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Key Account Management Orientation and its implications: An Empirical Examination

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Presentation Structure

- **Purpose of the Study**
- **Brief Literature Review**
- **Methodology**
- **Findings**
- **Discussion & Implication**
- **Limitations & Suggestions for Future Research**



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Purpose of the Study

- The role of Key Account Management (KAM) in developing long-term relationships is widely recognized
- However, little is known regarding the cultural factors that enable a supplier to develop long-term relationships with selected customers, and thus to achieve KAM effectiveness.
- In addition, the evaluation of KAM effectiveness has, traditionally, been limited to financial factors.



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Purpose of the Study

The purpose of this study is twofold:

1. Conceptualize and empirically validate a multidimensional approach of *Key Account Management Orientation* (KAMO) and
2. Explore potential influences on different dimensions of KAM effectiveness.



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Brief Literature Review

- KAM literature so far has mainly focused on the organizational factors that drive KAM success (e.g. use of teams, number of key accounts per manager)
- KAM is recognized as the implementation of relationship marketing in B2B markets
- A range of factors associated with company's culture influence the effectiveness of KAM adoption & implementation



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- In an attempt to capture these factors, Shapiro and Moriarty (1984) first introduced the concept of *National Account Management Orientation*. According to this study the elements that comprise National Account Orientation are:
 1. A competent national account organization
 2. A culture of customer orientation
 3. A culture of internal cooperation
 4. Affective and appropriate management systems and processes, and
 5. Top-management commitment

- Although no other effort of investigating the notion of *Key Account Management Orientation* (KAMO) has been reported so far, the importance of these factors as well as other related ones, such as top-management participation, support from other units, KAM activities has been stressed in the literature.

e.g. Homburg et al. 2002; Millman and Wilson 1999



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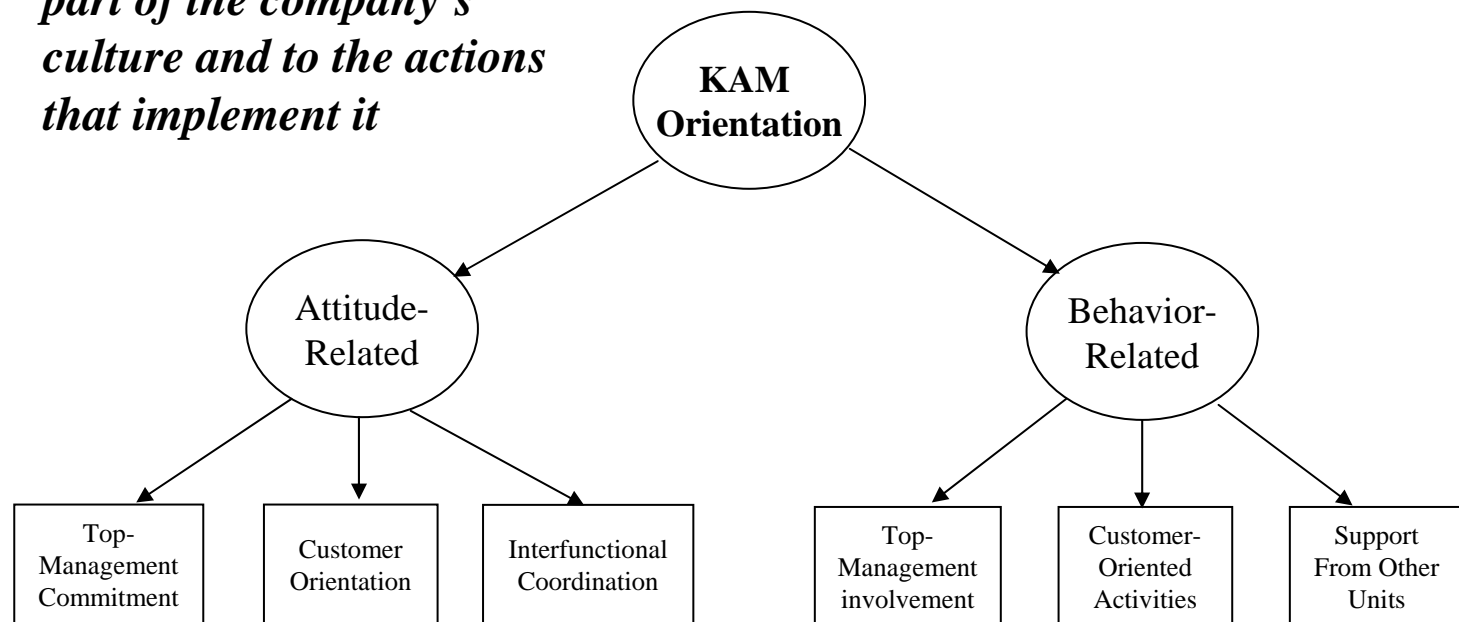
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Using insights from KAM and Market Orientation literature, we propose a multi-dimensional approach of defining KAMO, according to which KAMO is composed by both attitudinal-related and behavioral-related dimensions:

***KAMO refers to the extent
a supplier adopts KAM as
part of the company's
culture and to the actions
that implement it***





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- Concerning the benefits from a KAM relationship, relationship marketing and KAM literature suggests a number of relational outcomes from a KAM relationship, such as **information sharing** and **conflict resolution**

e.g. Homburg et al. 2002; Anderson and Narus, 1990; Heide and John, 1992

- However, KAM has outcomes not only with respects to key accounts but also at the organization level.

e.g. Homburg et al. (2002), Caspedes, 1993

- Rather, the company's overall financial performance, as it is determined by dimensions such as **sales, profitability, market share** and **return of investment (ROI)**, is likely to improve when a supplier performs well with Key Accounts.



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- Suppliers should not focus only on financial performance since the organizational outcomes of a KAM relationship can be wider
- Prior research suggests a number of potential non-economic benefits as a result of a KAM relationship, such as **reference value**, **know-how development**, **intra-firm communication** and **processes' efficiency**

e.g. Pels, 1992; Millman and Wilson, 1999; Ojasalo, 2001; Ivens and Pardo, 2003; Boles et al., 1999



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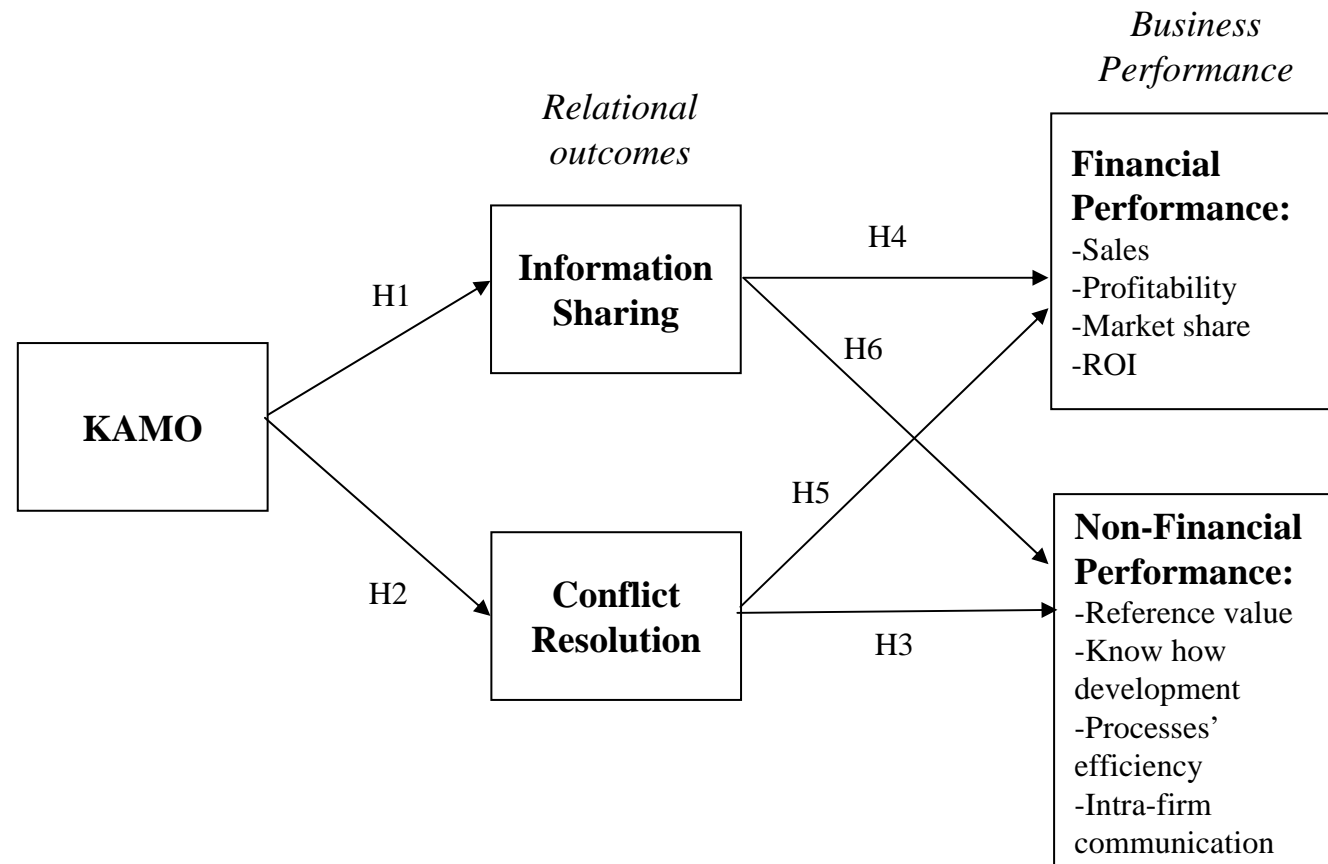
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Conceptual Framework





