

Understanding Key Account Management

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This document is presented in three parts, i.e. Part 1, 'The context of 'Understanding Key Account Management', positions the portfolio of work in terms of its contribution to knowledge within the literature of Key Account Management and its underlying theories, and relative to alternative research methodologies: Part 2: 'Understanding Key Account Management', starting on page 31, gives an account of the author's research and knowledge development activities in Key Account Management in chronological order, to link together the material submitted as the portfolio of work (listed below). Each part has its own separate list of contents and references. The portfolio of work forms Part 3 of the document, but only the research reports from 2006-2009 are included here: the other reports, articles and books are not available electronically or are published with copyright restrictions.

Part 1: The context of 'Understanding Key Account Management'

Part 2: Understanding Key Account Management

Part 3: Portfolio of work

Research reports (only titles highlighted in blue included)

McDonald, M. & Woodburn, D. (1999) 'Key account management: Building on supplier and customer perspectives', *Financial Times Prentice Hall*.

Woodburn, D., & McDonald, M. (2001) 'Key Customers. World-leading Key Account Management: Identification and Development of Strategic Relationships', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D., Holt, S. & McDonald, M. (2004) 'Key Customer Profitability - Making money in strategic customer partnerships', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2006) 'Transitioning to key account management', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2006) 'Competencies for key account managers', *Warwick Strategic Sales and Customer Management Network report*, Warwick Business School

Woodburn, D. (2008) 'Rewarding key account management', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2009) 'Organising for key account managers', *Warwick Strategic Sales and Customer Management Network report*, Warwick Business School

Articles

Woodburn, D. (2002) 'Customer relationship management: Hard lessons learned in B2B pose tough questions for B2C', *Interactive Marketing*, vol 4 number 1, July, Institute of Direct Marketing

Woodburn, D. (2004) 'Key account management in financial services: Poised between desire and fulfilment', *Interactive Marketing*, vol 6 number 1, July/September, Institute of Direct Marketing

Woodburn, D. (2008) 'Critical aspects of strategic account management: account selection and alignment', *Velocity*, vol 10, no. 4, 4th Quarter, pp. 16-19.

Woodburn, D. & Ryals, L. (2008) 'Implementing strategic account management', *Velocity*, vol 10, no. 3, 3rd Quarter, pp. 20-23.

Ryals, L., Davies, I. & Woodburn, D. (2009) 'Changing the game plan' *Winning Edge*, June, pp. 28-31, Institute of Sales and Marketing Management

Books

McDonald, M., Rogers, B. & Woodburn, D. (2000) 'Key Customers: How to Manage Them Profitably', *Butterworth-Heinemann, Oxford*

McDonald, M. & Woodburn, D. (2006) 'Key Account Management – The definitive guide', *Butterworth Heinemann*

Part 1: The context of ‘Understanding key account management’

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Introduction

Over the last 10-20 years suppliers have faced increasing customer consolidation and buying power exercised through more professional procurement practices (Ralf, Hughes & Cox, 1995). At the same time, customers have been seeking a more collaborative approach to capture supplier value (Ford, 1980; Håkansson, 1982; Turnbull & Valla, 1986; Yip & Madsen, 1996). Emerging as a response to these customer drivers, key account management (KAM) is defined as ‘an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering them, on a continuing basis, a product/service package tailored to their individual needs’ (McDonald, Millman & Rogers, 1997). Key accounts are ‘customers of strategic importance to a supplier’ (Millman & Wilson, 1995), and therefore their management is, by definition, among the most critical of business-to-business suppliers’ activities.

Research on national account management appeared in the early 1980s (e.g. Shapiro and Moriarty, 1980 & 1984; Stevenson, 1981), but it was a decade before the literature really began to recognise key/strategic customers (Wilson, 1993; Pardo, Salle and Spencer, 1995; Millman and Wilson, 1995 & 1996; McDonald, Millman and Rogers, 1997) and global accounts (Yip and Madsen, 1996; Millman, 1996; Napolitano, 1997; Millman and Wilson, 1999). KAM draws on much of the relationship marketing literature (e.g. Christopher, Payne and Ballantyne, 1991; Grönroos, 1994 & 1997; Gummesson, 1994; Palmer and Bejou, 1994; Sheth and Parvatiyar, 1995), and especially the work of the Industrial Marketing and Purchasing (IMP) Group (Ford, 1980; Håkansson, 1982; Turnbull and Valla, 1986). Relationship marketing has developed theories with important implications for key accounts, e.g. on customer life cycles and relationship stages (Dwyer, Schurr and Oh, 1987; Krapfel, Salmond and Spekman, 1991; Palmer and Bejou, 1994; Johnson and Selnes, 2004); value creation strategies (Johnson and Selnes, 2004); customer profitability (Homburg, Steiner and Totzek, 2009); and much more. Since KAM has been driven to a large extent by customer demand for supplier responsiveness (Yip and Madsen, 1996) and transaction cost economics (Pfeffer and Salancik, 1978; Williamson, 1981; Lohtia and Krapfel, 1994; Dyer, 1997), supply chain literature (Krapfel, Salmond, and Spekman, 1991; Ellram, 1991; Olsen and Ellram, 1997) has also played an important part in informing and developing KAM knowledge.

However, KAM is a subset of relationship marketing that is sufficiently different to merit a distinct body of knowledge. Much of the literature addresses the whole customer portfolio (e.g. Gummesson, 1994; Johnson and Selnes, 2004; Homburg, Steiner and Totzek, 2009), which potentially impedes the view of key customers. Key customers may be few in number, but they are crucial to suppliers in terms of present and future profit. These buyer-seller relationships are arguably the most interesting because of the scale of the rewards and risks and the organisational complexities involved. From studies of practice among large, complex suppliers with large, complex customers, my research has contributed to knowledge of this most challenging part of the KAM domain.

This document is a supplement to the original ‘overview’ document representing my submission for a PhD by portfolio, which aims specifically to address the three areas required by the examiners, namely:

- 1. Contribution to Key Account Management:**
‘a critical articulation of what has been learned about KAM’.
- 2. Research methods and theories of knowledge:**
‘a critical description of the research methods employed and how that methodology evolved in the relationship to underlying theories of knowledge’.
- 3. Theory in the context of practice:**
‘a critical exploration of the relationship between developing theory in the context of practice’.

The document focuses on the literature available at the time of the research, but includes later references where they make a useful contribution to the discussion.

1. Contribution to Key Account Management

My work's main contribution to knowledge is insight into how big suppliers make a sound business practice of KAM: i.e. my research has developed a deeper understanding of the strategic and profitable management of selected customers. Since potential losses from big customers can be critical for suppliers and profitability is not assured (Wilson, 1996; Storbacka, Sivula and Kaario, 2000), this is an important contribution to business. In addition, my research has delivered an understanding of how companies develop their KAM capabilities, as well as producing further insights into some aspects of KAM implementation. These contributions are described in the following subsections.

- a. The key customer portfolio
- b. Key customer profitability
- c. Key account strategies
- d. Transitioning to KAM
- e. Further contributions to KAM

1a: The key customer portfolio

The selection of key customers, i.e. who receives KAM treatment, is a critical success factor in KAM (Gosselin and Bauwen, 2006). These are the customers in which suppliers will invest their resources in expectation of a good return on their investment. Many researchers advocate the identification of key customers through portfolio analysis, from Fiocca (1982) through McDonald, Millman and Rogers (1997) to Homburg, Droll and Totzek (2008). The portfolio view also provides a basis for determining appropriate management approaches (Shapiro *et al*, 1987; Zolkiewski and Turnbull, 2000a). However, as Pardo, Salle and Spencer said in 1995 (p.124), 'Little work has been done on *criteria* enabling 'key accounts' to be distinguished from other accounts in the customer portfolio, nor on the *selection process* that takes place within the firm to identify these accounts.'

Woodburn and McDonald (2001) and Woodburn, Holt and McDonald (2004) explored these critical aspects of portfolio building and usage:

- Key account selection criteria
- Key account portfolio building
- Portfolio management and organisational structure

Key account selection criteria

Woodburn and McDonald (2001) sought to establish the criteria for selecting and categorising key accounts used by good practice suppliers, in order to identify a coherent and manageable approach with a foundation in theory, and to suggest best practice. 'Good practice' companies were defined as those using a systematic process and a range of criteria (Zolkiewski and Turnbull; 2000a & b), rather than those taking selection for granted or using only sales revenue as the selection criterion, which are both quite common (Pardo, Salle and Spencer, 1995; SAMA, 2008).

Woodburn and McDonald (2001) contributed a knowledge of practice that had been lacking (Boles, Johnston, and Gardner, 1999) through identifying criteria that were in use, and therefore usable. Zolkiewski and Turnbull (2000a & b) had expressed concerns about the applicability of a number of the criteria in the literature because of the high degree of subjectivity involved or difficulty of obtaining data. Furthermore, some had been derived from a supply-side, theoretical basis and tested within only one supplier (Campbell and Cunningham, 1983; Yorke and Droussiotis, 1994; Turnbull and Topcu, 1994; Zolkiewski and Turnbull, 2002).

In Woodburn and McDonald (2001) the criteria used by suppliers to assess key accounts for selection purposes reflected three factor groupings with significant differences from those previously suggested in the literature. Since each was linked to a fundamental requirement of relationship effectiveness, as shown below, these factors could be considered as sufficient to identify key accounts from the supplier's side.

Scale of potential outcomes	→	Business size and growth
Appropriate customer needs	→	Business capture and longevity
Customer attributes/behaviour	→	Business quality and profitability

While 'business size and growth' had been selected by several authors (Campbell and Cunningham, 1983; Boles, Johnston and Gardner, 1999), the importance of 'soft' factors relating to 'business longevity' and 'business quality and profitability' was less well recognised. Woodburn and McDonald (2001) identified several new criteria of this type, e.g. 'customer predictability and stability', 'appropriate decision-making structure', 'preparedness to change'.

Suppliers seek current customer attractiveness criteria that will act as good indicators of future performance at an account level (Homburg, Steiner and Totzek, 2009). Woodburn and McDonald (2001) therefore distinguished between current criteria (e.g. qualitative factors like 'strategic compatibility') and desired future performance outcomes such as 'profit', which some other researchers used simultaneously (Campbell and Cunningham, 1983). Applying this distinction contributed towards a more future-orientated, dynamic approach that coincided with the needs later expressed by Johnson and Selnes (2004) and Homburg, Steiner and Totzek (2009), who saw most approaches as essentially static with limited predictive potential.

Success will also be linked to the supplier's effectiveness in terms of relationship management (McDonald and Woodburn, 1999; Sharma, 2006). Woodburn and McDonald (2001) suggested that customer attractiveness would be mediated by the supplier's relationship management activities to achieve relationship success, and that customer attractiveness should be considered as an antecedent to relationship activity (Zolkiewski and Turnbull, 2000b). Attractiveness criteria would then be focused on the customer and not mixed with factors that were dependent on the supplier's relationship activity, such as 'perceived relationship strength' (Yorke and Droussiotis, 1994), or 'difficulty in managing the relationship' (Fiocca, 1982).

Some suppliers applied criteria like 'leading position in the marketplace', 'prestige', 'reference value' (Fiocca, 1982; Yorke and Droussiotis, 1994), which lead to halo benefits 'for the good of the company' (Woodburn and McDonald, 2001). The value of this approach for practitioners is limited by the practical difficulty of assessing such benefits because, by definition, they appear outside the account specified (Ward and Ryals, 2001), in various other accounts and to varying degrees, and they are not easily recognised and quantified. For academics exploring the link between account attractiveness and account performance, increasing account attractiveness on the basis of halo benefits is likely to interfere with the demonstration of cause and effect.

Assumptions about the relationship between customer and supplier factors and success underlie the construction of any portfolio. In terms of future research, investigating how and to what extent supplier relationship activity acts as a mediating factor between customer attractiveness and relationship success would be valuable to both academics and practitioners (comparable with the approach of Piercy, Cravens and Morgan (1998) to sales management control and performance).

Key account portfolio building

If 'Key accounts are the firm's single most important asset' (Capon, 2001, p. xi), these assets should be identified through a robust and manageable process. However, most authors had focused on theory-testing (Fiocca, 1982; Turnbull and Zolkiewski, 1997) rather than on how suppliers build these portfolios in practice. The processes required by models in the literature could be complex: Campbell and Cunningham's process (1983) involved a sequence of three matrices, while Zolkiewski and Turnbull's matrix had three dimensions (2000a), and others used large numbers of criteria, often requiring rather inaccessible data (Fiocca, 1982; Yorke and Droussiotis, 1994).

Woodburn and McDonald (2001) found that suppliers struggled to construct one two-dimensional matrix, so an end-to-end, step-by-step process was developed to build a key customer portfolio for key account categorisation/selection and management in a single matrix. The process was later supported with the tools required to execute each step, captured in software (Key Account Selection Matrix) and applied by a substantial number of companies. One axis represents customer attractiveness, as viewed by the supplier, while the other axis represents supplier attractiveness, as viewed by the customer, since customers often have their own process and criteria for rating suppliers (Krapfel, Salmond and Spekman, 1991; Olsen and Ellram, 1997).

The approach was based on transaction cost analysis theory (Pfeffer and Salancik, 1978; Williamson, 1981 & 1985), supply chain theory (Ellram, 1991; Olsen and Ellram, 1997) and the supplier/customer interaction model of the IMP group (Ford, 1980; Håkansson, 1982; Turnbull and Valla, 1986). All of these authors suggested that the customer's assessment of the supplier would be of considerable

importance, as did McDonald, Millman & Rogers (1997, p.737), who said that KAM depends on ‘the degree of receptivity demonstrated by the customer to a partnership approach’. In contrast, most of the portfolio approaches cited above included the supplier’s views of the customer on both axes, and generally excluded the customer’s viewpoint. In some cases that was because the matrices were driven by different purposes, such as customer profitability management (Shapiro *et al*, 1987; Ryals, 2006) or analysis of power balance (Campbell and Cunningham, 1983; Krapfel, Salmond and Spekman, 1991). Nevertheless, it is difficult to imagine that a customer portfolio which does not include the customer’s point of view would be a good tool for representing relationship management and potential.

In addition to this customer focus, Woodburn and McDonald (2001) contributed a series of key steps and decisions to the process of building a portfolio for selection and relationship management, which had been largely overlooked by the literature.

- Capacity
Suppliers have a ‘limited capacity for intimacy’ (Woodburn and McDonald, 2001): in this research 50 key accounts was found to be the maximum, and 20-30 most common.
- Customer definition
Before the customer can be rated against any criteria, its identity should be determined, i.e. which divisions and geographies are included or excluded. This critical decision drives other decisions about how the customer should be managed.
- Customer’s criteria for suppliers
Some attempts have been made to generalise the customer’s criteria (McDonald, Millman and Rogers, 1997) but generalisation denies customer differences (Faughnan, 2006) and undermines the individual treatment of customers that is core to KAM (McDonald, Millman & Rogers, 1997).
- Customer validation
Suppliers can misunderstand customer profitability (Shapiro *et al*, 1987) and much more about customers, and should check their information at source before taking serious decisions about key accounts.
- Customer reciprocity
Successful relationships are intrinsically reciprocal (Millman and Wilson, 1995; McDonald and Woodburn, 1999), so the customer’s attitude to potential engagement in a close relationship should be established.

At the end of the process a supplier should have a workable portfolio view of its key customers that drives not only selection, but also the categorisation that underpins major relationship management decisions on issues such as offer differentiation, resourcing, performance measurement etc. Different portfolio approaches emphasize different aspects of customers, and it may be that suppliers should use different portfolios for different purposes: for example, for selecting key customers (Fiocca, 1982), for managing them (Zolkiewski and Turnbull, 2000b), or for increasing their contributions to profits (Gummesson, 1994). Whether suppliers could cope with more than one matrix is a different matter.

Portfolio management and organisational structure

McDonald, Millman and Rogers (1996), Zolkiewski and Turnbull (2000b) and Homburg, Steiner and Totzek (2009) all proposed the portfolio as a tool for strategic customer management. Johnson and Selnes (2005, p.13) stated, ‘To optimise the value of the key account base, the portfolio should be managed as ‘the forest rather than the trees’’. However, they also saw that ‘moving the conceptual framework to an empirical and applied level is a challenge and an opportunity for both academics and practicing managers’ (Johnson and Selnes, 2004, p.15).

The question arises, to what extent are key account portfolios actually used in business? Overall, very little attention had been given to practice, but Woodburn, Holt and McDonald (2004) identified the role of organisational factors in portfolio application in reality. The research observed that, if key accounts (and key account managers) were positioned in the organisation so that they were distributed across different divisions or locations managed by different individuals, it was unlikely that key customer management decisions would be driven by portfolio considerations, even though Johnson and Selnes (2004, p.15) described the goal of KAM, ‘To focus more on accumulated value creation of a customer portfolio, not on the value created in single relationships.’

Woodburn, Holt and McDonald (2004) saw that this aim was not feasible without a central KAM unit to manage the whole portfolio or an equivalent management mechanism to make decisions about use of resources, access to innovations etc. The research found that local or divisional priorities and metrics were likely to take precedence, and that mechanisms to override these drivers were generally lacking. Pardo, Salle and Spencer (1995) found a company with a centralized unit from an early stage of its 'key accountization' but generally, complex multi-division or multi-geography suppliers are reluctant to move to a central KAM unit, rightly anticipating internal resistance (Buzzell, 1985; Capon and Senn, 2010). Shapiro and Moriarty (1984) identified two stages of KAM organisation that preceded setting up a central unit, which some companies never progressed beyond. Kempeners and van der Hart (1999) found only one central unit in seven companies studied.

Woodburn, Holt and McDonald (2004) concluded that the portfolio was more often used as a conceptual notion and not a working management tool in large, complex companies, confirming Johnson and Selnes' (2004) concerns. While such suppliers were prevented from reaping the full advantage of this valuable tool, it was not clear whether they recognised how organisational structure interfered with the application of the matrix. Access to KAM benefits is restricted; for example; to extension of relationships and business into new areas; knowledge of customer profitability; development of innovative and global strategies with customers, etc. Future research could usefully examine the role of decision-makers in the application of portfolio management, in addition to the traditional focus on the theory, construction and interpretation of the matrix.

1b: KAM and key customer profitability

Like relationship marketing (Palmer and Bejou, 2005), KAM did not have a clear and indisputable answer to the all-important question of whether KAM maximises supplier profitability, although there were some positive indications (Kalwani and Narayandas, 1995; Homburg, Workman and Jensen, 2002), so Woodburn, Holt and McDonald (2004) therefore set out to explore the issue.

Customer retention is commonly a goal of KAM. The theory that improved customer retention leads to improved profits for the firm has been widely publicised, particularly by the work of the Bain group of consultants (Buchanan and Gillies, 1990; Reichheld and Sasser, 1990; Reichheld, 1993; Doyle, 2000). The theory suggests that retained customers offer lower costs, especially from the elimination of acquisition costs, and opportunities for business increase. However, even for consumer customers, that view has been challenged. Reinartz and Kumar (2002) showed that not all customers are good customers, and Stone, Woodcock and Machtynger (2000) noted that keeping the wrong customers is often very damaging. Furthermore, numerous authors focusing on the profitability of key accounts have identified some with low profitability levels, even making a loss for the supplier (e.g. Wilson, 1996; Storbacka, Sivula and Kaario, 2000; Ryals, 2003). At the same time, Van der Sande, Bradford and Davidson (2001) found 'some real surprises' from key account profitability analysis, including some customers that were much *more* profitable than expected.

All these authors described a poor pre-existing state of knowledge of the profitability of key accounts that must be potentially highly dangerous for a supplier, which might not take action to correct poor profitability, or might neglect customers providing good profitability (Van der Sande, Bradford and Davidson, 2001). An understanding of how and why this situation arises can make an important contribution to discovering its underlying causes, so Woodburn and McDonald (2001) and Woodburn, Holt and McDonald (2004) explored why, given the criticality of these issues, suppliers did not know more about customer profitability, and what they could do to find out.

