). Global Account Management: the new frontier in relationship marketing. *International Marketing Review*, 13(3): 24-42.

Figure 1: Conceptual model

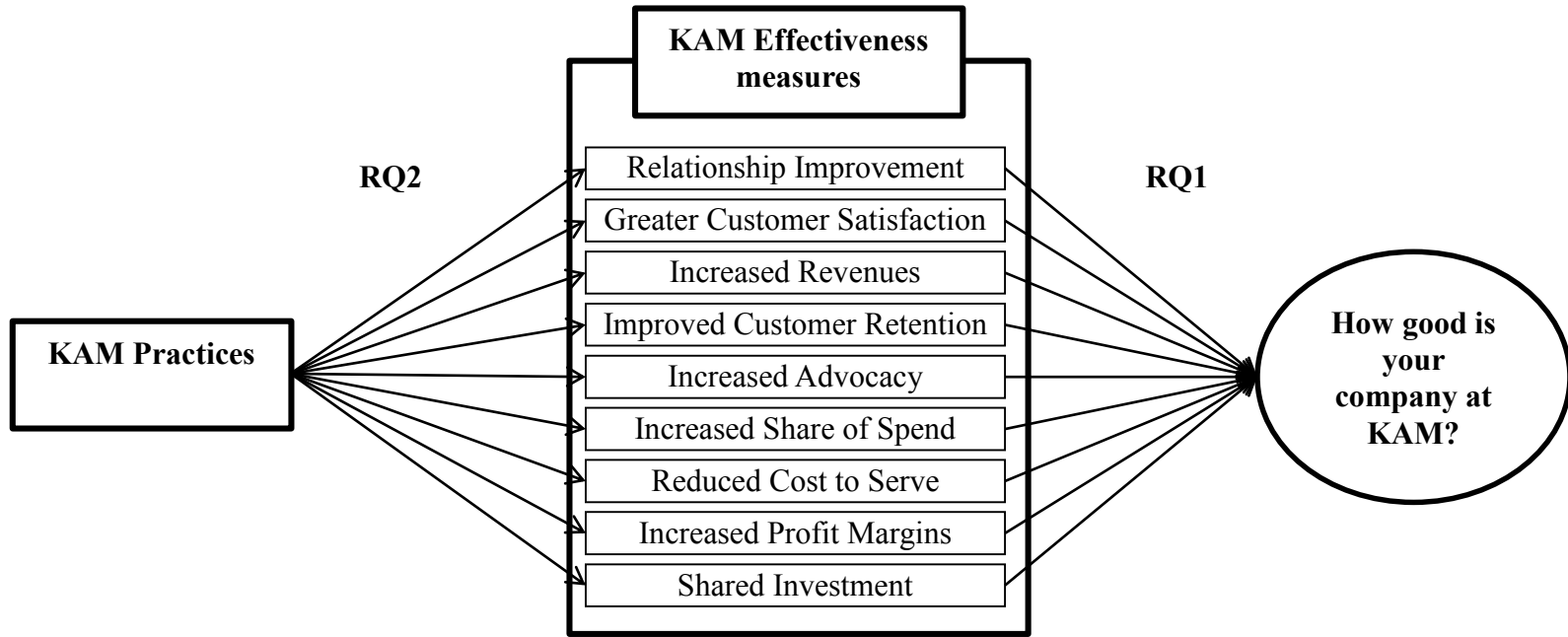


Figure 2: Effectiveness of KAM

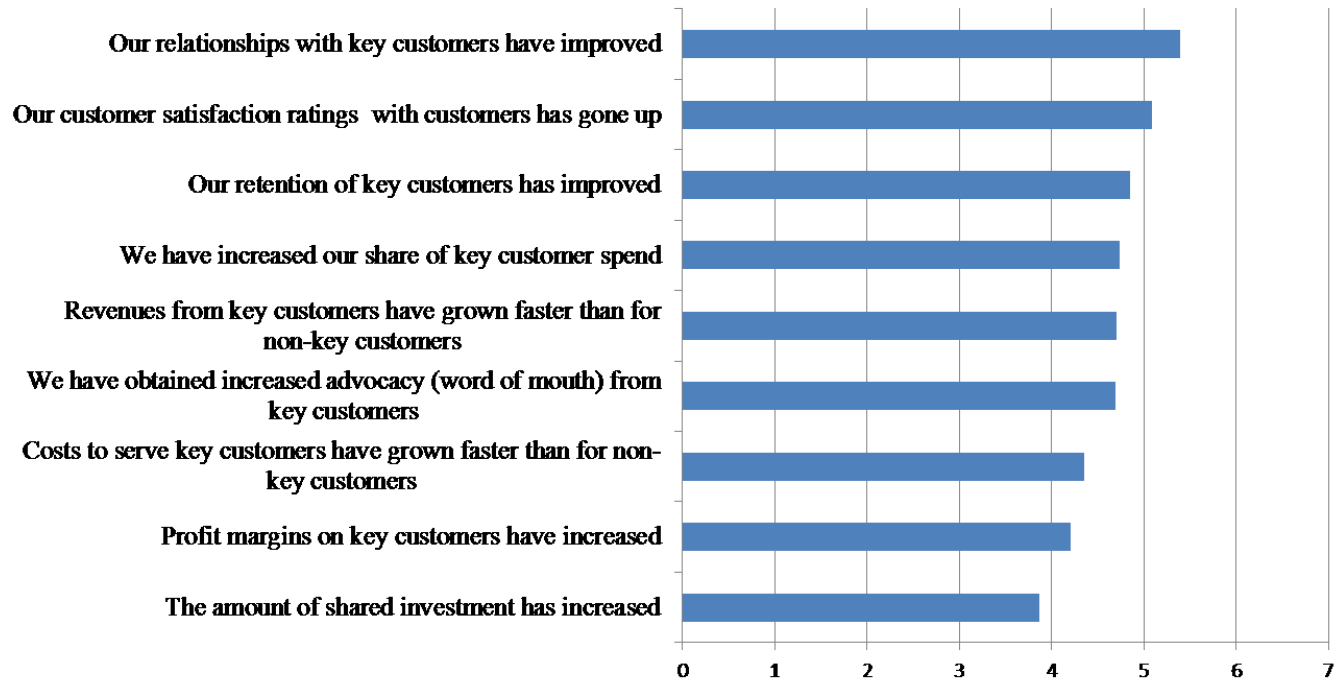


Table 1: Existing causal studies on organizational level KAM effectiveness

Paper	Dependent variable	Independent variables	Contribution	Weaknesses
Workman et al. 2003	7-item scales: <i>Effectiveness, Performance in market. single item Profitability</i>	Mixed reflective multi-item scales, and formative, some single items: <i>Activity intensity, Activity proactiveness, Top mgt involvement, Teams, Esprit-de-corps, Access to resource, formalization,</i>	Everything is associated with KAM Effectiveness	Mixed levels of analysis, low convergent validity ($\alpha < 0.7$), CFA results not reported, no Multicoliniarity tests for formative elements of the study. ~45% of sample have no formal KAM.
Montgomery et al., (1998)	Single-item: <i>Overall effect of GAM program</i>	4 two-item scales: <i>Manager/team, Customer involvement, Perf. evaluation, Personnel evaluation</i>	GAM use positively affects performance	SEM not appropriate for <3 item scales. Single perceptual measure of KAM performance, only 4 practices, No discriminant validity / multicollinearity testing reported.