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Methodology

● Preliminary investigation

- 16 personal in-depth interviews
- Semi-structured questionnaire
- The informants were higher-level managers responsible for the KAM function within the company (national account managers, sales or marketing managers)

● Data Collection

- Personal interviews
- Sample consisted of selling companies from different sectors.
- We contacted 800 randomly selected companies. 304 agreed to participate (response rate: 38%)
- The process lasted over a twelve months period
- Structured questionnaire



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Variable Measurement

1. Concerning the **multi-dimensional construct of KAMO**, we first relied on the work of Narver and Slater (1990) for the dimensions of *customer orientation* and *inter-functional coordination*. For the other four dimensions (*top management commitment*, *customer-oriented activities*, *top-management involvement* and *support from other units*) we generated multi-item scales on the basis of the in depth-interviews and literature review.
2. For the measurement of **information sharing** we used the scale of Heide and John (1992) while **conflict resolution** was based on Anderson and Narus (1990).



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Variable Measurement

3. **Financial performance** was assessed using single-item measures of *sales volume, profitability, market share* and *Return of Investment (ROI)*.
4. **Non-financial performance** was assessed through multi-item scales capturing *reference value, know-how development, intra-firm communication* and *processes' efficiency*. These scales were developed on the basis of the in-depth interviews as well as a thorough review of the pertinent literature.
 - All measures were conducted with a seven-point rating scale.
 - Constructs were formed by averaging the responses to each item in a particular scale for subsequent analysis.



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Scale Assessment

- For all measures, reliability was examined. In all the occasions **Cronbach's Alpha** coefficient surpassed the threshold of .070.
- In order to assess construct validity, we conducted **CFA**. In all the measures **Average Variance Extracted (AVE)** exceed 0.50, as well as fit statistics (**GFI, CFI, RMSEA**) were proven satisfactory for all constructs.



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Scale Assessment

- Concerning the examination of *Key Account Management Orientation* with a **second-order factor analysis**:
 - All factor loadings on both first and second order level were proved significantly high.
 - The results of AVE (above 0.50) suggest unidimensionality among the first order dimensions.
 - The fit indices of the second-order factor model suggest a good model fit (GFI=0.921, CFI=0.972, RMSEA=0.042), and, although, the lower order factor model exhibit satisfactory results as well, the predictive validity of the second-order model is better.



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Findings

Hypotheses Testing through Structural Equation Modeling			
	Research Hypotheses	Stand. Regression Weights	Assessment
H1	Information Sharing ← KAMO	.420	Accepted
H2	Conflict Resolution ← KAMO	.674	Accepted
H3	Non-Financial Performance ← Conflict Resolution	.678	Accepted
H4	Non-Financial Performance ← Information Sharing	.215	Accepted
H5	Financial Performance ← Conflict Resolution	.145	Accepted
H6	Financial Performance ← Information Sharing	–	Rejected

As results suggest, all research hypotheses except for the impact of information sharing to financial performance, are confirmed.



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Discussion & Implications

- This study contributes to the KAM literature by proposing and empirically examines KAMO, a multi-dimensional approach of consolidating attitudinal and behavioral factors that reflect supplier's ability to develop effective KAM practices.
- Prior research has failed to address these elements into an integrated model as well as empirical validation is missing.
- Another contribution of the study is the identification and examination of various aspects of KAM effectiveness, and not merely financial.



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Discussion & Implications

- KAMO appears to influence information sharing and conflict resolution, dimensions that are key indicators of the strength of a relationship.
- In turn, these relationship outcomes seem to have a positive impact on company's performance, both financial and non-financial.
- However, information sharing seems to be unrelated with financial performance. This finding may be explained by the reluctance of many companies to share information with customers, especially confidential, in order to protect their bargaining position.



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Discussion & Implications

The study has also some **managerial implications**:

- The level of KAMO adoption of a supplier must be approached on the basis of both attitudinal and behavioral dimensions.
- Suppliers who adopt KAMO as part of their philosophy are likely to achieve relational outcomes and, in turn, superior business performance.
- Suppliers should shift from the traditional sales management approach towards KAM to a more relationship-oriented philosophy of KAMO if they seek to enjoy full benefits from a KAM relationship, and not solely economic.



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Limitations & Future Research

- First, this study focuses on direct relationships between KAMO and aspects of KAM effectiveness. Therefore, potential moderators (e.g. competitive intensity) that affect the strength of the relationships identified in this study are neglected.
- Another limitation involves the use of a single-informant design which focuses on suppliers. Future research incorporating both sides of the buyer-seller will offer a clearer picture on the consequences of a KAM program
- Finally, the aspects of KAM effectiveness that were eventually included in this study are not exhaustive, especially with regard to relational outcomes given the attention the topic has received from buyer-seller relationships literature.