The existence of KAM is based on the theory that its application improves the supplier's profits overall (Homburg, Workman and Jensen, 2002), mostly through improving the profit (though not necessarily the percentage profitability) derived from key accounts (Stevenson, 1981; Reinartz and Kumar, 2002; Ryals, 2003). However, as Kalwani and Narayandas (1995) demonstrated, neither the end nor the means of achieving better profits is clear, simple or certain: for example, while suppliers were able to cut costs through learning and economies of scale, key customers' bargaining captured much of that value. Woodburn, Holt and McDonald (2004) contributed an understanding of the means by which KAM creates value for suppliers, including how it creates value for customers. It showed that generating value for customers encourages them to award the supplier with more business, which returns value to the supplier, providing the costs are appropriate and carefully controlled. Jacobs, Johnston and Kotchetova (2001) and Ivens and Pardo (2008) supported the finding that KAM was more likely to achieve a business increase rather than better prices, as assumed by Boles, Pilling and Goodwyn (1994) and Sharma (2006). If the organisation learns and improves from working with key accounts, KAM can also create value for the

firm as a whole, as well as creating value at the level of individual relationships (Johnson and Selnes, 2004).

Supplier knowledge of key customer profitability

Managers rarely had 'real' customer profitability data (i.e. gross margin less customer-specific costs-to-serve) and were inaccurate in their predictions/guesses (Shapiro *et al*, 1987; Zolkiewski and Turnbull, 2000a). In order to change this situation, suppliers would need both the will and the means to improve. Woodburn and McDonald (2001) identified real and attitudinal factors that impacted on the will to change, among them:

- Poor management information systems (now addressable by boosted computing power)
- Lack of collection of real customer costs
- Perception of effort involved in collecting and apportioning customer costs
- Application of unsuitable 'rules-based' cost allocations (e.g. deducting a percentage of overheads based on volume): four relevant customer profitability situations were identified that this approach failed to represent
- Fragmented view of customers caused by traditional reporting bases (i.e. regions and products/projects)
- Perception of insignificance of differences between customers and costs-to-serve
- Assumption of insignificance of costs-to-serve compared with production costs
- Concern for personal implications of poor profitability or loss-making accounts.

Shapiro *et al* (1987), Nachnani (1998) and Zolkiewski and Turnbull (2000a) all identified a lack of allocation of customer-attributable costs, but did not explore the reasons for it, and only touched on the means to achieve good allocation. Woodburn, Holt and McDonald (2004), however, explored usage of four techniques that have the potential to improve supplier understanding of customer profitability, in terms of the past and the future.

Past monitoring (actual profitability)

- Activity-based costing (described by Cooper and Kaplan, 1992): more commonly used for products and services than customers, but increasingly seen as the future for understanding key customer profitability (automated systems were making it more viable than when it appeared in the 1980s)
- Open-book accounting: advocated by authorities like Christopher (2000) as part of integrated supply chain relationships, but popularity was waning as both sides questioned the benefit. The process was too time-consuming, had too much transparency for suppliers and could impact negatively on the relationship.

Future-oriented (potential profitability)

- Forecasting and customer risk assessment: forecasting was poorly executed and customer risk discussed rather than quantitatively evaluated, so there were major opportunities for improvement.
- Customer lifetime value, defined by Doyle (2000): concept applied by a few in KAM, but with a standard period substituted for a customer-specific lifetime, which suppliers felt unable to forecast.

The study also demonstrated the serious consequences of ignorance and misunderstanding of customer profitability, through both inaction and poor decision-making on, for example, responding to customers, customer prioritisation, resourcing, recruitment and retention.

KAM contributions to key customer value and profit

Woodburn and McDonald (2001) identified sources of pressure on customer profitability, five originating with customers and six originating with suppliers. Suppliers could then:

- aim to cure the problems they create for themselves
- develop strategies for dealing with those originating with customers
- choose from five value-based pricing strategies.

The analysis of value-based pricing strategies (Woodburn, Holt and McDonald, 2004) was incorporated in Ryals' (2006) paper on how suppliers manage pricing and customer risk.

Woodburn, Holt and McDonald (2004) also showed that growth and cost reduction were the main contributors to improved profitability from KAM for both suppliers and customers. Specific approaches delivered by KAM were categorised according to which they principally contributed, and to whom, demonstrating that:

- **suppliers** more often gained **growth**, from more business awarded to them, than cost reduction. Some cost reductions are available, but price premiums were not common (supported by Ivens and Pardo, 2009).
- KAM mostly benefited **customers** through **cost reduction** rather than through growth in their business, though growth may sometimes occur through supplier support.

'Relationship stage' was identified as a further profitability-determining factor, added to the five previously identified by Shapiro, Slywotzky and Doyle (1997), i.e. account retention, account selection, account dominance, realised price, and selling and service cost. A number of researchers have identified a series of relationship stages associated with different levels of intimacy (Dunn and Thomas, 1994; Palmer and Bejou, 1994; Millman and Wilson, 1995; McDonald, Millman and Rogers, 1996 & 1997). McDonald and Woodburn (1999) found that *co-operative* relationships (see McDonald and Woodburn (1999) for descriptions and labelling of relationship stages) were often associated with lower levels of profitability, even losses, compared with closer, *interdependent* relationships.

Research into the impact of KAM on key customer profitability would benefit substantially from access to actual figures, but suppliers are extremely reluctant to reveal such sensitive data. Research is therefore dependent on individuals' perceptions, which are notoriously inaccurate in this area (Shapiro *et al.*, 1987; Zolkiewski and Turnbull, 2000a).

1c: Key account strategies

Differentiated offers and treatment for key customers is a fundamental part of the definition of KAM (McDonald, Millman and Rogers, 1997; Workman, Homburg and Jensen, 2003). Supporting this view, Daugherty, Ellinger and Plair (1997) found that the most value-adding, profitable customers demand specific, differentiated strategies. Ivens and Pardo (2007) also showed that customers give increased commitment in return for differentiated treatment. According to Capon and Senn (2010, p.38), 'concise, tailor-made strategies for each global customer', are top of the list for best practice global account management. However, there is very little in the literature about key account strategies or the content of strategic account plans (Capon, 2001; Langdon, 1995).

Importance of key account strategies and plans

Creating these strategies is a crucial part of the role of a key account manager (Rackham and de Vincentis, 1999; Woodburn, 2006a), but often they have a poor understanding of strategy development and value creation (Piercy and Lane, 2009), and have not clearly formulated their strategy (Woodcock and Corkindale, 1999). Piercy and Lane (2009) maintained that where value propositions did not exist in writing, they probably did not exist at all.

McDonald and Woodburn (1999) explored the incidence of joint strategic planning in KAM, where the customer was involved in the process, and found that joint strategic planning was strongly linked with relationship stage, and occurred significantly more in the close and complex relationships designated as *interdependent* (McDonald and Woodburn, 1999) than in more distant *co-operative* relationships. Joint strategic planning was also associated with relationship success, but interpretation of 'strategy' and 'joint strategic planning' may vary and the study could not determine cause and effect. In terms of future research, the link between account strategies, relationship stage and relationship success would benefit from further investigation.

Woodburn and McDonald (2001) contributed a substantial amount of information about strategic account plans in terms of their:

- scope and level (five levels identified, but only two including key account strategies)
- relationship to corporate strategies

- perceived strategic and operational benefits
- quality and common defects.

Key account plans often did not contain account strategies and generally quality was poor, which raises the question of why such a state of affairs is accepted by suppliers. Daugherty, Ellinger and Plair (1997) believed that suppliers' tolerance of the situation originated in their perception that account strategies were challenging and costly to implement, while Woodburn and McDonald (2001) found that the competency and attitude to planning of the key account managers was a major factor. Further research on the causes of poor quality in strategic account plans would be interesting, and potentially very valuable, in addressing the problem.

Key account strategy development process

In the context of this dearth of account strategies, my contribution was the construction of a rigorous process for environment and business analysis and strategy development that is applicable to individual key accounts. The end-to-end process has strong theoretical foundations and a very practical application, so it has now been applied by numerous key account managers in major companies all over the world (Ryals, 2008). The process joins together well-tried and tested analytical approaches that were originally developed separately, aimed at markets or market segments, adapted to treat each individual customer as a market (Daugherty, Ellinger and Plair, 1997). In line with Porter (1986) and Piercy and Giles (1989), the process requires rigorous analysis and testing against customer perceptions and competitor activities.

The strategy development process (see table below) starts with a business analysis of the customer's situation which then provides information and insight to a similar analysis of the supplier's position. Wherever possible, the outputs of one analytical tool provide the input to the next part of the process.

Analysis/step	Description and source
Customer analysis	
STEEP analysis of the customer's macro-environment	Widely used technique for environmental scanning, originally ETPS (Economic, Technological, Political and Social factors) (Aguilar, 1967), and later expanded to include Ecological factors (Fahey, King and Narayanan, 1981; Morrison, 1992).
Five forces analysis of competition in the customer's supply and marketplace	Based on STEEP analysis, identifies pressures: from existing competitors, new entrants and potential substitutes competing in parallel with the customer; from suppliers upstream; and from the customer's customers downstream (Porter, 1985), leading to identification of opportunities and threats.
Value chain analysis of the customer's business	Explores the internal activities of the customer (Porter, 1985), leading to identification of their strengths and weaknesses relative to their customers and competitors (Porter, 1986).
SWOT analysis and identification of the customer's strategies	SWOT brings the analyses of the external (opportunities and threats) and internal (strengths and weaknesses) environment together. Although a well-worn approach often misused and then lacking any useful outcome (Hill and Westbrook, 1997), Piercy and Giles (1989) showed how, with clarity and discipline, it could be a very valuable tool for deriving strategies. Here, it is used to identify the customer's actual and potential strategies.
Supplier analysis	
Repeat of the above process of four steps, with the supplier as subject	The customer information captured and interpreted above becomes the major input to the supplier analysis and strategy development process. Here, the SWOT analysis is used to create account strategies for the supplier.

The value of the process is twofold:

- through showing how account strategies may be created, it increases the likelihood that they will be created.

- through offering a rigorous process, it contributes to the quality of account strategies: as Capon (2001, p.223) states ‘The key account strategy is only as good as the situation analysis on which it is based’.

In order to be useful to and usable by the key account manager, the organisation and the customer, account strategies need to be worked through and captured in strategic account plans.

1d: Transitioning to KAM

For a long time, research focused on what KAM programmes look like once they have been deployed (Shapiro and Moriarty, 1984; Homburg, Workman and Jensen, 2002). Studies of how suppliers change from a sales-oriented organisation to a KAM approach have been limited (Kempeners and van der Hart, 1999; Wengler, Ehret and Saab, 2006; Zupancic, 2008), leaving suppliers with little guidance on how they could achieve KAM competency. Woodburn (2006b) created a model of the transitioning process that did not previously exist, which shows the phases of the journey taken by companies from the beginning to best practice KAM. It demonstrated that, as KAM is an integrated business process (Gosselin and Bauwen, 2006), its adoption requires a broad-ranging organisational change programme (Storbacka *et al*, 2009) including transformational change in the salesforce (Rackham and de Vincentis, 1999; Piercy, 2000; Rogers, 2007; Piercy and Lane, 2009). The transitioning model in Woodburn (2006b) represents the first map of the change process.

KAM transitioning model

The transitioning model (Woodburn, 2006b; Woodburn and Ryals, 2008) was later validated by empirical evidence produced by a study of 204 cross-sector key account managers (Ryals, Davies and Woodburn, 2009; Davies and Ryals, 2009). Capon and Senn (2010) also identified a phased development process, based on programme scope and organisational commitment. The concept of transitioning in relation to KAM is important because:

- it prepares suppliers for the journey ahead, particularly for the time and persistence required
- it offers a ‘blueprint’ for KAM development (see below)
- it encourages challenge if phases preceding best practice are viewed as the final configuration.

The concept of the KAM journey also raises the question of whether the different kinds of KAM programme observed (e.g. Shapiro and Moriarty, 1984; Homburg, Workman and Jensen, 2002; Wengler, Ehert and Saab, 2006) are determined by the characteristics of different industries and situations, as Zupancic and Müllner (2008) and Brehmer and Rehme (2009) thought, or whether they represent different positions on the journey to best practice. Capon and Senn (2010) suggested that companies typically take 3-5 years or more to work through each of their phases, taking 10-15 years to arrive at best practice. It is quite common for suppliers to become stuck in a phase (Capon and Senn, 2010), so a prolonged transition phase could be mistaken for a settled state.

Woodburn’s (2006b) transitioning model shows four phases of KAM implementation through which suppliers progress before reaching the fifth and final phase, i.e. best practice KAM:

- Scoping KAM
- Introducing KAM
- Embedding KAM
- Optimising the value of KAM
- Best practice KAM

Companies can be more advanced in the actions they have taken in some areas than in others simultaneously, so a programme may be largely at the ‘Embedding KAM’ stage even though some elements have been developed to a level that mostly occurs in ‘Optimising the value’. As Zupancic (2008, p.323) states, ‘KAM is more complex than the existing literature and companies believe’.

Implementation of KAM transitioning

Woodburn (2006b) built up a sequence of suppliers’ decisions and actions as KAM programmes developed, including how they may revisit and revise some decisions as they learn the limitations of their

earlier approaches, which:

- provides guidance to suppliers on the actions needed to make the transition
- shows the range of activities and functions in the company involved in KAM development
- offers an audit framework for suppliers and for researchers to assess the stage of KAM development reached in an organisation.

Three streams of activity were identified and described in detail:

- Strategy and planning
Heavily emphasised, especially in the early stages, but discussion in the literature is largely limited to key account selection criteria (see section 1a), individual account plans (McDonald, Rogers and Woodburn, 2000; Woodburn and McDonald, 2001; Ojasalo, 2001) and differentiated service levels (Workman, Homburg and Jensen, 2003)
- Organisation and culture
Important to transitioning companies and an important focus in research, from senior management buy-in and culture to training and key account teams (Yip and Madsen, 1996; Napolitano, 1997; McDonald, Millman and Rogers, 1997; Weeks and Stevens, 1997; Homburg, Workman and Jensen, 2002)
- Processes
Greater emphasis in later stages of transition, for implementation and ‘refreezing’ (Lewin, 1946) but very little attention received to date (Senn, 1999; Millman and Wilson, 1999; Gosselin and Bauwen, 2006), even in key account selection and strategy development (Woodburn and McDonald, 2001).

Literature reviews (Zupancic, 2008; Davies and Ryals, 2009) also identified components of KAM programmes from numerous authors. These studies allude to KAM requirements, rather than specifically addressing the actions that implement and develop KAM programmes and their timing in the change process. Therefore the schedule of action that underpins the KAM transitioning model (Woodburn, 2006b) represents a major contribution to understanding of how KAM capability is achieved. It has been used for this purpose, as a ‘blueprint’ and as a progress audit, by a number of companies (Sweeney, 2008; Ryals, 2008).

In addition, Woodburn (2009) identified nine organisational elements in a transformation to KAM:

Strategy	Culture	Data
Structure	Leadership	Customer profitability
Transnational issues	Knowledge sharing/ communications	Rewards and performance measurement

The changes in each element were described for an organisation progressing from a traditional sales-orientated company to a KAM-ready supplier, and on through an intermediate stage of KAM before reaching best practice. Five groups of people were identified as relevant and involved: i.e. the key account managers; the KAM unit/function; key account team members; associated functions beyond team members; and senior management. Zupancic (2008) structured his framework more narrowly around key account managers and the internal managers responsible for the KAM programme. However, that approach seems to overlook the role of the rest of the organisation and a substantial amount of the action required to achieve the change, particularly action relating to elements of ‘organisation and culture’.

1e. Further contributions to knowledge

In brief, additional contributions include:

Key account manager competencies

Woodburn (2006a) identified competencies required of key account managers within a structure defined by their role: i.e. delivering strategy; working with customers; and implementing KAM effectively. Both Woodburn (2006a) and (2006b) clarified the differences between KAM and Sales roles (Maher, 1984). Earlier research focused on specific, individual activities and competencies (Weeks and Stevens, 1997; Millman and Wilson, 1999; Sengupta, Krapfel and Pusateri, 2000), but Woodburn (2006a) identified a very broad range of competencies and attributes required by KAM. While both competencies and

personal attributes are important in KAM, Woodburn (2006a) observed that the former is more easily taught and acquired than the latter, which has important implications for companies trying to develop and manage their key account manager resource.

Performance and rewards

Woodburn (2008a) represents a more comprehensive review of performance and rewards in KAM than any other in the literature, based on the experiences and understanding of involved practitioners. Most of the literature about performance and rewards addresses salespeople rather than key account managers but, given that selling can be a very small part of the job (Ryals and Rogers, 2005), its relevance in KAM is limited. However, most suppliers still prefer to reward 'results' rather than behaviour (Sengupta, Krapfel and Pusateri, 1997) in spite of clear links between behaviour and effectiveness (Sengupta, Krapfel and Pusateri, 2000; Piercy, Cravens and Lane, 2007), and fewer than half of suppliers offer rewards for pursuing long-term customer objectives (SAMA 2008). Woodburn (2008a) identified the drivers of these policies, which would need to be addressed to effect any change: i.e. management culture; management capability; maturity of KAM in the organisation; uncertainty about business performance; desire for flexibility and simplicity. The research also identified:

- a range of definitions of performance, i.e. results, behaviour, account objectives and business objectives: and of rewards, i.e. cash bonus, salary increase and recognition
- a scheme for determining the architecture of a rewards scheme in nine elements
- criteria for assessing reward schemes
- intended and unintended consequences of combinations of reward and assessed performance.

KAM organisation

Although the role of the key account manager is now seen as more engaged and less of a 'lone wolf' (Wilson and Millman, 2003; Guenzi, Georges and Pardo, 2009), very little attention has been given to the teams that now share the role of implementing KAM with the key account manager (Fleischer, 2010; Ryals and Rogers, 2005). A great deal is known about teams in business generally (e.g. Buchholz and Roth, 1987; Blanchard, Carew and Parisi-Carew, 1990), but Woodburn (2009) contributed insights into KAM team characteristics, operation and composition. The study identified two types of KAM team: those composed of members of head office functions, and field-based teams consisting of sales, service and/or supply chain people.

The key account manager's leadership was identified as crucially important to the effectiveness of the KAM team. Although some authors have briefly referred to key account managers' team-leading role (Belz, Müllner and Zupancic, 2001; Guenzi, Georges and Pardo, 2009), research to date has addressed it, more implicitly than explicitly, through specific competencies which may be considered as leadership behaviours (Sengupta, Krapfel and Pusateri, 2000; Wilson and Millman, 2003). Woodburn (2009) identified key account managers' leadership roles and responsibilities in their normal situation, i.e. without hierarchical authority.

2. Research methods and theories of knowledge

This section explores the research methods that were employed in the projects which constitute the portfolio of work completed during a 12-year period of research from 1997 to 2009. It will discuss the methods employed and the reasons for evolving and applying different approaches. The method employed in each case is described in greater detail in the sections on methodology in the research reports.

2a: The quantitative phase

The first formal study in the portfolio followed a qualitative study carried out by McDonald, Millman and Rogers (1996), which identified a range of phenomena in KAM. At the time, a few companies and academics were beginning to see KAM as an enduring approach, distinct from other sales and marketing approaches and sufficiently different to warrant consideration as a discipline and potentially as a body of knowledge 'in its own right' (Langdon, 1995; Millman and Wilson, 1995).

At the start of the first project in 1997, the literature on KAM was limited to some case studies (Buzzell, 1985; Pardo, Salle and Spencer, 1995) and conceptual papers (Fiocca, 1982; Dwyer, Schurr and Oh, 1987; Krapfel, Salmond and Spekman, 1991), particularly the IMP work on buyer-seller relationships (e.g. Ford, 1980; Anderson, Håkansson and Johanson, 1994). In addition, there were studies on national accounts that were still strongly aligned with the sales perspective (Boles, Pilling and Goodwyn, 1994; Sengupta, Krapfel and Pusateri, 1997). However, there was very little empirical investigation, with the exceptions of a few qualitative (Dunn and Thomas, 1994) and an occasional quantitative paper (Boles, Johnston and Gardner, 1999).

McDonald and Woodburn (1999) therefore sought to add some generalisable 'facts' to the KAM domain, validated through:

- a) empirical research
- b) a broad range of companies
- c) key customers as well as suppliers.

As customers are clearly integral to KAM relationships alongside suppliers, their involvement is essential in establishing an understanding of KAM relationships and their environment but, with a few exceptions (Millman and Wilson, 1995; McDonald, Millman and Rogers, 1996), most research in KAM uses suppliers as the sample base. This is a dangerous practice: McDonald and Woodburn (1999) discovered a phenomenon of 'supplier delusion', in which suppliers over-estimated their degree of intimacy with customers compared with how customers saw KAM relationships, which could easily lead to further misinterpretations by suppliers. In terms of future research, quantitative research with matched seller-customer dyads that further examined this phenomenon and its implications would be very illuminating.