Birkinshaw, et al., (2001)	2 multi-item scales: <i>Efficiency and sales growth, and partnerships</i>	5 multi-item formative scales: <i>Scope of account, Communication, Support system, Relative Centralization of activities, Customer dependence</i>	6 models tested, All variables significant	Very low r^2 , based on only 16 companies. Use of reflective analysis techniques with formative data. Fails convergent validity test ($\alpha < 0.7$), no reported discriminant validity / multicollinearity testing.
Salojärvi et al., (2010)	Three-item scale, <i>Customer knowledge utilization</i>	Multi-item scales: <i>Top management involvement, Formalization, CRM investment, Use of teams, Customer relationship orientation (CRO)</i>	Everything but CRO uniquely affects utilization.	Mixed levels of analysis, use of reflective analysis techniques with formative data, Poor discriminant validity testing (using EFA not CFA). Some two item scales. Variables insufficiently correlate with dependent variable for regression testing
Tzempelikos & Gounaris, 2013	2 multi-item scales: <i>Financial perf. and relationship level Non-financial perf.</i>	KAM Orientation - 6 multi-item scales: <i>Cust. Orientation, top-mgt commitment, inter-functional coordination, ability to customize, top-mgt involvement, inter-functional support</i>	KAMO positively affects performance	Model fit is poor for both models ($X^2/d.f.$ should be <3 but is 8 and 6 for each model respectively, RMSEA < 0.05 for both models), only focuses on cultural practices.