The research design in McDonald and Woodburn (1999) conformed with positivist expectations of experimentation (Cook and Campbell, 1979) and 'methodological correctness' (Smith, 1994). Target companies were randomly selected from lists of large companies operating in the UK (turnover exceeding £100 million p.a. in line with the focus of study on 'big-to-big' relationships), categorised by position in the supply chain (manufacturing or service provider, distributor, retailer) to ensure a range of company types (see McDonald and Woodburn (1999) for details). Companies were contacted by phone to identify appropriate respondents in senior positions in customer or supplier management. Reported results were statistically significant at a minimum 95% level of confidence.

The study added to knowledge of KAM practice across a wide range of areas of interest in the understanding of this relatively new discipline: for example, numbers of key accounts handled; adaptations made by companies; participants in the relationship and contact between them; supplier's share of purchases; influence of complexity and more. The stages identified by Millman and Wilson (1995) were renamed to align them better with the relationship as it might be viewed from either side (i.e. *exploratory, basic, co-operative, interdependent, integrated*). McDonald and Woodburn (1999) also explored the incidence of these relationship stages among each company's most important three buyers/suppliers. Furthermore, using specified criteria sets for relationship stage based on McDonald, Millman and Rogers (1996 & 1997) and relationship success, it was able to link behavioural phenomena with these constructs. For example, the research found a link between joint strategic planning and relationship stage, and with relationship success (Section 1c).

While the study made significant contributions to knowledge of the KAM environment and practices, it had limitations:

- In order to gain accurate information, the survey was strict on the qualification of participants as senior managers knowledgeable about key customer/supplier management. This restriction and the cost of applying it through phone calls (often more than one) to potential participants limited the number of questionnaires distributed and, since non-response was quite high (causes were checked by phone but showed no pattern), the final sample size (37 companies, 89 relationships) was smaller than desired. The problem of locating sufficient numbers of relevant respondents is widely recognised and still persists. Other studies have used bigger samples, but with an intrinsic bias, e.g. KAM course delegates (Montgomery, Yip and Villalonga, 1998; Davies and Ryals, 2009).
- The study raised interesting questions that could not be answered except by much larger samples allowing quantitative cross-analyses or, alternatively, a qualitative dialogue which could follow up replies: for example, potential correlations between observed phenomena such as cause and effect in joint strategic planning; relationship stage and relationship success; or linkages with elements not included in the original questionnaire whose relevance became apparent during the project, e.g. organisational factors like company structure.

The study made significant additions to the very limited body of KAM knowledge available at this time and provided much sought-after information with a high degree of confidence. However, Crotty (1998) and Neumann (2000) consider the positivist approach and quantitative research as better suited to theory testing than theory development so, in order to respond to the complexity of the KAM domain and the pressing need for deeper insight and more theory, a qualitative approach was adopted for the next phase of research.

2b: The qualitative phase

In a search for new phenomena and understanding, an interpretivist, qualitative approach was used for the next two studies. Woodburn and McDonald (2001) still looked at a wide range of KAM topics, to satisfy the need for a broad understanding of KAM; while Woodburn, Holt and McDonald (2004) focused on customer profitability in order to explore the value of KAM. These two projects sought to gain a greater insight into KAM through studying good/best practice, rather than by examining normal practice (given the presence of key supplier/buyer relationship management), as in McDonald and Woodburn (1999). Good/best practice companies were identified through a network of academics, consultants and members of the Cranfield KAM Best Practice Club.

Good/best practice was defined as behaviour indicative of a more developed approach to KAM, based on the literature: e.g. by the use of multiple criteria in the selection of key accounts and the existence of a key account portfolio (Zolkiewski and Turnbull, 2000b); existence of differentiated key account strategies (McDonald, Millman and Rogers, 1997); or, for Woodburn, Holt and McDonald (2004), a more specific understanding of customer profitability than gross margin (Shapiro, Slywotsky and Doyle, 1997; Van der Sande, Bradford and Davidson, 2001). Extensive, face-to-face interviews of 1–2 hours each were conducted with 58 respondents in 17 selling and buying companies (Woodburn and McDonald, 2001) and 18 respondents in 10 suppliers only (Woodburn, Holt and McDonald, 2004), as the subject of customer profitability was deemed primarily a supply-side issue.

In both of these studies pre-formulated, semi-structured and open questions were posed (see appendices to reports). As the research sought to explore different views of KAM from different functions and levels in the organisation, the selection of questions and follow-up probing was necessarily varied to some extent to match the knowledge and perspective of the respondent (Creswell, 2007), and to pursue the types of questions needed to understand the research problem better in response to the information and views received. Complete ‘arms-length’ objectivity would have been a hindrance in understanding the respondent’s views and the situation (Reichardt and Rallis, 1994). Inevitably, and legitimately in an interpretivist approach (Lincoln and Guba (1985), respondents were exposed to the researcher’s theories and values in the clarification of questions and follow-up of answers: for example, probing cost-to-serve allocation processes itself suggests that the researcher considers them important. The qualitative approach also aimed to capture the variety of respondents’ perspectives (Creswell, 2007), so the studies are therefore descriptive and interpretative of the range of responses and contexts encountered (Mertens, 1998).

The research reports were written for a mixed audience including practitioners, and emerging theories were presented as models, frameworks and structured lists (see Section 3, Sutton and Staw, 2003). These theories were developed through inductive logic, seen by Crotty (1998) and Neumann (2000) as a valid and important difference between the qualitative/interpretivist approach and positivism. Woodburn and McDonald (2001) constructed models that expressed and elucidated the experiences of participants in, for example: the KAM payback cycle; the impact of different stages of customer relationship on customer profitability; the effect of market concentration on the positioning of key accounts and the KAM programme. Similarly, Woodburn, Holt and McDonald (2004) developed models relating to the feasibility of customer profitability knowledge; drivers of better information on customer profitability; sources of added value through KAM; pricing strategies in KAM; and portfolio management.

Section 1 of this document reported findings in areas where both the quantitative and qualitative projects have contributed to knowledge, which is itself a validation of the value of both approaches. Such convergence and complementarity between different approaches to investigations of the same subject is common in 'mixed methods' research, which has become increasingly popular since the late 1980s (Howe, 1988; Greene, Caracelli and Graham, 1989; Creswell, 1994). Confidence in understanding derived from mixed methods research should be greater than from a single-method approach (Campbell and Fiske, 1959; Webb *et al*, 1966), since the convergence between two methods 'enhances our belief that the results are valid and not a methodological artifact' (Bouchard, 1976; Denzin, 1978). McDonald and Woodburn (1999), Woodburn and McDonald (2001) and Woodburn, Holt and McDonald (2004) all studied customer profitability, for example, each developing knowledge that was compatible with the other two studies and with other researchers' work. In addition, McDonald and Woodburn (1999) contributed to the framing of the questions in subsequent qualitative projects, while findings from the qualitative projects helped to illuminate and explain the 'facts' in the first, quantitative study.

My research pathway is recognisable retrospectively as a sequential mixed methods design, one of four identified by Miller and Crabtree (1992) and Creswell (1994). It could also be seen as a 'pragmatic' approach, expounded at Harvard by C. S. Pierce in the early 1900s (Turnisi, 1997). Pragmatism has now been accepted by a body of researchers (Datta, 1994; Morgan, 2008; Tashakkori and Teddlie, 2008) as a valid and effective approach to generating knowledge, which reconciles and circumvents the 'paradigm wars' that have raged around quantitative versus qualitative methods (Smith, 1983; House, 1994).

By 2004, the volume of research in KAM exploring the principal tenets of KAM had grown significantly (Storbacka, Sivula, and Kaario, 2000; Capon 2001; Ojasalo, 2001; Wilson and Millman, 2003; Workman, Homburg and Jensen, 2003; Johnson and Selnes, 2004) and was still increasing. The requirement for new insight had arguably moved from broad understanding and justification to areas that were more about operationalising KAM, to which attention in the literature had been minimal up to that point.

2c: The co-operative inquiry phase

Suppliers convinced of the need to introduce KAM found very little existing research to help them with the practices and even the principles of implementation. Some very worthwhile insights into KAM implementation had arisen from exchanges with practitioners in the Cranfield KAM Best Practice Club, who acknowledged numerous gaps in their understanding of KAM implementation. There was substantial interest from practitioners in crucial elements such as measurement; key account manager competencies; transitioning to KAM; and performance and rewards. Since research had not yet specified what good practice was in these areas, it was not possible to define and search for good practice companies as in the previous qualitative projects. A more interactive form of investigation was indicated, as a means of developing understanding beyond how KAM was currently executed towards practical knowledge of how it could be conducted, i.e. '*possibilities not yet actualised*' (Shotter, 2002, p.65), which would be of interest to both practitioners and academics.

A co-operative inquiry approach (Heron, 1971; Reason, 2002) was selected for the next series of projects: Woodburn (2002 & 2003), Woodburn (2006a), Woodburn (2006b), Woodburn (2008b) and Woodburn (2009). Co-operative inquiry is a form of participatory research that would allow consideration of both current situations and practices and exploration of new and potential approaches. Reason (2003, p.206) explains that participative forms of inquiry extend '...beyond the positivist concern for the rational and the empirical to include diverse ways of knowing as persons encounter and act in their world, particularly forms of knowing which are experiential and practical.' While action may be involved in participation, it is not the principal aim of the exercise, as it is in action research (Lewin, 1946), although some participants did implement elements of the research in their organisations.

Co-operative inquiry expects to engage with the 'subjects' as people who can make sense of their own behaviour, arguably better than an 'objective' researcher, and who can take into account other 'actors' (Shotter, 1993b). Shotter (2002, p.65), supported by the philosophical arguments of Wittgenstein (1953), Toulmin (1990) and Eikeland (2001), argues that this kind of research 'can find its intellectual legitimacy in the same sphere of human conduct as all our sciences'. In qualitative research, the interpretivist researcher still decides what to study and how (Lincoln and Guba, 1985; Reichardt and Rallis, 1994), whereas in participatory research the researcher and 'subjects' together make those decisions, resulting in increased relevance (Reason, 2003). Participants represented the kind of insider knowledge only accessible from within an institution (Shotter, 1993a), so they were better able to observe and interpret issues in complex KAM situations than could an external researcher: for example, senior management's instinctive reactions to major change required for KAM; or the unintended consequences of specific reward mechanisms.

Of particular importance here is one of co-operative inquiry's principal goals (Reason, 2003, p.207) 'to produce knowledge and action directly useful to a group of people', and it was on this basis that practitioners from member companies in the KAM Club volunteered to participate in the research. These co-operative inquiry projects adopted Rorty's (1999, p.xxv) definition of the purpose of research as 'to achieve agreement about what to do and how to do it'. The co-operative inquiry methodology (Heron, 1996) involves the cycle of phases below (Reason, 1999), which was applied in studies of measurement in KAM (Woodburn, 2002 & 2003); competencies for key account managers (Woodburn, 2006a); transitioning to KAM (Woodburn, 2006b); performance and rewards in KAM (Woodburn, 2008b); organising for KAM (Woodburn, 2009).

- Propositional knowing: articulation of interests and purpose, drawing on concepts and ideas
- Practical knowing: execution of agreed actions, observation of process and outcomes
- Experiential knowing: deepening of experience and knowledge through direct encounters with a person, place or thing
- Presentational knowing: expression, consideration of original propositions, modification/development of questions and approaches.

Participants shared experiences and explored project elements in their workplaces between research workshops: the researcher contributed to discussions, identified and delivered relevant academic knowledge to the group, captured discussion and developed the outputs. As a testament to their value, numerous practitioners in diverse companies have used and benefited from the outputs of these projects.

3. Theory in the context of practice

The relationship between theory and practice addresses both the purpose and practice of research in management. However, the relationship between theory and practice has become increasingly problematic (Jackson, 2007), perhaps because views of even the purpose of research in business have diversified since Lasswell's (1951) widely-used definition, i.e. that the purpose of generating knowledge and insight into business was to inform the principles and improve the practices of business.

The concept of knowledge has been thoroughly explored in the literature from the earliest philosophers through to more recent research-focused discussions (Wittgenstein, 1953; Lincoln and Guba, 1985; Reichardt and Rallis, 1994). However, there is no general agreement about what the purpose of research should be, and different kinds of knowledge can be linked to different research purposes and methodologies (Shotter, 2002). While most academics seem to be almost entirely focused on theory as the purpose of research (Sutton and Staw, 2003; Hambrick, 2007), practitioners want answers closely related to action, and they are not alone in that: a few academics also see action as the primary reason for research (Lewin, 1946; Heron, 1971; Reason, 2003).

Ryle (1957) identified two kinds of knowledge: 'knowing how' and 'knowing that', from which, with the addition of 'knowing why', an interesting structure can be developed and applied to my studies of KAM practice. Using this structure, 'knowing that' can be equated with the study of evidence; 'knowing why' represents theory; and 'knowing how' is linked with action, whether potential or actual. My studies of KAM practice in big-to-big relationships have made contributions to all three of these kinds of knowledge.

All of the projects in which the methodologies described in Section 2 were applied yielded new knowledge, in terms of data, theory, and ideas about action. However, the balance between these different kinds of knowledge produced by each project varied according to the methodology applied. The quantitative project (McDonald and Woodburn, 1999) was particularly focused on data and phenomena, while the qualitative projects (Woodburn and McDonald, 2001; Woodburn, Holt and McDonald, 2004) emphasized theory-building, and the co-operative inquiry projects (Woodburn, 2002 & 2003; Woodburn, 2006a; Woodburn, 2006b; Woodburn, 2008b; Woodburn, 2009) concentrated on actionable implementation.

3a: 'Knowing that': data and phenomena

'Knowing that' can be equated to the discovery of data, facts and phenomena (Kaplan, 1964). Baker and Pollock (2007) suggested that there is a place in the literature for research that is 'theoretically-interesting' as well as 'theory-driven': such as observations of interesting phenomena that may stimulate theory development. Hambrick (2007, p.1346) sees value in exposing more data and phenomena in academic publications; 'Our field's theory fetish ... prevents the reporting of rich detail about interesting phenomenon for which no theory yet exists. And it bans the reporting of facts ... that lack explanation, but that, once reported, might stimulate the search for an explanation.' My studies of KAM practice contain 'rich detail', quantified in McDonald and Woodburn (1999) and more descriptive in Woodburn and McDonald (2001) and Woodburn, Holt and McDonald (2004).

According to Kaplan (1964), theory and data each play a distinct role in behavioural science research, and Sutton and Staw (2003, p.22) maintained that 'empirical evidence plays an important role in confirming, revising or discrediting existing theory, and in guiding the development of new theory'. So, for example, McDonald and Woodburn (1999) confirmed existing theory when it showed a positive correlation between relationship stage and relationship success, which is a fundamental part of the underlying theoretical logic for KAM (Morgan and Hunt, 1994). Contributing to the revision of theory, that project found levels of contact between the supplier's order processing and the customer's inbound logistics departments equal with those between the key account manager and the purchasing manager in co-operative relationships. This finding led to a modification of the model of this stage of relationship as depicted in McDonald, Millman and Rogers (1996), to include order processing and inbound logistics at the centre of the relationship alongside the key account manager and key customer contact.

Studies of practice are particularly valuable in reporting dissonant data that provide the grit that eventually produces a pearl of theory, which may never emerge from logically consistent, theoretical deliberations. For example, McDonald and Woodburn (1999) reported that no significant correlation was found between length of relationship and relationship stage, while McDonald, Millman and Rogers

(1997) had assumed that longer relationships were closer relationships. The observation also contributes to discussions on the role of longevity in KAM relationships made by other researchers (Dwyer, Schurr and Oh, 1987; Kalwani and Narayandas, 1995).

3b: 'Knowing why': theory-building and theory-testing

'Knowing why' represents the realm of theory-building and theory-testing. There is much more agreement on what theory is not (Weick, 1995; Sutton and Staw, 2003) than on what it is, though Bacharach (1989, p.496) ventured 'A theory is a statement of relations among concepts within a set of boundary assumptions and constraints', and Wacker (1998, p. 361) proposed that 'By definition, theory must have four basic criteria: conceptual definitions, domain limitations, relationship-building, and predictions'.

For example, Woodburn and McDonald (2001) constructed a model of the KAM reward/payback cycle as the expression of a theory that assists thinking about the reality (McNiff and Whitehead, 2002) in response timing. It showed a linked sequence of events that frequently occurs before a return is gained from an agreement with a customer. It identified some implications of the model (Sutton and Staw, 2003), and made the prediction that there are significant time lags between commitment and return, which should be anticipated by suppliers, but often are not. The reward cycle also has implications for the literature on customer profitability (Wilson, 1996; Storbacka, Sivula and Kaario, 2000; Ryals, 2003), since measurement in a single time period early or mid-cycle, by capturing cost ahead of the return, could be misleading as to the value of the customer. The model and its explanation encompass the elements of abstracting, generalising, relating, selecting, explaining, synthesizing and idealising that define and characterise theory (Weick, 1995).

Taking another example, from Woodburn, Holt and McDonald (2004), a model was built that showed the normal profitability reporting bases used by suppliers: i.e. products and services or projects and contracts (the 'what'), country (the 'where'), and customers (the 'who'); the last of which is currently the least used. The model predicts that customer profitability reporting will become more prevalent as it becomes both feasible and necessary to reflect different customer situations, and that increased customer profitability reporting will be accompanied by a shift of relevance and resource from countries towards customers. A discussion of causes and predictions of consequences is included. A subsequent model suggests that four factors are drivers of both increasing prevalence of customer profitability reporting and pressures on customer profitability, i.e. requirement for transparency; increasing complexity; customer power; and supplier added value. It predicts that these factors will increase visibility of customer profitability and decrease levels of percentage profitability. There are again implications for other researchers into customer profitability and for those trying to gather data on the subject (e.g. Kalwani and Narayandas, 1995; Homburg, Droll and Totzek, 2008).

The transitioning curve created in Woodburn (2006a) itself fulfils criteria for theory (Woodburn and Ryals, 2008; Davies and Ryals, 2009). Linked to the transitioning curve is the transitioning action framework/checklist, which organises the actions that suppliers typically take in their development of KAM into three streams of activity in the company: i.e. strategy and planning; organisation and culture; and processes. The transitioning curve identifies four development phases: scoping KAM; introducing KAM; embedding KAM and optimising the value.

These are just a few examples of many theories developed in my research. However, although much of the theory has been corroborated through experience, systematic theory-testing has not been carried out. Validity has been tested through application in consultancy, teaching and many discussions with practitioners, and through feedback on the experience of practitioners using them directly (e.g. Sweeney, 2008). However, while that confers some confidence in the theories, it is not a substitute for rigorous testing.

Academia, in the form of top-tier management journals and business schools place great emphasis on the development of theory (Sutton and Staw, 2003; Pollitt, 2006; Hambrick, 2007) whereas practitioners, judging by their failure to access academic journals (McKenzie *et al*, 2002; Baines *et al*, 2009), do not. However, as Kurt Lewin said, 'Nothing is as practical as a good theory'.

3c: 'Knowing how': action

Unfortunately, the record of conversion of academic theory into action is not good (Weiss, 1998; Maynard, 2007; Rynes, 2007). Reason (2006, p.188) claims, with the support of Susman and Evered

(1978) and Torbert (1981), that ‘The findings of traditional social science are of little or no use to members of organisations or practitioners’. Macmurray (1957, p.12) explains the importance of practical knowledge: ‘... most of our knowledge and all our primary knowledge arises as an aspect of activities that have practical, not theoretical objectives.’ As well as theory and data, McDonald and Woodburn (1999), Woodburn and McDonald (2001) and Woodburn, Holt and McDonald (2004) offered a great deal of material about knowing how to act, both directly and intermediated by theory. The material was presented in practice-friendly formats: for example, Woodburn and McDonald (2001) included a section on best practices at the end of the section on each aspect of KAM researched. ‘Key Account Management: The definitive guide’ has been widely read by practitioners who use the tools and formats it contains (McDonald, Rogers and Woodburn, 2000; McDonald and Woodburn, 2006; now in its third edition and seventh print run).

The co-operative inquiry projects were particularly focused on ‘knowing how’. They aimed to achieve agreement about what to do and how to do it (Rorty, 1999) by learning from and through other practitioners, and from trialling action and exploring experience (e.g. Woodburn, 2008b; Woodburn, 2009). Learning, rather than action, was the primary objective: but as Argyris (2003, p.1179) pointed out; ‘Learning occurs when understanding, insight and explanation are connected with action’. The research purpose of these projects included an understanding of how to change areas of current practice which companies saw the need to address, but did not know how. Kurt Lewin (1946) drew a direct link between action and understanding when he said ‘If you want to truly understand something, try to change it.’ These projects were delivered in shorter, very accessible reports which each included an actionable framework and/or checklist.

For an effective transfer of knowledge, placing the work in the public domain is not enough (Jackson, 2007), so research findings and theories were communicated to practitioners at conferences, sector and professional forums (e.g. Chartered Institute of Marketing events), open courses, company-dedicated courses and sessions of the Warwick Network and Cranfield KAM practice groups. Great efforts were made to bridge the gap between academic knowledge and practice. For example, actionable outputs derived from theory include:

- a structured action checklist for companies transitioning to KAM and an audit framework to assess progress on KAM, used by at least 40 companies globally (from Woodburn 2006b). ‘We (AstraZeneca) used the research as a platform for introducing KAM into the organisation’ (Sweeney, 2008).
- a strategic account planning process (based on McDonald, 2000; Woodburn and McDonald, 2001), consisting of a process, set of tools and account plan format, adopted by many companies all over the world ‘as the de facto standard’ (Ryals, 2008)
- a profiling tool for key account managers (Wotruba and Castleberry, 1993; Millman and Wilson, 1999; Woodburn, 2006a)
- a reward programme framework and programme evaluation tool (Sengupta, Krapfel and Pusateri, 2000; Franco-Santos, Bourne and Huntington, 2004; Ryals and Rogers, 2005; Woodburn, 2009).

In order to cross the boundary between theory and practice, Jackson (2007) proposed that academics should engage with and advocate their research by presenting it to influence groups, think tanks and communities of practice. My research has been guided and inspired by, and delivered to, practitioner/academic forums created for that purpose: the Cranfield KAM Best Practice Research Club (from 1998) and the Warwick Strategic Sales and Customer Management Network (from 2005). These communities demonstrate the feasibility, validity and value of engaging with practitioners in management/marketing research, similar to the interactive and engaging connections which have been made in engineering, education and medicine (Pfeffer, 2007).

Conclusion

The three sections of this document have presented my contribution to knowledge of KAM, derived from the study of practice in big suppliers and big buying companies; the methodologies employed to study KAM phenomena; and the relationship between theory and practice in my studies. ‘Practice is both founded on and productive of theory’ (Gray and Pollitt, 2007 p 231). In fact, the goal of my research has been the development and linking of theory and practice in KAM, in order to make a contribution to knowledge that would benefit business. Bartunek (2007, p.1324) wrote: ‘We need to enlarge how we think about bridging academic-practitioner gaps,’ and all of my activity, whether research or distribution and application of knowledge, has been directed to that end.

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Part 2: ‘Understanding key account management’

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1. Introduction

The last decade or two have seen a power shift towards customers in most marketplaces, away from the commanding post-war position held by manufacturers and other suppliers. Many business-to-business markets have been radically changed by market maturity, globalisation, consolidation and the increasing power and sophistication of the most important customers.

In some cases, big customers' actions and expectations have pushed suppliers into loss-making situations, or even closure. For example, Uniq (formerly Unigate) made an operating loss of £3.6m on a turnover of £736m in 2007 (Hawkes, 2008), when Marks & Spencer represented nearly 30% of Uniq's business, and other major retailers contributed most of the rest. Furthermore, when Marks & Spencer ended a 30-year relationship with the knitwear manufacturer, Baird Textiles, it resulted in the closure of the company, including fourteen Baird factories in the UK and three in Sri Lanka (Chapman, 2004).

These examples illustrate the critical importance of key account management (KAM), the process of managing the most important customer relationships: suppliers' survival may depend on whether they get KAM right. Even for business-to-business companies in more positive situations, like the international professional services company with 55% of its turnover contributed by only 15 customers, KAM clearly remains critical to success. In spite of the fundamental importance of this area of business activity, very little was known about it in 1997 when I started work on KAM. Only a handful of universities or business schools researched or taught KAM then, and now. KAM, if recognised at all, was perceived as a subset of sales by practitioners and relationship marketing by academics: not seen as significantly different or considered in its own right.

However, studies of the customers' side of the relationship already showed a different picture (Yip & Madsen, 1996), of a desire for a collaborative and commercial approach from suppliers, which was far from traditional selling, however good its execution. Further research took the perspective of purchasing and developed techniques of supplier management which made a very significant difference to the purchasing function. Indeed, procurement was developing through a body of knowledge and professionalism around supplier management (Ralf, Hughes & Cox, 1995) which key account management sadly lacked. Suppliers were left exposed and short of sources of insight, analytics, tools and techniques to counter the exercise of the customer's increasingly strong position of power.

Since 1997, my research has been a source of understanding and new knowledge about KAM for suppliers; of KAM best practice and the issues that will be met in achieving it. I showed that KAM is much more than a competency required by individual key account managers or even a sales initiative, as some companies thought: it is in many senses an organisational capability, requiring major changes in the way suppliers operate. By 2009, the magnitude of the implications of KAM had received much more recognition, as Piercy & Lane (2009, p. vii) said, 'It (KAM) is concerned with the realities (of) aligning sales and account management structures and processes with the radical demands that customers make and the relationships they require with their suppliers, (which) can only be described as a revolution, a radical transformation in buyer-seller relationships.' Transformation in complex situations is not simple, and I have developed a very substantial part of the knowledge available to companies about KAM's many aspects.

My contribution to knowledge is not confined to exploring and explaining KAM; I have also addressed some of the most crucial issues by developing a substantial amount of concepts, practical instruments and frameworks, giving suppliers the tools to implement a KAM approach based on sound research. Many have proved invaluable to major companies in numerous sectors all over the world, including:

- ♦ **Relationships** between big buying and selling organisations:
Deeper understanding of KAM relationships, including a new nomenclature usable by both suppliers and customers, and a diagnostic for characterising relationships.
- ♦ Identifying the 'right' **customers** and aligned management approaches: *Insight into criteria for more effective selection of key customers, plus a process for defining and applying categorisation criteria.*
- ♦ Delivering to KAM expectations through **customer strategies**:
A joined-up approach to and process for developing strategies, plus a structured format for capturing them in a strategic account plan, used worldwide.
- ♦ **Measuring** the value of KAM and measuring progress:
Measurement options for assessing KAM added value, especially customer profitability, including a set of 'necessary and sufficient' metrics for KAM.

- ♦ Making the **transition** from current practices to best practice KAM:
Charting a common transition pathway to best practice KAM, with an audit framework to determine position and progress along the path.
- ♦ Changing key account manager **behaviour**:
Understanding components of performance and reward schemes, plus a framework for structuring a performance and reward scheme and anticipating its outcomes.
- ♦ Identifying the **skills** and the people for the KAM role:
Insight into the unique competency and personal attribute set required for KAM, plus a model for aligning it with customers, and a profiling framework.
- ♦ Changing the **organisation** to support KAM:
Understanding of the organisational capabilities needed for KAM, with a framework to identify changes in each major element of the organisation.

My research and other work has been mostly focused on big-to-big relationships, usually between large, market-leading and often international companies (see Appendix C), where KAM is potentially most critical and complex because of the huge volumes of business and consequent dependencies; the multiplicity of interactions; and the complexity integral to this kind of company. In this context I have made very substantial contributions to:

- ♦ the overall breadth and depth of understanding of KAM for colleagues, other academics and students, and practitioners
- ♦ the capability to understand and execute KAM more effectively among nearly three thousand individual key account managers and directors in major companies from a broad range of sectors, e.g. SCA (Svenska Cellulosa Aktiebolaget: paper products), IMI (Imperial Metal Industries, engineering), Sidel (process equipment), Tetra Pak (packaging), LV= (Liverpool Victoria, financial services), Panalpina (freight/logistics)
- ♦ the strategy and business processes of major suppliers with a need to manage their key customers better, resulting in significant business improvements: e.g. Janssen-Cilag (Johnson & Johnson), EMC, Atisreal (BNP Paribas), Halcrow, Unipart Logistics, Scottish Widows, SCA.

At the hub of my development of KAM knowledge are the forums that I designed and created for Cranfield, the KAM Best Practice Research Club (see Section 4.3) and the Warwick Strategic Sales and Customer Management Network (see Section 6.3), which have acted as rich sources of KAM experience and information, and as ‘sounding boards’ that have verified the value and utility of my work in KAM (See Appendix A, letter from AstraZeneca).

Through my contribution in the last twelve years, the body of knowledge of KAM and the resource for KAM practices have developed so substantially that suppliers can now make well-informed and effective approaches to their key customers, and build commercially healthy and productive relationships with them.

This document contains a very brief introduction to KAM in Section 2, to give some context to my journey from researcher to the UK’s leading expert in KAM. Section 3 outlines that journey and the rest of the contents of this document, which demonstrate my contribution to knowledge of KAM in Sections 4,5 and 6. These sections give an account of three ‘projects’, each including major research work from which I generated original knowledge, new concepts and practical, valuable methodologies and frameworks. My conclusions in Section 7 sum up my contribution to the important and constantly developing world of KAM.

2. Key account management

Key account management (KAM), also called strategic account management (SAM), may be defined as an approach to the profitable development of customers of strategic importance to a supplier. KAM should work as a collaborative interaction between suppliers and customers which exhibits an optimum balance between the interests and needs of both parties (Krapfel, Salmond & Spekman, 1991) but, in practice, most suppliers have yet to find that balance. It has been primarily a customer-driven approach to supplier/buyer relationships (Yip & Madsen, 1996; Olsen & Ellram, 1997) which suppliers feel increasingly obliged to adopt for certain customers.

KAM draws on several origins as well as the customer/supply chain viewpoint.

The Industrial Marketing and Purchasing (IMP) Group advocated an interactionist approach to buyer-seller relationships (Ford, 1980; Håkansson, 1982; Turnbull & Valla, 1986), following the identification of the decision-making unit in industrial purchasing in the 1960s. Researchers challenged the idea of selling in this context as a negotiation between two individuals, i.e. the traditional, transactional concept of selling, rather than an engagement between two organisations or, at least, two groups within their host organisations. Although this research is over 20 years old, suppliers are still ambivalent about accepting its conclusions, and continue to emphasise the individual and selling elements in KAM rooted in national account management (Shapiro & Moriarty, 1982; Stevenson & Page, 1979) and key account selling (Millman & Wilson, 1994).

If 'Key accounts are the firm's single most important asset' (Capon, 2001, p. xi) and 'Key customers should be considered as assets to the supplier's business like other assets that produce a revenue stream' (Woodburn, Holt & McDonald, 2004, p. 13), KAM could be defined as the 'process of managing, growing and harvesting a supplier's strategic customer assets', which is aligned with the IMP Group's view of relationships as a valuable resource worthy of investment. When relationship marketing emerged, some suppliers began to embrace customer relationships enthusiastically and possibly even naively. In business-to-business markets, where large amounts of business are concerned, the softer relationship elements that might appeal to individuals are subject to the views of the decision-making unit, which will have a more analytical and challenging approach to the value that the relationship brings (Ralf, Hughes & Cox, 1995).

Anderson and Narus (1991) suggested that relationship marketing is not appropriate for customers that do not value its potential benefits. They felt that it should be the nature and needs of the customer which determine the supplier's approach, so it would be inappropriate to adopt any single approach to customers as an organisation-wide policy. Hence transactional selling, relationship marketing and KAM can all exist simultaneously in a supplier, applied to different customers.

Decisions on which customers receive KAM treatment, and which do not, are both difficult and important for suppliers, since this selection determines where and how it invests its resources. Several authors propose a selective approach that views key customers as a portfolio (Fiocca, 1982; Zolkiewski & Turnbull, 2000). Nevertheless, many suppliers still operate with an over-long list of key customers often chosen according to historic revenues, which does not distinguish between them adequately in terms of the feasibility and potential of the relationship.

The hard truth is that over the last decade or more, most suppliers' margins have been eroded in trading with their largest customers (Nachnani, 2001), and it is not uncommon to be making a loss on the business (Wilson, 1997). Not surprisingly, suppliers want to know if KAM is a more profitable approach than their current customer management techniques. The answer is not simple or definitive (Kalwani & Narayandas, 1995), but appears to be a qualified affirmative (Homburg, Workman & Jensen, 2002), provided that KAM is actively applied to the account portfolio (Ward & Ryals, 2001; Reinartz & Kumar, 2002). KAM is more likely to be successful where it operates as a mutual value creation and exchange mechanism, than as a pure relationship strategy (Rackham & Devincentis, 1999).

In 'Key account management: The definitive guide' (McDonald & Woodburn 2006), I demonstrated that relationships do not constitute an end in themselves, but rather the means of facilitating the supplier's customer business strategy. By definition, the management of key customers ('customers of strategic importance to a supplier', Millman & Wilson, 1994) is a strategic matter, although it is not yet treated as such by many suppliers.

KAM has developed from the practices of a handful of world-leading companies and a scatter of research studies in the 1980s on disparate aspects of the model, to a more focused and recognised subject with a

slowly increasing body of knowledge behind it and numerous participating companies. Most of the research has, not surprisingly, looked at the supplier-customer interface, but although KAM has now achieved much wider recognition, successful implementation seems to remain difficult, slow and uncertain. At this point, KAM research might usefully look internally to examine the causes of failures of execution. My research suggests that, of the suppliers claiming to operate KAM, many have failed to address the internal changes required and have not made the adjustments to their organisation, culture, capabilities and processes that are needed to deliver KAM.

As Capon (2001, p. 33) said 'Because key accounts are so important for the firm's future, the overall manner in which they are addressed is a serious matter worthy of top management concern. ... Good KAM requires consideration of several complex elements in an overall management process.' The delivery of commitments and innovations to key customers will involve a much wider range of functions in the supplier organisation, but that is not the only reason why top management has to be involved. As the examples in the introduction demonstrate, KAM carries with it implications for potential dependency and the future of the whole business (Piercy & Lane, 2006), and there may be no other options. In such circumstances, top management needs to engage with KAM unequivocally, and it is curious to observe that it often fails to do so.

3. The project portfolio

3.1 The journey

In 1996 Professor Malcolm McDonald of Cranfield University decided to adopt KAM into the School of Management's portfolio. The findings from Cranfield's first investigations (McDonald, Millman and Rogers, 1996) were in demand and had clearly uncovered a pressing need for a better understanding of KAM. Suppliers sought answers to basic questions about KAM, driven by frustrated customers to consider an approach that they instinctively did not trust. Suppliers needed ways of thinking about this new business model that drew on sources beyond their own experience.

I was appointed as principal researcher (and visiting lecturer) in KAM for Cranfield in 1997, tasked with answering those questions, and others that emerged later. These fundamental questions, paraphrased below, drove the projects that defined my research, as outlined in Section 3.2 (with more detail in Sections 4 – 6).

What is KAM?	>>	1. Establishing KAM basics
Do we have to do KAM?	>>	2. Developing KAM understanding
How do we execute KAM?	>>	3. Enabling KAM

To address these questions, I carried out three major research studies:

'Key account management: Building on supplier and customer perspectives', 1999

'Key customers. World-leading key account management: Identification and development of strategic relationships', 2001

'Key customer profitability: Making money in strategic customer partnerships', 2004

In 1998 I launched the Cranfield KAM Club (see Section 4.3), partly to gather information from practitioner members and a variety of other sources; such as speakers from companies demonstrating good KAM practices, companies embarking on their KAM programme and individual key account managers. I pulled together all the information I discovered into a substantial body of insight into how KAM works, when and why it does not work, and how best it might be put into practice.

I identified critical areas where little was known and set up action research projects with practitioners from leading national and international companies (See Sections 4.3 and 6.3). Leading these groups, I created original concepts to capture KAM, synthesized valuable tools and frameworks, and tested their validity and utility with participants. Using this approach, I developed new ideas (see reports in Appendix E.3) in:

- ♦ Measuring KAM and key customer profitability, 2002-4
- ♦ Transitioning to KAM, 2005-6
- ♦ Competencies for key account managers, 2005-6
- ♦ KAM performance and rewards, 2007-8
- ♦ Organising for KAM, 2007-8

Working with the raw material of experience that the groups provided, I created new insights and developed them into instruments that suppliers could apply to guide them through the changes they needed to make. The following account of AstraZeneca's initiative demonstrates the value of my work (see Appendix A for full text).

Quote 1: On 'Transitioning to KAM'

I wanted to ... highlight the value your Transitioning to KAM paper has had during my role as Account Management Lead at AstraZeneca Healthcare UK Ltd. My role was ... tasked with developing internal capability & aligning new systems/processes to support KAM working. We used the research as the platform for introducing KAM into the organisation. As we started to take (senior managers) through the different transition phases they realised the enormity of the task. Having said that, because the 'Drivers for KAM' were well defined & meaningful this led to the development of a robust KAM Strategy, which is now reviewed on a quarterly basis by the UKMC Board. (The organisation made) a significant transition over the following 12 months.

Steve Sweeney, Account Management Lead, AstraZeneca

Through the research studies, action research projects, active collection of information from other sources, and working with directors and their key account managers, I have built a unique position of expertise in KAM. Arguably, no-one else in the UK or Europe has achieved as much close engagement with active KAM participants. I have now worked with nearly 2,500 key account managers face-to-face in customised and open courses of 2-10 days, and more than 350 senior managers and directors, in interactive groups of about 18-20, on average (see Table 1). Although person-to-person is the best channel of communication for a complex area like KAM, I also publish elements of KAM insight through written and audio visual media.

Table 1: Knowledge sharing

Writing and application	Face-to-face knowledge sharing
♦ Books (2)	♦ In-company KAM courses (50 companies, 90 cohorts, 1700 participants)
♦ Reports on major research studies (3)	♦ Open KAM courses (34, with 740 participants)
♦ Action research reports/presentations (5)	♦ Senior manager/director workshops (22 workshops, 350 participants)
♦ Articles in the business press (6)	♦ KAM on general management courses (15 for 190 participants)
♦ KAM consultancy projects (24 companies)	♦ Presentations at KAM conferences and other events (18, not including numerous KAM Club and SSCM Network events)

Having developed into a KAM authority through working with Cranfield, I have achieved a unique strategic relationship as Cranfield's Customised KAM Programme Director. Working within this close, long-term relationship, I have made a major contribution to Cranfield's position as a Centre of Excellence for KAM unparalleled in the UK or Europe. This strong position is widely recognised by companies of all sizes, who come to Cranfield to take advantage of a body of knowledge in KAM to which I have been the single biggest contributor by far. In addition, the courses I have designed and delivered have attracted diverse major national suppliers and global companies that wanted to develop their KAM capabilities; like SCA, IMI Group, Tetra Pak, DTC (De Beers); most of the UK's big life providers in financial services, including Norwich Union, AXA and Scottish Widows; and many more (see Appendix C.2). Based on practices and approaches that I have devised, KAM academies for some of these companies have run for 2-5 years, a strong endorsement of their value in the eyes of leading companies.

My position as the UK's leading expert in KAM has given me the opportunity of consultancy projects for major companies; for example, Janssen-Cilag, Chevron Texaco, British Waterways, EMC, LV= (Liverpool Victoria). Such projects represent an even closer engagement with the realities of KAM that adds deeper layers to my knowledge. As its expert in KAM, the Institute of Direct Marketing positions me as the 'first port of call' about anything it wants to do in KAM and, for the same reason, I have presented at the events of a broad range of other organisations interested in KAM; e.g. Professional Marketing Forum, the Industrial Society, the Private Banking Forum, Warwick Business School, IIR Management Development. I shall continue to explore KAM's complex challenges and share the knowledge with interested academics and practitioners.

3.2 Three projects

The three ‘projects’ in this document represent a package of research and development activities, each aimed at contributing to the state of KAM knowledge and suppliers needs at the time. Each started with a major research study to gather new information and insight, which was then used in three ways:

- foundation for the development of further insight and KAM concepts
- input to the formulation of practical models or tools that companies could apply in their businesses, often generating more insights through their use
- content for courses and conference presentations to share with practitioners, academics and students.

To organise a fairly disparate range of activities that were driven by the needs and opportunities of the time, the descriptions of the projects are focused around:

- the formal research study
- developing knowledge
- sharing knowledge
- personal achievement.