Table 2: KAM practices

KAM practices	Papers	Description of KAM effectiveness practice
<i>Organization wide practices:</i>		
Senior manager buy-in	Brady, 2004; Homburg et al., 2002; Montgomery et al., 1998; Napolitano 1997; Natti & Palo, 2012; Tzempelikos & Gounaris 2013	Manager buy-in is necessary for success
A KAM Champion	McDonald et al. 2000	A pioneer often pushes KAM through the organization
Active involvement of top management in KAM	Napolitano 1997; Millman & Wilson 1999; Workman et al., 2003; Natti & Palo, 2012; Tzempelikos & Gounaris 2013	Active involvement by top management is necessary for KAM success
Everyone in the organization educated to understand KAM	Homburg et al. 2002; Brady 2004; Reisel et al., 2005; Workman et al., 2003; Yip & Madsen, 1996	Wide dissemination of information to try and engender <i>Esprit de corps</i>
Defined key account selection criteria	Gosselin & Bauwen, 2006; McDonald et al. 2000; Ojasalo, 2001; Spencer, 1999; Wong, 1998	The use of a customer portfolio matrix and customer portfolio management techniques
Changes in organizational structure to accommodate KAM	Coletti & Tubrity, 1987; McDonald et al., 1997; Millman & Wilson, 1996; Pardo, 1999	KAM organizations should be differently structured to Sales organizations
Clearly identified key accounts	Gosselin & Bauwen, 2006; McDonald et al. 2000; Ojasalo, 2001	Identify those accounts that are growth/ attractive/ strategically important
<i>Operational practices:</i>		
Individual key account plans	McDonald et al. 2000; Ojasalo, 2001; Ryals & Rodgers, 2007; Storbacka, 2012	Each account should be planned separately to ensure appropriate service
A well-developed feedback process with key customers	Napolitano 1997	Evaluation procedure in KAM is needed to ensure program improvement
Joint activities with key accounts	Koka & Prescott 2002; Workman et al., 2003	Social exchanges such as KAM can provide competitive benefits, and shared activities maintain relationships
Joint investment with key accounts	Koka & Prescott 2002; Ojasalo, 2001	Strategic / financial relationship can lead to mutual investment
<i>Target and performance practices:</i>		
Specific targets for key accounts	Napolitano 1997; Natti & Palo, 2012	An unique evaluation procedure is needed to encourage KAM success
Benchmarking against other organizations for KAM	Napolitano 1997; Natti & Palo, 2012	Evaluation procedure against competitors in KAM is needed to ensure program improvement
Measurement of the performance of the KAM program	Montgomery et al., 1998; Napolitano 1997; Ojasalo, 2001	Evaluation procedure in KAM is needed to ensure program improvement

People-related practices:

Appointed specialist Key Account Managers	McDonald et al. 1997; Weeks & Stevens, 1997	Skill sets for KAMs are different to those in sales
Fully trained Key Account Managers	McDonald et al. 1997; Ojasalo, 2001; Shetcliffe 2004; Weeks & Stevens, 1997; Yip & Madsen, 1996	Skill sets for KAMs are different to those in sales
Establishing KAM teams	Alonzo 1996; Guenzi et al., 2007; Arnett et al., 2005; Salojärvi & Saarenketo, 2013	Clear move since the mid-1990's towards teams of sales and account managers, typically cross-functional
Specific motivation and reward schemes for Key Account Managers	Ryals & Rodgers, 2006; Weilbaker, 1999; Davies and Ryals, 2013	Account managers should be rewarded differently to sales executives to ensure suitable behaviors, motivation etc.

Procedural practices:

Established specialized policies and procedures for handling key accounts	Gosselin & Bauwen, 2006; McDonald et al. 2000; Natti & Palo, 2012; Senn, 1999	Formalized arrangements for accounts lead to improved co-ordination
Key Account Managers having good access to internal resources	Downey 2004; Natti & Palo, 2012; Ojasalo, 2001; Tzempelikos & Gounaris 2013; Workman et al., 2003	Key accounts are better served and therefore the managers need influence over gaining the necessary service levels
Differentiated and higher service levels for key accounts	Workman et al. 2003; Ivens & Pardo, 2007; Storbacka, 2012	Key account should get higher service levels
IT support for KAM	Brady, 2004; Ojasalo, 2001; Workman et al. 2003	Key accounts require large volumes of shared data and data management practices

Table 3: Research Questions and Hypothesis

Research Questions	Hypotheses	Proposed by
RQ1: To what extent do the different effectiveness measures identified in the literature reflect overall perceptions of KAM performance?	H1 Increases in effectiveness measures positively influences overall satisfaction with KAM	Developed in Section 1.2.1 of this paper
RQ2: How effective are implemented KAM practices at predicting desirable effectiveness outcomes?	<p>H2 Increased implementation of KAM practices positively increases overall satisfaction with KAM</p> <p>H3 Implementation of KAM practices improves customer relationships</p> <p>H4 Implementation of KAM practices leads to greater customer satisfaction</p> <p>H5 Implementation of KAM practices increases revenue</p> <p>H6 Implementation of KAM practices improves customer retention</p> <p>H7 Implementation of KAM practices increases customer advocacy</p> <p>H8 Implementation of KAM practices increases share of customer spend</p> <p>H9 Implementation of KAM practices reduces cost to serve customers</p> <p>H10 Implementation of KAM practices increases profit margins</p> <p>H11 Implementation of KAM practices increases shared investment</p>	<p>Davies and Ryals 2009, Montgomery et al., 1998</p> <p>Birkinshaw et al. 2001, Cambell 1997, Stephenson 1981, Tzempelikos & Gounaris 2013, Workman et al. 2003</p> <p>Hausman 2001, Workman et al. 2003</p> <p>Birkinshaw et al. 2001, Hausman 2001, Tzempelikos & Gounaris 2013</p> <p>Hausman 2001, Sharma 2006, Workman et al. 2003</p> <p>Ryals 2008</p> <p>Hausman 2001, Stephenson 1981, Workman et al., 2003</p> <p>Brady 2004, Homburg et al. 2002; Storbacka 2012</p> <p>Hausman 2001, Ojasalo 2001, Sengupta et al 1997, Sharma 2006, Stephenson 1981, Tzempelikos & Gounaris 2013, Workman et al., 2003Koka & Prescott 2002, Ojasalo 2001, Sharma 2006, Workman et al., 2003</p> <p>Kalwani & Narayandas 1995; Galbreath 2002, Narayandas & Rangan 2004, Sharma, 2006</p>

Table 4: Statistics on the sample

	Number
Region of companies	
UK	113
North America	25
Northern Europe	38
Southern Europe	18
Middle East and North Africa	9
Australasia	6
	209
Industry	
Service	48
Professional & Financial Service	48
Industrial & Engineering	44
Manufacture	51
Unknown	18
	209
Years of KAM Program	
<2	77
2 to 3	47
4 to 6	55
>6	31
	209