Table 2: Project summary

Project	1: Establishing KAM basics	2: Developing KAM understanding	3: Enabling KAM
Details	Section 4	Section 5	Section 6
Period	1997 - 2001	2001 – 2003	2003 - 2008
Formal research study	<i>Key Account Management: Building on supplier and customer perspectives (1999)</i>	<i>Key Customers: World-leading key account management (2001)</i>	<i>Key Customer Profitability: Making money in strategic customer partnerships (2004)</i>
Milestones in developing knowledge	Foundation of Cranfield KAM Best Practice Research Club (1998) Methodology: contribution to Key Account Selection Matrix software (1999)	Action research: Measuring KAM and key customer profitability (2002/4) Methodologies: Selecting and categorising key customers (1999/2001) Key account strategy development process (2002) Instrument: Strategic account plan format (2002)	Foundation of Warwick Strategic Sales and Customer Management Network (2005) Action research projects: Transitioning to KAM (2005/6) Key account manager competencies (2005/6) Performance and rewards (2007/8) Organising for KAM (2007-9)
Milestones in sharing knowledge	Book: <i>Key customers: How to manage them profitably (2000)</i> Lecturer on Cranfield open courses Launch of company-dedicated KAM courses	Major company-dedicated courses built around key customer analysis and strategy development process and planning.	Book: <i>Key account management: The definitive guide (2006)</i> Reports on action research projects (2006-8), articles for SAMA Velocity (2008), ISMM Winning Edge, (2009) High volume of courses dedicated to major companies
Milestones in personal achievement	Core insights. Dialogues with practitioners. Developing confidence in robustness of insights. Visiting Fellow at Cranfield University School of Management Director Marketing Best Practice	Deeper engagements. Deeper, wider knowledge Recognised as KAM expert. Director of In-company KAM programmes at Cranfield Fellow Chartered Institute of Marketing	Engagement with complex implementation issues at strategic level. Wider recognition as KAM expert. Replication of KAM Club forum. Associate Fellow at Warwick University Business School

Key elements of project 1: Establishing KAM basics

My first research study was designed to establish some data on KAM to substantiate the qualitative findings of Cranfield’s initial exploration (McDonald, Millman and Rogers, 1996). ‘*Key Account Management: Building on supplier and customer perspectives*’ (1999) did much more than that: it

generated information across a wider range of issues in KAM relationships from both supplier and customer perspectives (see Section 4.2, submitted in Appendix E.1). For example, I created:

- ♦ new insights into how closer KAM relationships were conducted: e.g. what practices suppliers were willing or not willing to adapt for key customers; what kind of information they were prepared to exchange, and what they did not share; what differences closer relationships made
- ♦ important challenges to common assumptions: e.g. that long relationships are not necessarily better relationships; that whether a relationship is successful should be clear but is not; that suppliers suffered from ‘delusions of intimacy’ in their relationships with customers
- ♦ new ways of thinking about these relationships, e.g. a nomenclature for relationship states acceptable to both suppliers and customers; a diagnostic for identifying the relationship state.

This was a major addition to what was a rather small body of knowledge at that time. The study identified a number of issues that required further research, but finding companies practising KAM to research had not been easy. I needed on-going access to experience and resource in order to continue the research; and at the same time, big companies needed somewhere to go to find out about KAM.

To satisfy both requirements, I created the Cranfield KAM Best Practice Research Club in 1998, a ‘think-tank’ of academics and other authorities on KAM (e.g. the CEO of the Strategic Account Management Association in the US) alongside practitioners and directors from major companies. Today, over ten years later, it still averages 16 leading company members per year (see Appendix C.1) and remains an invaluable hub for the generation of new ideas in KAM, the sharing of knowledge, and multiple forms of support for practitioners and researchers. Working with the key account managers and directors who were members, I:

- ♦ validated concepts and instruments derived from the research
- ♦ developed concepts and instruments interactively with members
- ♦ identified under-researched areas of need or interest
- ♦ shared leading-edge ideas with companies developing their KAM capability.

This growing body of insight into KAM was also important to a wider audience. I was instrumental in disseminating it in accessible forms through several channels:

- ♦ the first book - ‘*Key customers: How to manage them profitably*’, McDonald, Rogers and Woodburn (submitted in Appendix E.1; see Appendix D on co-authorship), the most comprehensive ‘textbook’ on KAM from which many companies started their KAM programmes
- ♦ presentations at Cranfield Global Account Management conferences annually from 1999 to 2002, on relationships, the customer point of view, key customer profitability
- ♦ open courses for key account managers and directors from all sectors
- ♦ company-dedicated courses, including early KAM adopters Adtranz/Daimler Chrysler (trains), Johnson & Johnson (healthcare) and 3M Electronics.

Key elements of project 2: Developing KAM understanding

I chose a qualitative approach to the next principal research study in order to get a better, deeper understanding of the reality and complexity of KAM in big-to-big relationships. I found 17 good/best practice companies engaged in KAM either as a supplier or a customer, and conducted 56 substantial, face-to-face interviews of 1 –2 hours each, and 2 telephone interviews (32 with supplier employees and 26 with customer staff). Guided by the findings of my first study, in ‘*Key Customers: World-leading key account management*’ (2001), I focused on specific areas of KAM which were of crucial importance to suppliers (see Section 5.2; submitted in Appendix E.2), i.e.:

- | | | |
|---|----|---|
| Which customers should be key accounts? | >> | A. Identification, selection and categorisation |
| What should suppliers do with them? | >> | B. Strategic planning |
| Is KAM worthwhile? | >> | C. Customer profitability |

Some of these elements had been discussed in academic literature (Fiocca, 1982), though more from a theoretical point of view than from what best practice companies were actually doing. Exploring best practice and observing poor practice (which often occurred alongside excellent approaches to other parts of KAM), I identified what was genuine and therefore feasible in KAM, and was also supported by theory, to build a robust picture of KAM in reality. I showed companies approaches to, say, key customer selection that were both viable and powerful, and demonstrated the issues with some of the other approaches. Each of the main sections of the report ended with a schedule of best practice in that area.

Companies needed analytical and decision support instruments that could help them, so I used the information and insights from the research study to develop tools and processes to address each of these three elements in KAM.

A: Identification, selection and categorisation

- ♦ Selection criteria - choice, definition, scaling and application
- ♦ Process for evaluating customers and selecting/categorising accounts.

Many companies' first attempts at key account selection are based very largely on retrospective sales and do not prioritise customers for KAM appropriately. Having become a recognised expert in key customer identification (e.g. my workshop at the Sales Research Trust's annual conference), major organisations asked to be taken through my criteria-based process when they found their current selection methodology unsatisfactory, e.g. Scottish Widows, Halcrow, Tarmac and later Addleshaw Goddard, Atisreal, Norbord, PM Group.

B: Strategic planning:

- ♦ Business and market analysis tools adapted for use with a single key account
- ♦ Joined-up process for understanding the customer's environment and strategy; for analysing the supplier's business and for creating strategies for individual customers
- ♦ Strategic account plan format for working through and capturing strategies with a three-year timeframe.

Best practice companies have strategic account plans in place for each of their key accounts, which are the key instruments for delivering the customer's expectations. However, many key account managers struggle to articulate the innovation the customers seek, or even to put the plan together at all.

In the early Cranfield courses participants learned about KAM, but not a great deal about how to develop strategies to deliver it. I created the key account strategic planning process, interpreting business analysis tools in the KAM context and joining them up in an end-to-end process which is now the backbone of most of Cranfield's customised KAM courses. The courses I designed were very much in demand in this phase, and still are, from numerous major national and global companies, like Actavis, IMI, SCA, Halcrow, Scottish Widows, Norwich Union, BAX Global, DTC (De Beers), PPG Industries, Sidel, Volex and more (see Appendix C.2). Many of them also adopted my strategic account plan format, and it is in use today by key account managers all over the world.

The efficacy of my approach was proved when I was engaged to work through the process with Unipart Logistics in its relationship with Vodafone. Together we developed strategies that delivered a very substantial increase in business with Vodafone and doubled the life of the contract to 10 years, unheard of before in telecomms or logistics. Through those strategies Unipart secured an exceptionally close, interdependent relationship with Vodafone.

C: Customer profitability

The research study found very little measurement of real customer profitability, even in companies with otherwise good KAM practices. It did identify:

- factors impacting profitability from both sides
- a model linking customer profitability with relationship stage
- measurements suppliers and customers used to represent profitability.

Since good practice in customer profitability measurement was not to be found at that point, I decided to take an action research approach to the issue, but working on the broader front of measurement of the

value of KAM in order to explore metrics relating to profitability. Leading a group of practitioners from blue-chip companies, I formulated:

- ♦ a set of ‘necessary and sufficient’ metrics for measuring KAM
- ♦ metrics for valuing key accounts as assets
- ♦ metrics for assessing inputs, progress and outcomes.

However, key customer profitability was far too serious an issue to be allowed to rest, so it became the focus of the main research study in the next project.

Key elements of project 3: Enabling KAM

Suppliers persistently asked ‘Is KAM worthwhile?’, so I focused the third major research study, published in 2004 as ‘*Key Customer Profitability: Making money in strategic customer partnerships*’ (see Section 6.3: submitted in Appendix E.3), on the financial viability of KAM. It addressed the following issues.

- ♦ Are key accounts profitable?
Did suppliers really know? Did they want to know?
- ♦ Does KAM add value?
Had suppliers identified how KAM added value in each account? How genuinely focused on added-value were they?
- ♦ What tools and techniques contribute to measurement in key customer profitability?
How did suppliers put a financial value on key customers? Were they using the tools available? Did they measure customer risk?
- ♦ What strategic approaches improve key customer profitability?
What pricing policies did suppliers apply? Did they manage their key accounts as a portfolio?

Not a great deal was known about how companies measured and handled key customer profitability, but this time I found ‘green shoots’ of good practice in key customer profitability measurement, alongside a number of other good and not so good approaches. The findings of this study were a very significant step forward in a sensitive and largely hidden area. I generated new insight into:

- the multitude of consequences arising from ignorance of customer profitability
- ways to improve customer profitability, even if it is not known exactly
- impacts of organisational structure and culture on profitability.

There were/are other serious questions about implementation to answer. I found a way to leverage to maximum effect the experience and knowledge of Cranfield KAM Club members and also members of the Strategic Sales and Customer Management Network, which I launched at Warwick Business School with a similar format (but, working with Professor Nigel Piercy, additional focus on strategic sales management). In order to develop insights, models and instruments in a more dynamic and interactive way, I created a series of action research groups into the topics below, about which the literature has had very little to say to date (see Section 6.3, submitted in Appendix E.3).

Table 3: Action research projects

Subject	Principal outputs
‘Transitioning to KAM’	<ul style="list-style-type: none"> ♦ analysis of the barriers/issues in transforming the organisation ♦ transitioning pathway to help set expectations on action and timing ♦ audit/checklist of actions required at each stage of transition.
‘Competencies for key account managers’	<ul style="list-style-type: none"> ♦ individual and organisational capabilities ♦ competencies and attributes specifically valuable in key account managers ♦ KAMScope instrument for profiling key account managers and determining development plans.
‘KAM performance and rewards’	<ul style="list-style-type: none"> ♦ drivers of change for current practices ♦ performance expectations and management issues ♦ reward scheme architecture ♦ checklist of scheme implications and outcomes.

'Organising for KAM'	<ul style="list-style-type: none"> ♦ KAM in traditional and matrix structures ♦ sources of boundary issues ♦ components of KAM teams ♦ key stages in change.
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As the driving force behind the groups, I identified the objectives for the project and led the group through a rolling scheme of work, sharing and building on their experience, and adding external material like academic papers or models, and relevant outputs from similar groups (such as those I ran within Cranfield's Return on Marketing Investment Best Practice Club, which I founded in 2004). I maintained forward momentum, collected and produced outputs and extracted/formulated/created concepts and instruments from the outputs. The group discussed and tested new concepts and instruments and I produced the final reports.

Quote 2: On 'Key Account Management'

<p>'Thank you for the "Key Account Management, The Definitive Guide" book. Our company is the largest e-commerce solutions company in Finland and we have found your book to be one of the best quality books within all the books that cover the subject.'</p> <p style="text-align: right;">Jaakko Hallavo, Smilehouse Inc.</p>

In addition to producing the reports and presentations of these projects, I actively shared knowledge through:

- ♦ the second book - '*Key account management: The definitive guide*', McDonald and Woodburn (submitted in Appendix E.3: see Appendix D)
- ♦ audio/video clips for Cranfield's website and Tetra Pak's global e-learning programme.
- ♦ presentations for a variety of bodies: e.g. IDM, CIM, the Industrial Society, Cranfield's Marketing MA students, Warwick MBAs and faculty, Private Banking Forum, Professional Services Marketing
- ♦ open courses for key account managers and directors from all sectors
- ♦ a very full programme of company-dedicated courses, e.g. SCA, Sidel, Tetra Pak, SigmaKalon/PPG Industries, LV=, ECITB (Engineering and Construction Industry Training Board), HBOS (Halifax Bank of Scotland) (see Appendix C.2).

Emphasis has shifted from justifying KAM to implementing it, and my expertise has developed with that change through my close engagement with KAM over 12 years; a great many companies; and nearly 3,000 of their key account managers and directors.

Quote 3: Professor Malcolm McDonald, founder of the KAM Centre of Excellence at Cranfield

<p>Diana is the most experienced researcher, teacher and writer in the world in the KAM domain. She is the author of much of Cranfield's state-of-the-art research.</p> <p style="text-align: right;">To Weir Group, South Africa, March 2009</p>

4. Project 1: Establishing KAM basics

4.1 Project purpose

Overall, the outputs of this project were designed to:

- ♦ build up a picture of KAM that companies could understand and relate to
- ♦ identify key areas on which KAM impacted
- ♦ offer approaches that companies with key customers should consider.

Research

In order to establish the basics of KAM, the findings of Cranfield's first, qualitative study in 1996 needed to be validated and extended alongside existing research in the field. In this quantitative study, '*Key Account Management: Building on supplier and customer perspectives*' (1999) (see Appendix E.1), I substantiated and built on current views about how KAM operated in the UK, where those views existed, and explored some additional parameters of KAM. Previously, there had been very little quantitative investigation of KAM, perhaps due to the novelty of the initiative.

The study had two principal purposes:

- ♦ to support (where appropriate) the findings of the first Cranfield study and add confidence in areas where insights were suspected but not established
- ♦ to add 'harder' information to those broad, qualitative ideas.

I included both suppliers and customers in the study. Previous research (except Cranfield's) had mostly taken a supply side or a buy side perspective, rather than a reciprocal view, and I wanted to see the picture from both sides. Research conducted only through suppliers would pick up their perceptions of the situation, but they may not be the same as the customers' views (as the research findings indeed demonstrated).

Creating an 'engine' for KAM development

Major research projects take time. If I had access to an on-going group of practitioners who were already involved in KAM, new ideas in KAM could be validated and developed more dynamically and interactively. The Cranfield KAM Best Practice Research Club, which I founded and managed until 2006, fulfilled not only that purpose, but also the needs of companies who were relatively early adopters of KAM to get together and pool their experience. I saw an opening for an 'engine' to drive KAM development forward and, in fact, the KAM Club served that purpose, among a number of others, by:

- ♦ offering a network of KAM practitioners that could support each other by sharing experience
- ♦ creating a forum that would attract the most knowledgeable speakers on KAM (e.g. Oracle, BUPA, De La Rue, Siemens, Xerox, Carlson Wagonlit, 3M, BP), so that everyone could learn from them
- ♦ enabling practitioners and experts to explore and develop KAM concepts and tools
- ♦ offering a sounding board and testing ground for new KAM concepts and tools
- ♦ providing funds for KAM research.

Knowledge sharing

The main purpose of knowledge generation should be communication and dissemination to those who can use it, and the number of companies that needed to understand KAM was growing. Using several media, mostly the book '*Key customers: How to manage them profitably*', short courses at Cranfield and its well attended conferences, I played a major role in taking the message to the wider world.

4.2 Main research study

'*Key Account Management: Building on supplier and customer perspectives*' was published by the Financial Times as one of a series on Management Research in Practice. Because so little was known about KAM at the time, it covered a wide range of topics seeking important information and themes, which may be grouped as follows:

- ♦ **Inter-organisational relationships** (i.e. what is KAM?)
 - Relationship stages and labels
 - Relationships and time
 - Number of relationships key to the business
 - Relationship success
- ♦ **Conduct of relationships**
 - **Strategic business planning** (i.e. how does KAM add value?)
 - Exchange of information
 - Key account managers per key customer
 - Adaptation to customer
 - Customer contact
- ♦ **Customer profitability** (i.e. is KAM worthwhile?)
 - Key suppliers' share of business
 - Allocation of costs and measuring performance
 - Margins

Information on the three elements highlighted above was embedded in the report, and I came to realise how fundamentally important they were through discussions with KAM Club members, companies participating in research projects, and suppliers with whom I worked on KAM development projects. Ultimately, the relationship exists in order to facilitate the implementation of business strategies that secure the customer's business and make a profit for the supplier. That is the essence of KAM though, there is, of course, much more to be said about how to make it work.

Inter-organisational relationships

Several researchers had identified different stages of relationship in KAM, and given them different names. The most commonly used in the UK at the time were *Pre KAM*, *Early KAM*, *Mid KAM*, *Partnership* and *Synergistic* (Millman and Wilson, 1994). Language and labels influence the way people think, and these labels seemed to have several untoward implications:

- ♦ half of them did not really describe the relationship: they said more about age than character (*Pre*, *Early*, *Mid*)
- ♦ what they implied about time – that longer relationships would progress into closer relationships - was not born out in the research
- ♦ they were expressed in supplier terms and were not suitable for use by customers or jointly (though key account management itself is a supplier-biased term).

In order to allow the two parties, supplier and customer, to talk about their relationship on equal terms, I renamed the stages to express better the nature of the relationship, i.e. *Exploratory*, *Basic*, *Co-operative*, *Interdependent* and *Integrated*. These labels, which first appeared in this research report, and then in all subsequent Cranfield KAM courses and reports, and the '*Key customers*' book, are commonly used today by practitioners and academics (e.g. Ryals & McDonald, 2008).

I made it possible to position the complexity and closeness of a particular relationship by developing a relationship score based on six characteristics drawn from earlier research. The test, which has been adopted by some later researchers (e.g. Holt, 2003), enables a systematic assessment of the relationship stage that supports the comparison of relationships with different companies. It helped to show that *Co-operative* and *Interdependent* relationships were the two most common stages found among companies' top three relationships, with a bias towards the *Co-operative* stage. I also saw that suppliers generally thought that their relationship with customers was closer than the other way round, which means that suppliers suffer from – or enjoy – delusions of intimacy with their customers which could mislead them in many ways. This 'supplier delusion' may encourage them into over-familiarity and other inappropriate behaviours. They may also have higher expectations of the relationship than the customer, which are therefore unlikely to be fulfilled, and will probably lead to disappointment in its outcomes.

This leads to the question 'What is success in a KAM relationship?' Is success continuity, a long relationship? Is it volume of business or profit? And whose view prevails? To resolve the issue, I developed a scoring system based on six characteristic perceptions of success. Applying the system showed that closer relationships (*Interdependent v Co-operative*) were correlated with higher levels of success, though which was 'cause' and which was 'effect' was not accessible.

Strategic business planning

Of the characteristics that were positively correlated with success, joint strategic planning made the greatest difference but, in contrast with *Interdependent* relationships, *Co-operative* relationships appeared to be almost excluded from joint strategic planning. *Co-operative* relationships normally co-existed alongside customer relationships with competing suppliers, so neither side was likely to give it a great deal of time and attention. Key account managers in *Co-operative* relationships could be described as somewhat 'out in the cold' and, as a consequence, 'in the dark', so they did not have much information to work with.

Joint strategic planning is quite a high ideal, and lack of access to joint strategic planning should not rule out other approaches to strategic business planning. Suppliers wishing to develop a relationship would still need business strategies if they were to make progress. I resolved to look further into how companies conducted their strategic planning for or with customers. Strategic planning tools were available that should be applicable in one-to-one business relationships, but it was not clear whether key account managers used them, or even knew of them.

Customer profitability

Customer profitability is the contribution to a supplier's fixed overheads derived from an individual customer after deduction from sales revenue of all discounts and attributable costs, i.e. cost of product, cost to serve and other costs which are incurred in dealing with that customer. This study found some causes for concern (though not all companies were happy to disclose such information in this kind of survey). In nearly half of supplier relationships, gross margin from the top accounts was less than average, and two-thirds of that was eaten up in servicing and supporting the customer. Nevertheless, half were happy with the financial return: but a third, which is a large minority, were not.

As making money is the ultimate purpose for a company, this issue clearly needed more investigation. 40% of key account relationships yielded a poorer gross margin than the company average, and only a quarter yielded better, so if suppliers thought they should adopt KAM to increase their margins/profitability (as opposed to their profits), they were quite likely to be disappointed.