Table 5: Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1 Senior manager buy-in	1																		
2 Defined selection criteria	.58**	1																	
3 Clear identification of KAs	.51**	.48**	1																
4 Individual KA plans	.35**	.51**	.34**	1															
5 Appointed KAMs	.52**	.63**	.42**	.60**	1														
6 Fully trained KAMs	.52**	.49**	.48**	.50**	.63**	1													
7 Targets for KAM	.47**	.56**	.56**	.43**	.59**	.64**	1												
8 KAM teams	.53**	.47**	.43**	.54**	.68**	.59**	.60**	1											
9 Well-developed feedback process	.23**	.30**	.31**	.37**	.15*	.33**	.41**	.36**	1										
10 Top management involvement	.61**	.47**	.37**	.43**	.49**	.52**	.61**	.51**	.45**	1									
11 Δ org. structure	.59**	.36**	.17*	.41**	.60**	.36**	.39**	.51**	.07	.50**	1								
12 Specific Policies	.34**	.65**	.46**	.62**	.53**	.46**	.58**	.47**	.48**	.54**	.29**	1							
13 KAMs access to internal resources	.63**	.63**	.44**	.69**	.64**	.57**	.63**	.65**	.49**	.64**	.48**	.61**	1						
14 KAs have higher service levels	.39**	.44**	.52**	.41**	.49**	.51**	.68**	.53**	.55**	.52**	.32**	.55**	.65**	1					
15 Joint activities	.41**	.49**	.46**	.55**	.44**	.50**	.54**	.52**	.58**	.46**	.30**	.59**	.67**	.6**	1				
16 Joint investment	.32**	.32**	.23**	.40**	.33**	.38**	.44**	.44**	.43**	.54**	.30**	.43**	.47**	.34**	.63**	1			
17 Measure performance	.39**	.59**	.47**	.46**	.45**	.62**	.47**	.49**	.45**	.35**	.21**	.53**	.46**	.45**	.49**	.35**	1		
18 IT support systems	.43**	.57**	.31**	.45**	.46**	.58**	.56**	.46**	.34**	.44**	.33**	.56**	.58**	.40**	.57**	.43**	.55**	1	
19 Everyone in the Org. informed about KAM	.47**	.48**	.41**	.24**	.29**	.46**	.49**	.35**	.39**	.51**	.19**	.41**	.51**	.35**	.46**	.35**	.53**	.56**	1
20 Developed specific motivation and reward schemes	.43**	.33**	.37**	.36**	.54**	.56**	.52**	.64**	.41**	.51**	.48**	.38**	.50**	.40**	.47**	.5**	.55**	.48**	.36**

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 6: Result of effectiveness measures regression on overall KAM performance perceptions

	Model 1	Model 2
Rsquare	.226***	0.577***
(Constant)	2.821***	1.189*
Controls		
Industry Code	-0.038	-0.142
Number of KAMs	.140**	-0.037
Years of KAM Program	.449***	.341***
Independent variables		
We have increased our share of customer spend		.391***
Revenues from key customers have grown faster than from non-key customers		-.350***
Costs to serve key customers have grown faster than for non-key customers		-.085
Profit margins on key customers have increased		-.159
Relations with key customers have improved		.305*
Our customer satisfaction ratings with key customers has gone up		-.276
Retention of key customers have gone up		.394**
We have obtained increased advocacy		-.278*
Amount of shared investment has increased		.584***

***. Significant at the <.001 level

** . Significant at the <.01 level

* . Significant at the <.05 level

Table 7: Regression results for Practice to overall KAM performance perceptions.

	How good is company at KAM?	
	model 3	model 4
	Rsquare	
	.226***	.660***
(Constant)	2.82***	.62*
Controls		
Industry Code	-.038	.038
Number of KAMs	.140**	-.121
Years of KAM Program	.449***	.030
Independent variables		
Senior manager buy-in		.172*
Top management involvement		.044
Everyone in the Org. informed about KAM		.175**
Defined selection criteria		-.121
Δ org. structure		.122
Clear identification of key accounts		.185**
Individual KA plans		.105
Well-developed feedback process		.181**
Joint activities		-.137
Joint investment		.006
Targets for KAM		.012
Measure performance		-.172*
Appointed KAMs		.089
Fully trained KAMs		.263***
KAM teams		.204**
Developed specific motivation and reward schemes		.035
Specific Policies		.129
KAMs access to internal resources		-.094
KAs have higher service levels		-.168*
IT support systems		.228***

***. Significant at the <.001 level

** . Significant at the <.01 level

*. Significant at the <.05 level

Table 8a: Regression results on practices on financial effectiveness measures

	Increased Share of Customer Spend		Revenues		Cost to Serve		Profit Margins	
	model 5	model 6	model 7	model 8	model 9	model 10	model 11	model 12
Rsquare	.114***	.617***	.203***	.610***	.129**	.483***	.130***	.609***
(Constant)	4.09***	3.10***	4.51***	3.928***	3.656***	3.27***	4.37***	3.38***
Controls								
Industry Code	-.086	-.121	-.240***	-.183**	-.104	-.015	-.216**	-.202**
Number of KAMs	.197***	-.120	.070	.112	.263**	.177	-.052	-.230**
Years of KAM Program	.255***	.445***	.373***	.480***	.216*	.142	.280**	.97
Independent variables								
Senior manager buy-in		.805***		-.351**		-.102		.214
Top management involvement		.114		.285**		-.491***		-.387**
Everyone in the Org. informed about KAM		.149		-.161		.414***		.279**
Defined selection criteria		-.621***		.132		-.085		-.084
Δ org. structure		.097		.398***		-.062		.167
Clear identification of key accounts		-.017		-.021		-.216		-.244**
Individual KA plans		.463***		.289**		.179		-.038
Well-developed feedback process		.058		-.252**		.022		.073
Joint activities		.028		.325**		-.238		.159
Joint investment		-.089		-.198*		.047		.127
Targets for KAM		.161		.014		.358**		.155
Measure performance		.269**		.515***		-.007		.383**
Appointed KAMs		.360***		-.171		.257		-.032
Fully trained KAMs		-.419***		-.302**		-.267		.487***
KAM teams		-.049		-.120		.044		-.013
Developed specific motivation and reward schemes		-.332**		.021		-.167		-.059
Specific Policies		.011		-.322**		.124		.120
KAMs access to internal resources		-.556***		.034		.037		.079
KAs have higher service levels		.374***		.350**		.256		-.002
IT support systems		-.182*		-.023		.078		-.728***

***. Significant at the <.001 level
 **. Significant at the <.01 level
 *. Significant at the <.05 level

Table 8b: Regression results of practices on non-financial effectiveness measures

	Relationship Improvement		Customer Satisfaction		Improved Retention		Increased Advocacy		Shared Investment	
	model 13	model 14	model 15	model 16	model 17	model 18	model 19	model 20	model 21	model 22
Rsquare	0.166***	0.589***	0.159***	0.885***	0.194***	0.523***	0.284***	0.567***	0.127***	0.758***
(Constant)	4.622***	2.858***	4.881***	2.437***	5.053***	3.388***	4.851***	3.659***	2.880***	0.907**
Controls										
Industry Code	-.065	.062	-.245**	-.115**	-.319***	-.174**	-.387***	-.274***	-.030	.038
Number of KAMs	.243**	.130	.192*	-.010	.025	-.070	.102	.166	.233**	.182**
Years of KAM Program	.314***	.197*	.245**	.205***	.298***	.344***	.345***	.207*	.262**	.151*
Independent variables										
Senior manager buy-in		.395**		.262***		.328**		-.202		.207*
Top management involvement		-.185		.022		-.222*		-.006		-.007
Everyone in the Org. informed about KAM		.178*		.151**		.017		.134		.068
Defined selection criteria		-.100		.068		-.108		.066		-.0187*
Δ org. structure		.173		.284***		.152		.220*		.121
Clear identification of key accounts		-.172*		-.097*		-.059		-.065		-.295***
Individual KA plans		.266**		.662***		.293**		.138		.278**
Well-developed feedback process		.269**		.386***		.242*		.002		-.101
Joint activities		.338**		.133*		-.108		.451***		.120
Joint investment		-.281**		-.138**		.072		-.148		.455***
Targets for KAM		.037		-.059		-.124		.084		-.115
Measure performance		.205		.046		.155		.127		-.048
Appointed KAMs		-.011		-.199**		-.211		-.269*		-.033
Fully trained KAMs		-.065		.003		-.053		-.247*		-.034
KAM teams		-.147		-.245***		-.091		-.029		-.101
Developed specific motivation and reward schemes		-.041		-.183**		.105		.093		-.175*
Specific Policies		.018		-.144*		.112		-.083		.021
KAMs access to internal resources		-.251*		-.282***		-.168		.176		.152
KAs have higher service levels		.211*		.488***		.504***		-.111		.079
IT support systems		-.007		.002		-.110		.046		.220**