4.3 Developing knowledge

Cranfield KAM Best Practice Research Club

The purpose for which I created the Cranfield KAM Best Practice Research Club is described in Section 4.1 (see Appendix C.1 for member companies). It fulfilled its purposes and more, and has sustained itself as a valuable resource for companies and individuals for over ten years, while generating an increasing volume of constructive research findings. It has provided invaluable on-going contact with reality.

I searched out leading companies which practised KAM and secured speakers with instructive case studies to share (e.g. IBM, 3M, BOC, Cable & Wireless, Mercedes Benz, De La Rue, BUPA, BT). With Professor Malcolm McDonald sponsoring the Club, I could secure academics from Cranfield and other bodies which could contribute stimulating material, like SAMA from the US and the European Institute of Purchasing Management. I brought in key customers to ensure that we understood the view from 'the other side', both individuals and the Purchasing Directors' Network. Practitioner groups were tasked to explore pivotal points in the speaker's case study, so that they engaged with and built on the received experience and, indeed, developed new insights themselves or started a train of thought that I could bring together with other data and develop into a new model, concept or research topics.

Since I launched the Club, members have contributed to many issues, particularly action research groups dedicated to a KAM topic over 12-18 months (see Project 3, Section 6.3). Their discussions were a very beneficial source of knowledge. For example, they:

- ♦ explored the sources of power on both sides, since they generally felt that customers were in the stronger position, and discovered that they were very similar in nature and either could be the stronger
- ♦ considered whether some of the issues customers had with suppliers might be driven by the different intensity of interest in the customer exhibited by different supplier functions over time (e.g. KAM, Operations, Customer Service, Finance)
- ♦ tested the six relationship characteristics scoring approach I introduced in the research by assessing their own relationships.

The forum format I created has been repeated several more times at Cranfield (Return On Marketing Investment, The New Consumer, Channel Marketing/ Customer Management, Strategic Marketing Planning and others) and also at Warwick Business School (Strategic Sales and Customer Management Network), to give a similar stimulus to other areas of business research. The KAM Club's value to practitioners as well as to researchers is evidenced by the fact that most member companies participate for several years and that Norwich Union, one of the founder members, has consistently attended and renewed its membership every year since 1998.

Software

A simple software programme called Key Account Selection Matrix, which mirrored the Boston matrix for single key accounts, was developed to capture and display the data companies generated when they analysed their accounts. My contribution to the project was the support that showed the company how to use the approach and linked the company's assessments with the technology. The software has been applied by hundreds of companies.

4.4 Sharing knowledge

The first book: 'Key customers: how to manage them profitably'

Around 1999, there was a real shortage of books available for practitioners and students, so we created a book that captured the insight we now had and offered practical support wherever possible. I focused on relationships, the customer's point of view, and KAM processes, while co-authors Professor Malcolm McDonald and Beth Rogers covered other aspects. '*Key Customers*' was published in 2000 and sold nearly 7,000 copies by the time it was superseded (submitted in Appendix E.1).

I generated a deeper understanding of KAM **relationships** that companies needed to access in order to appreciate their current position with the customer and what might be achievable with it. I questioned the commonly-held view that relationships 'just happen' over time, so I developed practical approaches to focused relationship development, including a framework to support relationship development as a process, which is still challenging for key account managers. Although relationships are undoubtedly crucial to success, I had to stress the importance of creating real business substance that is of value to both sides through the relationship. This apparently obvious point is frequently not operationalised and is therefore frequently non-existent. Business relationships are not an end in themselves.

In spite of their concentration on rather few customers, key account managers are often surprisingly ignorant of the customer's position and business. This ignorance remains one of the major stumbling blocks to successful KAM. I explained the **customer's point of view** by collecting findings from supply chain management research (e.g. Olsen & Ellram, 1997), plus material from interviews with customers in my own research and from customer-side speakers at the KAM Club (e.g. BUPA, Cable & Wireless), as a foundation for thinking about customers. I described their approach to the relationship, their objectives for it and some of the tools they used to achieve their objectives. This represented the least that suppliers should understand about customers, but successful suppliers and key account managers need a deep knowledge of the customers' marketplaces, their customers and their business and strategies.

Customers and suppliers too reported that many companies had promised KAM to customers enthusiastically but somewhat prematurely, and then failed to follow through. Little thought had been given to exactly what would be delivered, or by what means, so I wrote the last chapters of the book about **KAM processes**. Assembling material and writing this section of the book demonstrated to me and, hopefully, also to readers, that KAM had to mean much more than relationships: it had to mean relationships that delivered.

Courses

Cranfield was running open courses, on which I taught, for a wide range of companies. I also started to deliver KAM understanding to key account managers and their managers in courses dedicated to companies in healthcare, telecomms and manufacturing. Each sector exhibited different characteristics, but all had the same need to treat key customers differently, and most of the insights and concepts were meaningful and adaptable to all of them: indeed, the diversity of companies engaged in KAM demonstrates its almost universal relevance in business-to-business companies. However, at this stage, while courses developed awareness and understanding of KAM, they were not as focused on competency development and business improvement as suppliers wanted, and as they were later to become (see Section 5.3).

Conferences

Cranfield's conferences on Global Account Management (GAM), which could accommodate 100 people, were over-subscribed with companies wanting to understand about GAM/KAM. I played a pivotal role in these conferences, in the planning of subjects and speakers, presenting elements of my latest research and chairing sessions.

4.5 Personal achievement

Before becoming a researcher/lecturer/consultant, I had opportunities to observe dealings with key customers in the companies for which I worked as a marketing manager. At the time, I did not view it as a coherent KAM approach but nor, I believe, did the companies or sales managers involved. If there were a structured approach applied to these customers, it was not visible. As I began to research and read about KAM, I was able to retrofit my own observations into the frameworks that were emerging. As a precursor to my journey in KAM, I recalled those experiences and reinterpreted them to add real first-hand understanding of the situations that people have to address.

Otherwise, at the beginning, KAM was still somewhat two-dimensional for me, consisting mostly of academic papers and the questionnaires of the first research study. The KAM Club formed a crucial part of my close engagement with KAM, developing the subject into three dimensional reality for me. In addition to all the invaluable outcomes from the KAM Club described earlier, it also demanded a useful discipline: in order to recruit new member companies I had to be very clear about my understanding of KAM, how to communicate it, and what the Club could offer to member companies that would be valuable to them.

I constructed and cultivated a powerful mix of sources and sounding boards that validated my research findings and gave me confidence in the insight I had generated, and the growing numbers of companies coming to Cranfield to gain access to KAM knowledge gave me confidence in its importance. I was able to conduct many dialogues in courses and research interviews and other interactions with practitioners, company directors and authorities with KAM interests, and these dialogues tested the material and added to my belief that the insights developed were real, robust and relevant.

At this stage I focused on the relationship aspects of KAM, because that seemed to be the novel part of this emerging area that interested everyone. Later, in the next project, business reality reasserted itself, as suppliers struggled to understand and articulate the impact on the business, both in terms of what they needed to do differently, and what the outcome might be. Hence my developing focus on strategic account planning and customer profitability.

By the end of this project, I had a far better grasp of the nature of KAM and its utility, and there was a book to capture and underpin that understanding. I could begin to see a scope and structure for KAM, which encouraged me to set up a consultancy, Marketing Best Practice, to specialise in KAM (supported by strategic marketing planning and marketing measurement). Although I did not realise then how much more there was to know about KAM, I did know more than most. These limitations admitted, I was one of few able to provide direction to the development of companies under pressure from their customers that needed to take action, and other companies that saw KAM as a real opportunity.

Cranfield appointed me as a Visiting Fellow at the end of this period, early in 2001.

5. Project 2: Developing KAM understanding

5.1 Project purpose

Overall, this project aimed to:

- ♦ develop a deeper understanding of KAM
- ♦ provide specific approaches to support companies addressing the most fundamental elements of KAM (i.e. who receives it, and what do they receive?).

Research

Not surprisingly, the previous study (1999) answered some questions and led to more being asked. It was increasingly clear that KAM was a complex subject without clear boundaries, and qualitative research was probably more suitable while there was still so much to learn. I planned the next study to extend knowledge around some of the key points established by the quantitative approach using qualitative interviews.

The report focused on two of the three areas introduced in Section 4.3, and aimed to:

- ♦ observe how suppliers chose their key accounts
- ♦ explore strategic planning for key accounts
- ♦ discover what suppliers knew about customer profitability.

In order to produce findings to guide and support companies applying KAM, in parallel with these subject areas I looked for:

- ♦ implications of the outcomes of these activities
- ♦ best practice.

I highlighted best practice because some companies took bits of insight, mixed them with elements of their old business model and tried to operate 'new' approaches subservient to existing practices which did not work particularly well. I demonstrated the feasibility of best practice approaches through examples in which companies had implemented elements of best practice in the management of their relationships.

Instruments and methodologies

It was already clear that many companies had talked about KAM and not delivered it. That could partly be owing to a lack of clearly specified, robust approaches and, having carried out the research, I believed that I was best positioned to convert KAM concepts into more instruments and tools that companies could apply in their businesses. I developed supporting instruments in the three critical areas above:

- ♦ robust methodology for each company to select and categorise its key accounts
- ♦ widely-applicable process for analysing individual customers and creating strategies for them
- ♦ set of metrics to assess the value of KAM to a company and monitor progress.

Knowledge sharing

As before, sharing the insight gained was a principal objective. With the development of practical instruments and processes, the purpose switched from 'broadcasting', which was partly addressed by publication of the book, *'Key customers'* in 2000, to sharing knowledge more directly to those who needed it, i.e. suppliers that wanted to practice KAM effectively.

5.2 The main research study

The report *'Key Customers: World-leading key account management'* (2001) (submitted with this document in Appendix E.2) builds a picture of what best practice KAM should look like across the three main themes:

- ♦ identification, selection and categorisation of key accounts (which customers are key?)

- ♦ strategic planning (how does KAM add value?)
- ♦ customer profitability (is KAM worthwhile?)

Who should receive key account treatment was becoming a crucial issue. What that meant and what the outcome might be in terms of customer profitability were all closely linked together.

Quote 4: On ‘Key customers – World-leading key account management’

If this report is aimed at the thinking practitioner, it does an excellent job of providing thought-provoking material in a readable style and format. (It) goes on to digest the research and offer conclusions and visuals that encapsulate and develop the material into usable concepts. There are a number of diagrams and models in here that I could use in my own internal and external presentations on account management.

This report is an extremely valuable resource to practitioners in key account management, both those at senior management level and those engaged directly on a day-to-day basis.

Nigel Jenkins, AMEC Telecommunications Services

Identification, selection and categorisation

The right number of key accounts was a perennial debate in many companies, and is the first decision a supplier needs to make. Suppliers do not have infinite amounts of resource to devote to customers and, no matter how big the company, they are limited in the amount of product modification, tailored customer service, special logistics arrangements, different transaction handling processes etc. that can be delivered without serious disruption to the whole of the business. I concluded that suppliers have a ‘limited capacity for intimacy’ with customers, which they had often not recognised. Commonly, companies had far too many key accounts and were unable to deliver the special treatment that customers, quite reasonably, expected of KAM.

Before suppliers can even begin to categorise their customers, they need to identify them. I observed, however, that customers were often defined in the supplier’s terms, not in their own terms. So although a customer might operate as a group, the supplier might only choose to recognise as key the business unit with which it was already successful, blinding itself to the existence and influence of other locations which fell into other supplier divisions. I found suppliers that had misled themselves about the size and nature of the customer, its organisational structure, and of their position with the customer because of how they had defined the customer. For example, a supplier saw itself as really important to the customer because it was the sole supplier at a factory, but that factory was only one site out of several across Europe and, in reality, the competitor supplying most of the rest was far more important.

Best practice companies had each developed a set of criteria for assessing customers that were aligned with their own business strategy and were tougher, more focused and more systematic about who was and who was not a key account. Collecting these sets of criteria, I identified a pattern in them. They fell into three main groups:

- ♦ potential outcomes, rewards from the relationship - quantitative, ‘hard’ data about financial outcomes, especially customer size/spend
- ♦ customer needs – about opportunities for differentiation aligned with customer expectations, indicating longevity or ‘stickiness’ of the business
- ♦ customer attributes and behaviour – ‘soft’ factors about reducing the risk of working together, affecting the quality of business and profitability.

These all related to customers individually, but criteria in a fourth group were sometimes applied (e.g. reference customer, innovation partner). These I identified as being more about ‘the good of the company’ than the business with the specific customer. Such criteria were sometimes over-used to justify the inclusion of otherwise unattractive and even unprofitable customers, and should be used sparingly. I wrapped up the findings on selection as a blueprint for best practice.

Strategic planning

Generally, I found that the quality of strategic account plans and the process of developing them was poor, for all sorts of reasons. If suppliers were to focus and reduce the number of key accounts, in theory, they should be able to produce fewer, but better plans: where there were too many, key account managers, understandably to an extent, did not have the time to make a good job of all of them. However, key account managers generally did not have the necessary strategy development and planning skills, so having fewer key accounts was not the whole solution.

The strategic account plan has an important role to play, right at the heart of KAM. It should:

- ♦ be aligned with corporate strategy, in order to confirm its feasibility and to play its part in delivering that strategy
- ♦ help to form strategies for key accounts as a group.
- ♦ demonstrate its alignment with the level of importance and resource allocated to the individual customer
- ♦ specify strategies for the individual customer, including the business case to gain approval for them
- ♦ act as a route map for the key account manager, the account team and other functions which will play a part in delivering the strategy.

Clearly, inadequate plans leave a big hole in the effectiveness of KAM which becomes more serious as customer pressure increases. Companies need to develop the competencies necessary to write them, because they cannot afford to abandon the development of good quality account plans.

Suppliers seemed nervous about involving customers in developing their plans, perhaps because of their lack of skills, and preferred to present them with a completed strategy. Customers almost all disliked this unilateral approach and reacted badly to it. Where there was a close relationship, they were prepared to give time to explaining their needs, developing strategy, and participating in new initiatives. Indeed, since key accounts are often market-leading companies, they could give invaluable insight and expertise to development projects that would be of great benefit to a supplier: what leading companies want today, the rest of the market wants tomorrow.

Customer profitability

Few suppliers had a good grasp of customer profitability, but they seemed surprisingly unconcerned about their lack of knowledge. However, my investigation showed that reliance on traditional sales and margin measurement, which they felt was adequate, was beginning to look quite dangerous. Suppliers were not able to recognise their more, or less, valuable customers or even identify loss-making accounts, so they were not managing them appropriately. Nor were they able to recognise customer-specific cost savings, such as supply chain efficiencies, which can be very powerful in KAM. Where such savings were shared through a price reduction, there was no adjustment to the standard cost of sale applied, so gross margin would look worse, when it could be quite satisfactory, even advantageous. Companies were arriving at conclusions about who were their 'good' and 'bad' key customers on the basis of inadequate and misleading information. By identifying the sources of issues, I alerted suppliers to the problems and pointed them towards solutions.

Not surprisingly, customers put pressure on profitability, by globalising and seeking advantage from their size, by invoking competition and benchmarking through new e-techniques, by increasing their competency in purchasing and claiming benefits from supply chain savings. More alarmingly, I found that suppliers applied pressure to profitability themselves, often through misunderstanding customer-related costs and misjudging the needs of new customers. Poor information from poor information systems exacerbated the situation. Indeed, I observed that instead of information, suppliers too often worked to 'myths'; like assuming that savings from economies of scale were automatic; that high volume customers obviously made a profit: or that it was invariably good to have global brands as customers; and a number of other similarly unverified ideas about where money came from and went.

I concluded that key account management required a much deeper response from suppliers than the customer-facing team alone could provide. The emphasis needed to shift towards organisational capability, not just individual key account manager competency, and involve supply chain management, finance, operations, customer service and other functions.

5.3 Developing knowledge

Selecting and categorising key accounts

Suppliers were using all kinds of ways to choose their key accounts, even including an annual opinion poll among the staff, in one case. I developed a 7-stage, step by step process (a progression from the Key Account Selection Matrix software on which I had worked in 1999) to get companies systematically to an objective, defensible categorisation of their customers. Good categorisation is essential if companies are to focus their scarce resources on prioritised customers. The key stages of the process are:

1. decide how many key accounts can be managed
2. define the customers unambiguously, in their terms
3. choose criteria (specified, weighted and scaled)
4. assess customers against criteria (each by several customer-aware staff)
5. identify the customer's criteria for suppliers and collect their view of the supplier
6. make provisional selection for verification.
7. validate assessment with the customer and check potential for the relationship (even if not yet achieved) as a 'go/no go' criterion.

As several companies have discovered (Xerox, DHL, BOC among them), having too many key accounts is a substantial barrier to successful KAM, and applying a proper process to qualifying them is the first, major step in solving the issue. Substantial numbers of companies from numerous sectors are now using the process I developed, including some with which I have worked directly: Scottish Widows, AXA, Halcrow, EMC, IMI, Addleshaw Goddard, Atisreal, Tarmac, Norbord, PM Group, SigmaKalon/PPG.

Customer strategy development and strategic account plans

Most key account managers have a sales background and have not received much management education, e.g. in business analysis and strategy development, but were now expected to develop strategies for their key accounts. Cranfield's early KAM courses had introduced KAM concepts to key account managers, but had not fully addressed this need. I put together a series of analytical tools for working out marketing strategies, and adapted them for use with individual key customers.

The tools were linked in a flowchart, and insight gained from one was extracted and employed in the next, so that the process worked sequentially through towards the strategies sought. The process was completed for the customer first (as below), to gain an understanding of their strategies and the factors behind them and then repeated for the supplier, to generate strategies for the customer in question.

Table 4: Key account strategy development process

Analytical tools	Outputs
<ul style="list-style-type: none"> ♦ Defining and mapping the customer's marketplace(s) ♦ Business environment analysis of marketplace (STEEP) ♦ Porter five forces of competition analysis ♦ Value chain analysis of customer ♦ SWOT analysis of customer 	<ul style="list-style-type: none"> >> Market participants >> Changes and influences in the macro environment >> Customer opportunities and threats >> Strengths and weaknesses >> Customer's strategies
<ul style="list-style-type: none"> ♦ Porter five forces of competition analysis from supplier perspective ♦ Value chain analysis of supplier ♦ SWOT analysis of supplier relative to specific customer 	<ul style="list-style-type: none"> >> Opportunities and threats >> Strengths and weaknesses >> Supplier's customer strategies

Through helping key account managers to apply this approach, I learned an enormous amount and developed the tools and process into a very powerful methodology. I also observed how little even very experienced key account managers know - or care - about their customers' businesses, particularly the

people dearest to their customer's hearts, i.e. the customer's customers. In spite of a great many surveys that clearly say that these things matter to customers, key account managers and supplier companies refuse to acknowledge their importance.

In order for customer strategies to be accepted and implemented by the organisation, they need to be worked through and captured in a plan. My research showed both the importance of the strategic account plan, and also its generally poor quality. I met the challenge to produce a plan format that:

- ♦ was applicable to most suppliers and customers regardless of sector
- ♦ demonstrated joined-up thinking so that disconnects could be identified
- ♦ showed the organisation what was to be expected for and from this customer
- ♦ provided sufficient information for the plan's approval (or not)
- ♦ provided guidance to the account team
- ♦ contained an appropriate level of information for use with other functions.

The standard format (submitted in Appendix E.2) has been in use by a significant number of companies for several years, with appropriate minor variants in terminology and language. One company, concerned about the length of the plan document, called together its key account managers to discuss what could be omitted. After half a day's discussion, they could not find anything to leave out, and decided to keep it as it was.

Measurement in KAM

Through the first KAM Club action research project, I developed a set of metrics that addressed the issues of how to measure the value that KAM created (since sales revenue, or even gross margin, can be a poor indicator and not sufficient on its own).

The measurements with which key account managers should be working divided themselves into three levels, relating to equivalent levels in the company and also reflecting the key account manager's responsibility for these groups of metrics:

Table 5: KAM metrics

Level of metric and management	Key account manager's role	Metric
Strategic	Contributes	<ul style="list-style-type: none"> ♦ Return on investment ♦ Asset value of customers ♦ Customer portfolio risk ♦ Customer portfolio opportunity and growth
KAM value/strategy realisation	Manages and accepts accountability	<ul style="list-style-type: none"> ♦ Customer attractiveness ♦ KAM input ♦ Customer satisfaction ♦ Customer risk ♦ Customer retention ♦ Business extension ♦ Customer contribution and profitability
Operational*	Monitors and manages exceptionally	<ul style="list-style-type: none"> ♦ Revenue ♦ Price ♦ Volume ♦ Service levels ♦ Failure rates

* Examples, not exhaustive list: varies more by sector than other metrics.

Steering the measurement and customer profitability action research group towards approaches to advance understanding of the value of key customers and rationalise expectations, even where actual customer profitability was not measured, I produced the following:

- ♦ audit of barriers to better data capture i.e. personal, cultural and information system issues
- ♦ audit of KAM input i.e. assessment tool to measure how much KAM a customer received, when full costing was not available
- ♦ framework for alignment of expectations of customer profitability with account categorisation i.e. according to position in the key account selection matrix.

5.4 Sharing knowledge

Courses

Demand increased the number of Cranfield open courses in which I played a leading part. In addition, the flow of companies asking for courses dedicated to themselves grew substantially, including companies from the UK and Europe operating nationally and globally; in financial services, engineering services, consulting, diamonds, manufacturing, document services, hi-tech, glass, automotive services, brewing, paper products, logistics (see Appendix C.2). Through this ran two major academies for global companies, IMI and SCA.

IMI is a UK-based company with five platform engineering businesses operating globally. The new CEO, Martin Lamb, had set out his three-part strategy to the City:

- ♦ Focus on five platform businesses and sell the rest
- ♦ Move manufacturing to low cost countries
- ♦ Key account management.

I directed and designed the IMI Key Account Academy at Cranfield to support the CEO's very public commitment to KAM. This Academy demonstrates how far my KAM concepts and tools could reach through an organisation and across the world: for example, all 200 key account managers learned and applied the strategy development process and used the strategic account plan format. The whole programme comprised of:

- ♦ 10 days of training in 2 modules for c. 200 key account managers in 8 cohorts from all over the world
- ♦ 3 days of training for c. 175 managers and directors of other functions, like finance, supply chain, customer service, R&D, in 7 cohorts
- ♦ 2 days for 50 Board Directors in 2 cohorts.

For the firmness and clarity of his strategy, Martin Lamb was voted eighth 'most admired' CEO in the UK. At the time, the Times Business Section identified IMI as 'one of the few engineering companies worth investing in.'

In 2003, I started a similar, modular programme for SCA Hygiene, the German/Swedish manufacturer of leading paper product brands across the world. The Key Account Academy (KAA) ran for five years; about 180 key account managers from all over Europe and Australasia in 9 cohorts; and about 80 directors and senior managers in 4 cohorts. The programme manager described a very positive company view at a Cranfield open meeting of KAM practitioners from a wide range of blue-chip companies:

Quote 5: On SCA's Key Account Academy

"Seen as a development initiative that really makes a difference and is substantial for the achievement of our business objectives.

Program perceived very positively by both participants and line managers

- Full support for KAA (Key Account Academy) approach by line and top management
- Active networking and transfer of best practice across business groups by participants

Spin-off effects to other development initiatives

- KAA a leading example for a program directly linked to business needs
- KAA enables a changed/harmonised way of working with our customers
- A leading example for a close connection of personnel development and organisation development"

Hans Bergh, KAA Programme Manager, SCA Hygiene Products

Events

As one of few people with researched knowledge of KAM, I was invited to deliver presentations or workshops for other organisations that wanted to address the new approach. For example, I ran a well-attended workshop on choosing key customers at the Sales Research Trust's conference. For IIR Management Development, the seminar was dedicated to KAM in the telecommunications sector, with attendees from private and state telecomms providers from Europe and the Middle East. I delivered a KAM workshop for the Institute of Direct Marketing's Certificate in Customer Relationship Management, following an article on KAM published in the IDM's journal *Interactive Marketing* (Woodburn, 2004). I also presented KAM at a meeting of the Industrial Society.

Business-to-business marketing has always been seriously overlooked by the Chartered Institute of Marketing. In fact, a substantial proportion of the members are in B2B marketing, not surprisingly, since products or their components are, on average, bought and sold five times before they reach the consumer (Stern, El-Ansary & Coughlan, 1996), so KAM is important to the majority of members. Marketing can play a very valuable part in KAM but often does not take up that role, which is a loss for all concerned. In order to reach marketers, I presented KAM at a number of CIM branch meetings.

5.5 Personal achievement

Some companies approached KAM as 'business-as-usual' with an almost separate overlay of a new approach to relationships, but by this stage I was clear that the relationship was still a means to an end, and from the customer's point of view, that end was a different way of doing business. After exploring the relationship aspects in the first project, I moved my focus on to strategic business planning for individual key accounts, which was fundamental if suppliers were to discover what they should offer to these customers, and how. Investigation of what the outcomes in terms of customer profitability would be started here, but I pursued it in great depth in the next project.

As my research supported the importance of strategic planning, I developed a robust and almost universally applicable process for customer analysis and strategy creation, together with the instruments that were part of the process. I then built very successful courses around the process. Their reputation grew and began to attract more and bigger companies for more courses for more people, and my experience and reputation grew with them. Working through the strategy development process with delegates, I learned about the realities of KAM, illustrated by specific customer examples from many different sectors.

I was exposed to a wide range of marketplaces and was able to consider their impact on the behaviour and potential of key customers. I was also exposed to a vast variety of customers, local and global, public and private sector, price and partnership orientated. This taught me a great deal about how to use the tools (and to adapt them when necessary), how to interpret the outputs, and what the implications for an organisation might be, which was reflected in my later research and publications.

Where the dialogue with the supplier extended over a longer period of time, and courses were repeated with cohorts from different business units and different parts of the world, I could observe the situation from both close-up (the key account manager's and the customer's positions) and at a higher level (the organisation's perspective). Some companies also wanted support, like reviewing the plans produced, guiding them through customer selection, or acting as an expert resource. The large volume of close interaction with companies, coupled with knowledge grounded in research, put me in a unique position to view and advise on a company's situation, and many asked for that.

The goals of KAM revolve around business results, not the relationship itself, and the strategic plan is a fundamental part of that in large company engagements. However, companies struggled to achieve good quality strategic account plans, and were sometimes defensively sceptical about their value. The issue seemed to be symptomatic of the competency of their key account managers, and of their line managers, as the importance of strategic account planning became increasingly clear to me and to senior managers.

As I had personal experience of strategic account planning, both with and without customer involvement, I was convinced of its value and feasibility. I had facilitated the development of a joint strategic plan between BT and a major government department over a 3-month period, up to the point where the participants, as a single team, presented it to senior management in the customer with a very successful outcome. In addition, I had worked through the process with the Unipart Logistics/Vodafone team, also with a highly successful outcome (see Section 3.2).

Quote 6: Professor Lynette Ryals

'I regard Diana as a very considerable influence in KAM research and teaching. She has an authoritative voice, combining academic ability with many years of practical research. ... She has also developed a structure for key account plans that is used as the de facto standard.'

Professor Lynette Ryals, 2008

Now recognised as an expert in KAM, I was invited to judge the new categories of Account Manager and Strategic Account Manager of the Year in the National Sales Awards. I became a Fellow of the CIM and, in spite of being external to Cranfield's faculty, I became Cranfield's Director of Customised KAM Programmes in 2003, and a strategic supplier of those programmes.

6. Project 3: Enabling KAM

6.1 Project purpose

At the beginning of this project, companies interested in KAM seemed to be comprised of two main groups: those who wanted more information and confidence before committing to KAM, and those who had embarked on it but had critical issues with implementation. This overall project therefore had two purposes:

- ♦ to provide information on the financial aspects of KAM, especially for those struggling to make a profit from key customers
- ♦ to explore important implementation issues for those already committed to KAM.

Research

The previous research report (2001) had addressed the subject of key customer profitability among others, but suppliers wanted to understand more about this crucial issue. In common with any other medium to long term management strategy, KAM cannot readily be justified by a simple business case, but I felt that there was much more to discover about the financial aspects, particularly:

- ♦ do suppliers make money out of key customers?
- ♦ is KAM the way to do it?
- ♦ (how) can companies measure key customer profitability?
- ♦ how have companies addressed poor customer profitability?

Implementing KAM

The reality of customer power had impacted on an increasing number of business-to-business companies, which now conceded that they had to change the way they managed their biggest accounts. Having passed the point of questioning whether they should engage in KAM, they had important issues around how it should be implemented. In response, I decided to:

- ♦ understand how companies transition to KAM from their current customer engagement models and provide novices with a road map
- ♦ explore what makes a good key account manager and how to recognise them and develop them
- ♦ find out how key account managers should be remunerated and incentivised
- ♦ explore how companies should organise themselves to support KAM rather than hinder it.

Knowledge sharing

During this project, knowledge sharing had two principal purposes:

- ♦ making the case for KAM and charting a route to best practice, particularly for sectors that were later adopters, like professional services, pharmaceuticals and the public sector
- ♦ supporting companies actively involved in KAM, but with significant implementation issues.

6.2 The main research study

In my investigations for '*Key Customer Profitability: Making money in strategic customer partnerships*', (2004) (submitted in Appendix E.3), I explored the profitability of key customers, what companies knew about it and what they were doing about it. I found that suppliers' understanding of key customer profitability had been poor, and was still not good enough. However, best practice companies appreciated the importance of this knowledge and were taking major strides forward in gaining it. The report addressed four main areas:

1. Are key accounts profitable?
2. Does KAM add value?

3. What tools and techniques contribute to measurement in key customer profitability?
4. What strategic approaches improve key customer profitability?

For both intrinsic and practical reasons, the research could not supply a definitive answer to the question of whether KAM was a better investment than other business initiatives in which companies might invest. However, I found leading companies acting in the firm and rational belief that KAM improved customer profitability and had a positive effect on company profitability too, and I identified some very specific ways that KAM added value, which reinforced this expectation.

Are key accounts profitable?

Companies generally had good measurement systems for revenue and costs based on territory and products/services or projects/contracts (depending on the type of business). The customer was a new dimension that cut across existing measurement bases, so accessing information about customers was not easy. The companies which had put in good systems to measure customer profitability had made important discoveries about their key customers.

For example, companies generally apply 'rules' to work out costs, rather than collecting actual costs for each transaction. These rules were normally based on the assumption that products/services drive costs. While that was true to a significant extent, customers and their behaviour also drove costs, up or down, and key customers more than most. They may drive costs through, for example, their supply chain operations, special requirements for transactions, call on technical support, claims and more. Traditional product-based cost allocation rules take none of this into account. As a result, the data that was available could seriously misrepresent a customer, leading to poor decisions on prioritisation, support, pricing etc.

For me, this issue drove home the understanding that KAM is a management initiative that has extensive repercussions and needs across most, if not all, of a company's functions. If it is seen as a sales task, for which the sales department is responsible, it will meet significant barriers and is unlikely to succeed.

Does KAM add value?

It is probably impossible to give a definitive answer to this question at the level at which it is posed, so I looked for specific ways in which KAM added value - to suppliers and to customers - reasoning that the presence of specific value-adds would equate both to a reality and a perception of overall added value. Indeed, I found that, through KAM, suppliers could access a number of sources or routes to value, resulting in either business growth or cost reduction, and so could customers.

Table 6: Sources of added value from KAM

Sources of added value for suppliers		Sources of added value for customers
Customer retention	Learning curve	Customisation
Share of spend/wallet	Economies of scale	Consultancy
New customer divisions/locations	Supply chain development	Complexity
Consistency	Business development	Harmonisation
Acceleration	Shared value	Continuity
Opportunities	Resource allocation	Trust
Braking decline	Procurement	

I concluded that KAM was much more likely to add value if suppliers had a clear idea of which sources of value were sought and were possible in a particular relationship, and had explicit strategies to deliver them, expressed and evaluated in a strategic account plan. They could then be much clearer about both the cost and the financial benefit of delivering value, to themselves and to customers, and they would also be in a much stronger position in negotiations.

Suppliers often expressed disappointment with the response from customers, but it was clear to me that they were at least partly responsible for that disappointment, as they had often failed to identify specific

value that they could add for a customer; develop a strategy; quantify their expectations; and discuss them with the customer. If they had, they would probably be more rational and realistic about the outcomes, and more satisfied.

What tools and techniques contribute to measurement in key customer profitability?

None of the companies in the study had yet reached a satisfactory level of measurement of customer profitability, but several were in the process of investing major amounts of time and money to achieve it, with a good expectation of success. However, there are two aspects to profitability: did the customer make a profit for the supplier, and will the customer make a profit in the future? From the management point of view, the past is history, and really only important in order to make better decisions and achieve better outcomes in future. Companies need:

- ♦ good IT and ABC (activity-based costing) systems to understand what result they achieved with a customer
- ♦ forecasting and risk assessment techniques
- ♦ financial evaluation techniques like NPV (net present value) to assess future revenue and costs, in order to compare and prioritise customers for resource allocation
- ♦ good modelling systems to understand a range of decisions and outcomes.

All of this was feasible and each element was carried out by one or more companies in the study. If suppliers put these elements in place, they could have really professional and profitable customer management, now and in the future. Considering the size of some of the customers, the stakes were too high for suppliers to continue to be amateurs in this matter. Over the last 15-20 years Buying had transformed itself into a professional Procurement function, and it was time for Sales to develop a well-informed, professional KAM function.

What strategic approaches improve key customer profitability?

Not surprisingly, strategies focused on pricing and cost reduction, both cost of sale (cost of the product/service sold) and cost to serve (cost of customer support). Between them, the suppliers I researched exhibited a range of viable and flexible pricing strategies, but any individual company confined itself to a much more limited selection. Since price negotiations with key customers were always tough, using a few more options should have been useful.

Companies needed to manage the portfolio of their key accounts as well as the individual accounts. A key account portfolio is like a share portfolio: all of them will not perform in the same way at the same time, but it is important that the portfolio overall performs as required and expected. That will mean that there must be provision for customers to enter the key account portfolio, if they have sufficient potential, and to leave it if they consistently under-perform.

Several suppliers told me that they managed their key customers as a portfolio. However, on closer examination I found that, while they might have a portfolio view of these customers, they could not operate portfolio management: there was no-one in charge of the whole portfolio, with the authority to make trade-off decisions about customers. I concluded that, if no structure or decision-making process existed, then portfolio management would not happen.

In most cases, managing key customers as a portfolio is something that companies talk about but do not actually implement. They may want to, in theory, but have not worked out how to in practice, or if they have worked out the process, they have not yet tackled the organisational and personal issues that are bound up in it. Ownership of big customers is often seen as part of an individual's power base, not to be given up to a central function if possible.

6.3 Developing knowledge

Warwick Strategic Sales and Customer Management Network

In 2005 I founded the Strategic Sales and Customer Management (SSCM) Network with Professor Nigel Piercy at Warwick Business School. In many ways, the format was the same as for the Cranfield KAM Club (see Section 4.3) and the forum worked in a similar way, but the remit was expanded to cover both KAM, i.e. management of strategic customers, and a strategic approach to sales management, i.e.

strategic management of customers. The members were also different: different companies (see Appendix C.1), and also a higher proportion of Human Resource and Learning & Development participants, which added a more organisational and individual point of view to the customer focus.

Working with 'taskforces' from the Network similar to the action research groups from the KAM Club, I developed new material on the requirements of key account managers, and the organisation to support them (see below, 'Key account manager competencies and attributes' and 'Organising for KAM').

Transitioning to KAM

In earlier projects, I described what KAM best practice looked like, rather than how companies should transform themselves from their current customer engagement and business model into fully KAM-practising organisations. This was the issue that many faced, however. Some suppliers, recently embarked on KAM, were suffering resistance at all levels in the organisation and did not have a clear idea of how to make progress, while others had reached a plateau at a later stage, but not at the level they sought. Having gained a reputation for running productive and stimulating action research groups, I assembled a group of companies keen to explore this issue and to develop constructive concepts and instruments in it. The report on 'Transitioning to key account management' (Woodburn, 2006), submitted in Appendix E.3) includes:

- ♦ solutions to common barriers to progress
- ♦ descriptions of four phases of KAM development culminating in 'best practice KAM'
- ♦ identification of three streams of activity in developing KAM: strategy and planning; organisation and culture; and processes
- ♦ detailed checklist of the actions required in each stream of activity in each phase
- ♦ audit based on the checklist to identify the KAM phase reached.

The checklist included in the report is valuable to companies as a roadmap for developing their KAM programme, and the audit helps them to align their views internally on the point they have reached. Disparate views are often an issue which is not easily resolved without some such objective, external evaluation.

Key account manager competencies and attributes

Companies frequently asked, 'Do we have the right people for the job?' but there are other questions to ask first:

1. What is KAM expected to achieve for the company?
2. What roles and tasks does that entail?
3. Which roles belong to key account managers and which to the rest of the organisation?
4. What competencies do key account managers need to fulfil their roles and tasks?

Conducting an action research project on competencies for key account managers with SSCM Network members, I produced an outline of the role of KAM as a whole, and how the role should be divided between key account managers and the rest of the company in the report 'Competencies for key account managers' (Woodburn, 2006, submitted in Appendix E.3). Having defined the role of the key account manager, the competencies needed to fulfil it were identified, which was, effectively, a person specification that companies could adapt and use. However, my analysis of the items on the 'competency' lists showed that not all the items were of the same kind: some were real 'competencies', which could be taught, and some were aspects or 'attributes' of the individual, and less easily acquired or changed: for example, *financial awareness* is a teachable competency, but *inquisitiveness* is a personal trait driven by individual values and attitudes, and courses for it do not exist. This finding implied that:

- ♦ profiling key account managers and matching them with a standard would show companies the current strengths and weaknesses of their people
- ♦ training could deal with low levels of required competencies, but low levels of required attributes would need a different approach e.g. compensating with team member strengths, adapting recruitment procedures, allocating appropriate customers.

Some companies had carried out profiling, but nothing designed for KAM was available to them, so they were using a bundle of profiling instruments for general management, sales and leadership. Apart from the waste of time and energy represented by such duplication, they were not designed for this purpose, so they did not epitomize the KAM job effectively. There was clearly a need for something specifically formulated for the key account manager position.

From the work of the taskforce; earlier research that included customers' views; and competency profiles developed by good companies implementing KAM, I developed a dedicated profiling instrument called KAMScope. The web-based questionnaire covers 17 competencies and 17 attributes at four different levels. It matches the key account manager's profile with one of four customer manager roles and identifies the type of customer that the key account manager is currently best suited to manage. It also identifies gaps between the current profile and the key account manager's aspiration, and identifies a programme of development. KAMScope generates both individual and group profiles, so that personal development plans and group development plans can be produced on a sound basis.

Performance and rewards

The first question should be, 'What does performance mean in KAM?', before considering whether to reward it and how. Companies tended to fall into two groups:

- ♦ companies focused on 'results': either sales revenue or margin
- ♦ companies focused on 'behaviour'.

Reward schemes bring conflicting attitudes together. For some companies, performance meant results, but most in the group stated that they sought changes in behaviour from their reward scheme. At the same time, however, they were ambivalent about rewarding behaviour. Rewarding results is much easier than rewarding behaviour, not least because of the view, particularly strong among senior management, that bonuses on results 'pay for themselves' because the business has already been secured, while they are uncertain that 'behaviour' will produce results. However, the work of Professor Nigel Piercy on sales management (Piercy, Cravens & Lane, 2007) suggests that better performance is indeed achieved by impacting behaviour, rather than targeting results directly.

The results-orientated companies were likely to offer large bonuses, and leave it to key account managers to decide how to get the money, while the more behaviour-orientated companies invested in management and support, and might not give any specific monetary reward. However, neither group felt that what they were doing currently was optimum, and sought a more balanced approach.

The report on 'Rewarding key account management' (Woodburn, 2008; submitted in Appendix E.3) shows how to design a reward scheme and how to assess it, and offers ideas on the implications of different combinations of performance and reward parameters. The main decisions on reward schemes are concerned with the performance to be rewarded, and the reward to be distributed, as shown in Table 7.

Table 7: Performance bases and reward types

Performance	Reward
<ul style="list-style-type: none"> ♦ Results: sales or margin ♦ Behaviour: personal input ♦ Account objectives: mix of results, activities, milestones as in account plan ♦ Business objectives: KAM group results 	<ul style="list-style-type: none"> ♦ Cash bonus ♦ Salary increase ♦ Non-financial recognition (wide range of options)

Organising for KAM

There are two sides to a company's KAM capability: the organisation and the key account managers. Having addressed 'Competencies for key account managers', the next SSCM Network action research project explored the organisation's role in KAM. The report (Woodburn, 2006; submitted in Appendix E.3) looks at organisational structures that locate KAM within an existing hierarchy, and matrix structures adapted to shorten 'structural distance' between key influence points for the customer: the supplier's Board and deliverers. It compares the advantages and disadvantages of a common compromise, which keeps the key account manager attached to a specific strategic business unit (SBU) or geography, but designates him/her as 'lead' for a cross-boundary customer.