***. Significant at the <.001 level

**. Significant at the <.01 level

*. Significant at the <.05 level

Appendix A: Survey Questions Used in this Study

How good would you say your company is at KAM?
(please circle one number only)

Very bad								Very good
1	2	3	4	5	6	7		

Companies have different elements of KAM practices. Please look at this list of statements about KAM and indicate to what extent you agree with each statement about your company. (Please circle one number only for each statement).

	Totally disagree						Totally agree
	1	2	3	4	5	6	7
Our senior managers have really bought in to KAM	1	2	3	4	5	6	7
We have defined selection criteria for key accounts	1	2	3	4	5	6	7
We have clearly identified our key accounts as separate from other accounts	1	2	3	4	5	6	7
We have individual key account plans	1	2	3	4	5	6	7
We have someone who is the KAM champion within our company	1	2	3	4	5	6	7
We have appointed specialist key account managers	1	2	3	4	5	6	7
We have fully trained key account managers	1	2	3	4	5	6	7
We have specific targets for key accounts	1	2	3	4	5	6	7
We have KAM teams that deal with individual accounts	1	2	3	4	5	6	7
We have developed specific motivation and reward schemes for KAM	1	2	3	4	5	6	7
We have well-developed feedback processes with key customers	1	2	3	4	5	6	7
The top management in the company have an active involvement in Key Accounts	1	2	3	4	5	6	7
We have changed our organization structure to accommodate KAM	1	2	3	4	5	6	7
We benchmark against other organizations about KAM	1	2	3	4	5	6	7
We have established specialized policies and procedures for handling key accounts	1	2	3	4	5	6	7
Our KAM managers have good access to internal resources	1	2	3	4	5	6	7
Our key accounts have higher service levels than non-key accounts	1	2	3	4	5	6	7
We have joint activities with key accounts (e.g. process improvement)	1	2	3	4	5	6	7
We have joint investment in relationship between supplier and key account	1	2	3	4	5	6	7
We measure the performance of our KAM program	1	2	3	4	5	6	7
We have IT support systems for our KAM program	1	2	3	4	5	6	7
Everyone in our organization is educated to understand the KAM program	1	2	3	4	5	6	7

Now, we would like you to look at the following statements about the outcome for your company of implementing KAM. For each statement, please circle the number which most closely represents your views. Please circle one number only.

Since we implemented KAM	Strongly disagree					Strongly agree		Don't Know
	1	2	3	4	5	6	7	DK
We have increased our share of key customers' spend	1	2	3	4	5	6	7	DK
Revenues from key customers have grown faster than revenues from non-key customers	1	2	3	4	5	6	7	DK
Costs to serve key customers have grown faster than costs to serve non-key customers	1	2	3	4	5	6	7	DK
The profit margins on key customers have increased	1	2	3	4	5	6	7	DK
Our relationships with key customers have improved	1	2	3	4	5	6	7	DK
Our customer satisfaction ratings with key customers have gone up	1	2	3	4	5	6	7	DK
Our retention of key customers has improved	1	2	3	4	5	6	7	DK
We have obtained increased advocacy (word of mouth recommendation) from our key accounts	1	2	3	4	5	6	7	DK
The amount of shared investment (e.g. joint projects or shared innovation) with key accounts has increased	1	2	3	4	5	6	7	DK