Boundaries are a major inhibitor to realising the real value of KAM. KAM can potentially integrate and achieve synergy across the supplier's offer, to leverage a good position into a much stronger and more strategic relationship with the customer, which is much bigger, more valuable and more difficult to break. Unfortunately, boundaries are everywhere in KAM: in the customer's organisation (but rated as the least problematic); between functions inside each supplier SBU; and between supplier SBUs (most problematic).

KAM's effectiveness depends on the KAM teams that have to work across these boundaries. I identified five critical parameters of successful KAM teams:

- Leadership (the key account manager's)
- Authority (scope and decision-making)
- Recognition (from the business, and team members)
- Persistence (long-term, no fixed life)
- Objectives (shared, and aligned with the business).

The outputs include a valuable diagnostic/checklist for companies to understand the organisation they currently have and how it relates to KAM, in terms of the people involved, from key account managers themselves through different groups in the company, including the Board. It describes what nine elements of organisation would look like at four key stages of KAM:

- ♦ Change required
- ♦ Ready to change
- ♦ Transition state
- ♦ Best practice KAM.

6.4 Sharing knowledge

The second book: 'Key account management'

By 2006, when *'Key account management: The definitive guide'* was written, I had completed a substantial amount of the research projects described here, and so the material in the book was deeper than in the first book, and more extensive, addressing aspects of KAM about which little was known in 1999. It contained underlying theoretical models and plenty of practical tools and support, which were underpinned by research conducted with academic rigour, so that readers could have confidence in the material. The book was very well received and the value of the research on which it was built was recognised by reviewers.

Quote 7: On 'Key account management: The definitive guide'

'The matter-of-fact title of this book says it all – it is a carefully constructed and thought-provoking yet easy-to-read guide packed with practical advice for anyone involved in Key Account Management. ... The authors clearly know their subject and manage to combine academic rigour with a pragmatic approach to implementation, all supported with relevant yet succinct case study material.'

Keir Woolhouse, Journal of Direct, Data and Digital Marketing Practice

'Today's suppliers like to brand themselves as 'partners' with their customers, but too often their results do not support this grand self proclamation. Only with a rigorous key account management approach can suppliers really become trusted partners and enjoy the significant long term rewards this hard won status brings. This excellent book is crammed with distilled, practical wisdom and provides a clear roadmap to successful key account management.'

Matt Hobbs, IBM Global Business Services

The book addressed students of marketing, sales and management who were interested in key customers but, principally, the book was designed to offer real support to companies and their managers, whether

directors establishing a KAM programme or key account managers doing the job. It succeeded in this aim, according to the largest e-commerce solutions company in Finland, who said, 'We have found your book to be one of the best quality books within all the books that cover the subject' (Jaakko Hallavo).

Reports and articles

The action research projects in Section 6.3 were published by Cranfield and by Warwick, initially to Club or Network members, and after a period of time, to any interested party. The 'Transitioning to KAM' report has been particularly highly valued, and several companies have used it to guide them through their transformation to a KAM organisation (Astra Zeneca, and companies in property services, financial services and packaging, for example). A firm of solicitors volunteered the report was 'worth three-quarters of a million pounds to us'.

As I had more experience of developing key account managers in financial services than anyone else in the UK, the Institute of Direct Marketing asked for another article for its journal *Interactive Marketing*, on 'KAM in financial services' (Woodburn, 2004). An article on 'Implementing strategic account management' was published in the US Strategic Account Management Association's *Velocity* (Woodburn & Ryals, 2008) and, also on the subject of making the transition, I wrote 'Changing the game plan' for the journal of the Institute of Sales and Marketing Management (Ryals, Davies & Woodburn, 2009). SAMA also asked me to comment on findings for its 2008 survey 'Current trends and practices in Strategic Account Management' and then also published the material as a standalone article in *Velocity* (Woodburn, 2008).

Courses, events and consultancy

Dedicated courses were in demand by an astonishing range of organisations operating all over the world, for companies in financial services, process equipment, logistics, hi-tech, pharmaceuticals, cables, manufacturing, paper products, marine coatings, construction materials, diamonds, industrial equipment, board manufacturing, government, oil (see Appendix C.2). My programmes were rolled out across Europe, the USA and the Far East.

I worked with new kinds of organisations seeking to understand KAM as a management approach in their world. Professional services companies, like lawyers, property consultants and engineering design services, had started key account management programmes. They offered additional layers of challenge, since the key account managers had a dual role as both trained professional service deliverers, i.e. the 'product', and the manager of the customer. They were highly intelligent, vocal and not necessarily aligned with KAM. Intriguingly, perhaps, even government departments and government-linked bodies wanted KAM development for their 'client' managers.

In between dedicated programmes, I lectured on open courses at Cranfield and at the Dublin Institute of Technology. The range of events at which I was invited to speak as a KAM expert widened to include general management programmes (e.g. Network Rail, Jones Lang Lasalle), students (Warwick MBAs, Cranfield Marketing MAs), Warwick faculty engaged in research, and others such as the Professional Marketing Forum and Private Banking Forum.

Consultancy may be considered to be the most applied form of knowledge sharing, and I communicated KAM through this channel to companies through projects like the identification of key accounts, market mapping, strategic account planning, KAM competencies and leadership development for key account managers.

6.5 Personal achievement

I had achieved a balanced approach to the strategies key customers expect and the role of the relationship in facilitating them. However, suppliers were rightly anxious about the effects on profitability, so it was a natural progression to move the focus on to customer profitability. At the same time as concerns about the outcomes grew, so did concerns about how to actually put KAM into practice. Implementation seemed to be the commonest reason for failure in KAM, and creating new knowledge in these under-researched areas was very satisfying, and very welcome to practitioners.

As the KAM Club had been productive in so many ways, I created two more, similar forums. After I had been appointed an Associate Fellow of Warwick Business School in 2005, I launched and grew the Strategic Sales and Customer Management Network with Professor Nigel Piercy, and the Cranfield

Return on Marketing Investment (RoMI) Best Practice Research Club, which although less directly associated with KAM, intersected with it at several points, especially on measurement.

With the Warwick SSCM Network in place, I doubled the number of action research groups working on KAM topics and developed this approach into a powerful way of generating new insight and material. I drew on these invaluable sources of information, experience, creativity and feedback to develop new approaches in KAM. I guided the groups through exchanges that generated insights and discoveries; defined a significant task for the group, like the construction and population of a framework, checklist or audit; and propelled them towards completion of these substantial pieces of work, which would be useful to other companies. Each project added a new perspective to my understanding KAM, and that of the group members:

- ♦ transitioning from no KAM or arrested KAM to the kind of KAM that succeeds
- ♦ characterising the competencies and nature of the people who can do the key account manager's job, backed up by an instrument that highlighted the development input they will need
- ♦ what performance in KAM looks like, and how to consider and optimise the impact of rewards
- ♦ what elements of the organisation need to be adapted to make KAM successful.

Because of the breadth and depth of my expertise in KAM, I was approached more frequently by companies seeking applied knowledge and support in the form of consultancy. This role is closer to business reality and the multiplicity of issues in KAM strategy and implementation, and offers invaluable opportunities for validation of theoretical models. For example, I adapted my work on competencies for the healthcare environment of a global pharmaceutical company, which has now rolled it out Europe-wide.

As I worked deeper into KAM, more complexities appeared, but at the same time, I have achieved greater clarity and confidence on some of the major elements:

- ♦ KAM is intrinsically a boundary-crossing activity, delivering value through leveraging the whole capability of a supplier
- ♦ If KAM does not cross boundaries, it will be less valuable: it is unrealistic to set KAM big targets when it has a small remit
- ♦ Diluted KAM is unlikely to be successful and will disappear or have to relaunch
- ♦ Good KAM depends on good strategic account plans
- ♦ Key account managers are different from salespeople and need many more competencies.

Through my intense activity level and close engagement with KAM, I have achieved robust understanding, insight and resource that enable me to make a valuable contribution in most KAM circumstances, whether theory or practice are involved.

7. Conclusions

KAM is both intellectually challenging and economically important, and hence worthy of effort. It was already important to a great many companies when I started my journey, but most of them did not know it or, rather, did not recognise KAM as a distinct approach to a specific set of circumstances, and they did not know how to respond to the challenges of key customers. Now, a large number and diverse range of organisations, from manufacturing through to professional services and even government, have acknowledged the critical importance of managing their most important customers much more effectively, though some still struggle with implementation. I have made a substantial contribution to this area of knowledge, which may be viewed according to the constituencies who need it.

Supplier companies

Suppliers are potentially the principal beneficiaries of the knowledge I have developed. In spite of the major issues they face, like customer globalisation, consolidation and regulation, their customer management techniques have changed very little, in contrast with the customer side, which has introduced professional procurement practices, employed advanced analytics from powerful IT systems, and developed supply chain management approaches. My contribution to the understanding of what KAM is and how it can work could potentially revolutionise suppliers' businesses. I have:

- given suppliers deep and extensive insights into KAM and new ways of thinking about it
- developed models and concepts to help understand, communicate and gain support for KAM in the organisation
- identified the organisational issues that suppliers need to address
- developed processes, frameworks and checklists that suppliers can adopt to operationalise KAM, especially the strategic account planning process
- shown what best practice looks like to demonstrate the feasibility of KAM, and charted a pathway to it
- constructed highly effective ways of developing the principal actors, i.e. suppliers' key account managers.

I have published this knowledge in writing and taken it to 22 workshops specifically dedicated to company directors who will determine the application of KAM in their companies, plus a variety of conferences, presentations and other events.

Key account managers

The principal actors in KAM are the key account managers, though they are by no means the only ones. In most cases, their background (commonly in sales) has not fitted them for this new, demanding, high-profile role that requires a broad range of high-level skills. Arguably, the most critical part is key account strategy development, where skill levels are still generally inadequate. For key account managers, I have:

- given key account managers new insights into KAM and new ways of thinking about their role in KAM
- developed models and concepts to help key account managers to understand and communicate KAM to their teams
- developed a profiling system that identifies where individuals and groups need to upgrade their skills
- built a customer analysis and strategy development process that key account managers can use to create value for key customers
- developed tools to help them to implement KAM.

The strategic planning tools, process and plan format that I formulated have been shared with over 100 cohorts of key account managers and, through my book, many others. They have effectively become the standard, used by substantial numbers of key account managers and their teams all over the world.

Academics and students

In my research projects, both those based on survey interviews and the action research groups, I focused on what companies had actually done or tried to do. I analysed and integrated the approaches that leading

companies had taken and developed ideas through the action research projects. In some areas, I built on the work of other researchers, adding extra dimensions to existing concepts. In other areas I constructed new models, including elements of KAM which had not previously been explored in depth. For example, I:

- created more widely-applicable and descriptive nomenclature and models for key customer relationships (Millman & Wilson, 1994; Dunn & Thomas, 1994) with a simple diagnostic for classifying relationships (McDonald & Woodburn, 1999)
- added insight to the portfolio approach to key accounts (Fiocca, 1982; McDonald et al, 1996; Zolkiewski & Turnbull 2000) by identifying criteria groups for selecting key accounts that related to the outcomes, longevity and quality of the future business (Woodburn & McDonald, 2001)
- developed deeper insight into the measurement and management of customer profitability (Wilson, 1997), including the value of KAM, sources of margin pressure, pricing strategies, customer risk responses and account portfolio management (Woodburn, Holt & McDonald, 2004)
- identified four phases in a company's transition from sales to KAM and developed a structure for the actions taken to fulfil each phase in the transformation (Woodburn, 2006)
- created a model linking the role of KAM, the organisation and the key account manager and demonstrating the rationale for alignment between organisational capabilities and key account manager competency profiles (Woodburn, 2006).

These are important, specific examples of how and where I have added to existing knowledge and developed new insights, rather than the totality of my input to KAM knowledge and concepts.

I have made a substantial contribution to knowledge and ways of thinking of KAM. From my investigations into numerous aspects of real practice I have developed, and shared, a deep understanding of KAM and, building on that foundation, I have created models and concepts to describe, explain and communicate KAM. Equally valuable are the instruments and processes I developed to support decision-making and implementation, which many companies apply today in their key customer management. This continuing work has not only sound academic foundations, but also significant practical value, and because of my contribution, KAM is better understood now than it was twelve years ago, and therefore more likely to succeed.

D. J. Woodburn, July 2009

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Appendices

Appendix A. Commendations

Professor Malcolm McDonald: Cranfield University School of Management

Professor Lynette Ryals: Cranfield University School of Management

Stephen Sweeney: AstraZeneca

David Whale: BP Global Lubricants

Christopher Newman: Norwich Union

Appendix B. KAM publications

- Woodburn, D. (2009) 'Organising for key account managers', *Warwick Strategic Sales and Customer Management Network report*, Warwick Business School
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Appendix C: Companies

C.1 Members of Cranfield KAM Club and Warwick SSCM Network

Cranfield KAM Club members 1999-2008

Actavis
Addleshaw Goddard
Allied Mills
Alpharma
AMEC
ARCO
Astrazeneca UK
Atisreal Limited
Avis
AXA Insurance
BAXGlobal (Schenker)
BDO Stoy Hayward
BOC Gases
BP plc
British Nuclear Fuels
BT
Bull Information Services
Carillion Services
CGU Life Services
Corning Cables
Diamond Trading Company (De Beers)
E-ON UK (PowerGen)
ESB Independent Energy
Experian
Farnell
Halcrow
Hays Commercial Services
Hewlett Packard
IMI

IMS Health
Janssen-Cilag Limited
Johnson & Johnson
Lex Vehicle Leasing
LOGiCOM
National Car Parks
NHS Supplies
Nortel
Norwich Union
Oracle Corporation UK
Ordnance Survey
Panalpina
Pilkington Automotive
Pirelli Cables
Price Waterhouse Coopers
Rexam
Robert Bosch
Rolls Royce
Royal London Asset Management
RS Components
Saudi Arabian Airlines
SCA Hygiene
Schering-Plough
SunChemical
Thorn Lighting
UPM – Kymmene
Whatman International
William M Mercer
Yellow Pages

Warwick SSCM Network members 2005-2008

Acco
Alcatel
Amcor Flexibles
AT&T
BEPET (British Energy)
BP Lubricants
CIPFA/IPF
E.ON
Earth Tech
EMC
Janssen-Cilag
Microsoft
Morgan Cole
Motorola
Oracle
Shoosmiths
Standard Life
Tarmac
University of Surrey

C.2. Clients for KAM programmes and projects

Client companies

3M Electronics	Key Industrial Equipment
Abbey National	Liverpool Victoria
Addleshaw Goddard	Lundbeck
Adtranz (Daimler Chrysler)	Network Rail
Alpharma	Norbord
American Express	Norwich Union
Atisreal	Panalpina
AXA	Pilkington Automotive
BAX Global	PM Group
Cap Gemini	RAC
Chevron Texaco	SAB Miller
CODA	Saudia Airlines
Diamond Trading Company (De Beers)	SCA
DIT	Scottish Widows
ECITB (Engineering Construction Industry Training Board)	Sidel
EMC	SigmaKalon/PPG Industries
Ernst & Young	Standard Life
Faber Maunsell	Tarmac
Halcrow	Terex/Caliper
Hays	Tetra Pak
HBOS	Tribunals Service
IMI	Unipart Logistics
IMS Health	Volex Europe
Janssen-Cilag	Zenopa
Johnson & Johnson	Zurich

Client sectors

Consultancy	Infrastructure/construction
Consumer goods	Logistics
Distribution	Manufacturing
Financial services	Oil
Government/Not for profit	Packaging
Healthcare/pharmaceuticals	Professional services
Hi-tech/Software	Other services

C.3. Research participants

Participants in formal qualitative research studies*

American Express	Janssen-Cilag
BNFL	Littlewoods Retail
Brunel Holdings	National Australia Bank
Cable & Wireless	National Magazine Company Ltd
Cadbury Schweppes	NHS Supplies
Carlson Wagonlit	Nortel Networks
Citibank	Nycomed Amersham
Compel	Pilkington Automotive
DHL Worldwide	Reebok UK
Ford Motor Company	Robert Bosch Ltd
Halfords Ltd	UPM-Kymmene
ICL Fujitsu	Xerox

* Excluding 37 major companies participating in the first quantitative study, which were given anonymity

Participants in special interest practitioner workgroups

Actavis	Experian
Addleshaw Goddard	Halcrow
Alcatel	Hewlett Packard
Allied Mills	IMI
Amec	Janssen-Cilag
AstraZeneca	Logicom
Atisreal	Microsoft
Avis Europe	Morgan Cole
AXA Corporate Solutions	Norwich Union
BAX Global	Oracle
BDO Stoy Hayward	Panalpina
BEPET	Pilkington Automotive
BOC Gases	Royal London Asset Management
BP	Shoosmiths
Earth Tech	Standard Life
ESBIE	Tarmac

Appendix D: Co-authorship

Originals of letters from named co-authors confirming the information below were submitted to and accepted by the University of Glamorgan as a condition of registration.

KAM publications	Produced by Diana Woodburn
McDonald, M., & Woodburn, D. (2006) <i>'Key Account Management: The Definitive Guide'</i> , Butterworth-Heinemann, Oxford	67% of words: Chapters 2, 3, 4, 9, 10, 11
Woodburn, D., Holt, S. & McDonald, M. (2004) 'Key Customer Profitability - Making money in strategic customer partnerships', <i>Cranfield School of Management Research Report</i> , Cranfield University.	All except literature review: 72% of words; 90%+ of project time, 15 of 18 interviews
Woodburn, D., & McDonald, M. (2001) 'Key Customers. World-leading Key Account Management: Identification and Development of Strategic Relationships', <i>Cranfield School of Management Research Report</i> , Cranfield University.	100%
McDonald, M., Rogers, B., and Woodburn, D. (2000) Key Customers: How to Manage Them Profitably, <i>Butterworth-Heinemann</i> , Oxford	33% of words: Chapters 3, 4, 10 & 11
McDonald, M. & Woodburn, D. (2000) 'Key Account Management: The Cutting Edge of Business-to-Business Customer Development', <i>Customer Loyalty Magazine</i> .	100%
McDonald, M. & Woodburn, D. (1999) "Key account management: Building on supplier and customer perspectives", <i>Financial Times Prentice Hall</i> .	100%

Part 3: Portfolio of work

Titles highlighted in blue included, others available as a complete submission in hard copy from the University of Glamorgan library or the British Library. Individual books and reports may be obtained from business booksellers or the publishers.

Research reports

McDonald, M. & Woodburn, D. (1999) 'Key account management: Building on supplier and customer perspectives', *Financial Times Prentice Hall*.

Woodburn, D., & McDonald, M. (2001) 'Key Customers. World-leading Key Account Management: Identification and Development of Strategic Relationships', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D., Holt, S. & McDonald, M. (2004) 'Key Customer Profitability - Making money in strategic customer partnerships', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2006) 'Transitioning to key account management', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2006) 'Competencies for key account managers', *Warwick Strategic Sales and Customer Management Network report*, Warwick Business School

Woodburn, D. (2008) 'Rewarding key account management', *Cranfield School of Management Research Report*, Cranfield University.

Woodburn, D. (2009) 'Organising for key account managers', *Warwick Strategic Sales and Customer Management Network report*, Warwick Business School

Articles

Woodburn, D. (2002) 'Customer relationship management: Hard lessons learned in B2B pose tough questions for B2C', *Interactive Marketing*, vol 4 number 1, July, Institute of Direct Marketing

Woodburn, D. (2004) 'Key account management in financial services: Poised between desire and fulfilment', *Interactive Marketing*, vol 6 number 1, July/September, Institute of Direct Marketing

Woodburn, D. (2008) 'Critical aspects of strategic account management: account selection and alignment', *Velocity*, vol 10, no. 4, 4th Quarter, pp. 16-19.

Woodburn, D. & Ryals, L. (2008) 'Implementing strategic account management', *Velocity*, vol 10, no. 3, 3rd Quarter, pp. 20-23.

Ryals, L., Davies, I. & Woodburn, D. (2009) 'Changing the game plan' *Winning Edge*, June, pp. 28-31, Institute of Sales and Marketing Management

Books

McDonald, M., Rogers, B. & Woodburn, D. (2000) 'Key Customers: How to Manage Them Profitably', *Butterworth-Heinemann, Oxford*

McDonald, M. & Woodburn, D. (2006) 'Key Account Management – The definitive guide', *Butterworth Heinemann*