

KEY ACCOUNT MANAGEMENT

A “must consider” for Leaders focused on growth and transformation

A white Paper – Revised October 2014

How to be more competitive?

If they refuse to fall in a potentially lethal routine, leaders of companies of all size should frequently, if not constantly, have a couple of questions in mind. How can we drive constant improvement in order to beat competition? How to be more focused on our best customers? How to accelerate profitable growth? How to be more resilient to crisis? Of course there is no one single answer to these questions. However, for companies with a fair degree of maturity, one topic is worth considering: Key Account Management (Key) and its international flavor, Global Account Management (GAM).

A 2008 Survey from the Sankt Gallen University polled 560 European companies that all use a formal concept of Key Account. *The results showed that on average running a KAM program in a sustained way accelerates growth by over 25%.* The Top 15% performers believed the boost factor to be over 50%.

In this white paper, intended for CEOs, COOs and Sales & Marketing executives, we expose what KAM is really about, how to evaluate the opportunity for a company, how to get started and what it means for the whole company.

Defining Key Accounts and Key Account Management

Many companies name all clients of a significant size Key Accounts and give a title of Key Account Manager to the sales rep in charge of such clients. This might flatter the ego of a few sales reps but unfortunately has a lot of perverse effects as it encourages collective blindness on the true value of each customer. Let's look at a definition of Key Accounts that really mobilize the company to create more Value.

A true Key Account is a customer of a special importance to a Supplier because it combines the following parameters;

- It operates in an area of high strategic importance to the Supplier and plays a special role in its industry segment(s).
- It has requirements in terms of offering and business relationship that go beyond the standard Value Proposition delivered to most Clients.
- It is willing to develop a tight relationship with the Key Supplier, implying a commitment on both sides.

A Large Account is not automatically a Key Account and a Key Account is not necessarily a Large Account

With this definition, a Key Account is a customer that – on purpose or not – helps a Supplier implement its strategy. An important consequence of this definition is that a

Large Account is not automatically a Key Account and a Key Account is not necessarily a Large Account.

Key Account Management and Global Account Management (GAM), its international flavour, are encountered in all industries: Automotive (all key – or Tier 1 – suppliers have a portfolio of a few Key/Global Accounts), Machinery (Caterpillar), Tooling (Hilti), Heavy Equipments (GE, ABB, Schneider Electric), Enterprise Software (IBM, SAP, Microsoft), Hospitality (Marriott International), Catering (Sodexo), Advertising (Publicis), Public Relations (all major agencies), and so on. Worth noting is that *KAM or GAM is also very relevant to medium-size and even to small companies with a complex business*. International SMBs who implement a well-designed KAM or GAM initiative buy themselves a true competitive advantage against their more conservative competitors.

Implementing KAM company-wide means creating the organisational alignment and developing specific processes and behaviours that enable the development of tighter relationships with strategic customers. The goal is to create more Value both for them and for the Supplier.

A strategic choice that goes way beyond sales management

Starting a Key or Global Account Management initiative is not a pure sales management matter, it is a general management one. Therefore, it is a truly strategic decision.

Key Account Management is a powerful instrument to support and boost the implementation of the Strategy. Most often, KAM is linked to a segment-focused (or application-focused) approach and to the strong will to become a more customer-centric organisation.

Starting a KAM initiative is not a sales management decision, it is a general management and strategic one.

Implementing (true) KAM helps an organisation become more agile and sharper at exploring their customer's business, gathering and leveraging economic intelligence; defining one or several differentiating Value Propositions and delivering on them. KAM also fosters the capacity to drive innovation and collaboration within and outside the organisational boundaries.

It is important to recognize that the strategy with each particular Key Account can be offensive, defensive or even both. For example, an offensive purpose will be to conquer new ground in an emerging geographic or application area. A defensive purpose might be to block a competitor on a specific strategic customer, or to protect a market share in a growing or shrinking market segment. Last but not least, although Key Accounts Management is most often associated to a long-term relationship, the concept and methodology of KAM can be applied to short-term but intensive strategic projects.

Segmenting the Client base and defining the scope of KAM

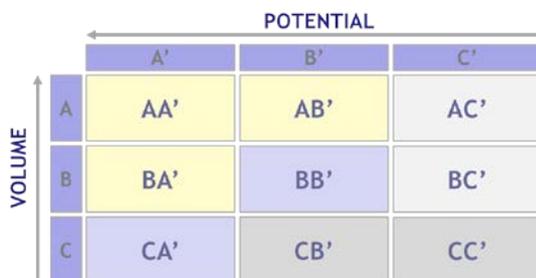
Starting a KAM initiative should not rely on a one-step decision-making process. It requires some focused analytical work as well as a deep thinking on the company's goals and strategy. The right approach is to look at facts, consider where KAM would be relevant, assess the opportunity and then make a Go/No Go decision.

The first step is to consider the overall strategy and the marketing strategy: What are the strategic goals? What are the *Key Target Segments* and, for each of them, what is the standard Value Proposition and how should it evolve in the future?

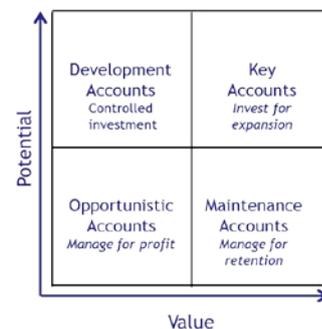
The second step is to carry a thorough analysis of the customer base and create Customer *Segmentation*... For the purpose of KAM, what matters is to analyse a complete Customer Portfolio taking into account not only the volume of business but also the strategic impact of each customer. Of course, defining Potential and Strategic Value can lead to the evaluation of various methods and even to a vivid debate.

A quite popular technique to analyse a whole Customer Portfolio is the double ABC Matrix. Customers are ranked vertically based on volume and horizontally based on potential (however this term is defined). One obtains 9 cells in which to position all customers. Then, the level of focus and intensity of engagement is to be adapted to the position of customers in the Matrix. Although the ABC Matrix can accommodate all Accounts, the selection of potential Key Accounts must be made by segment

Double ABC Matrix



Key Account Selection Matrix



Quite often, the double ABC matrix identifies a high number of potential Key Accounts. In that case a more selective approach is required and another popular method is to regroup the best candidate Key Accounts in a matrix with four quadrants. The horizontal axis represents the Value of the Account in the Supplier's eyes and the vertical axis represents the Potential (once again many variations of these definitions are possible and must be thoroughly debated). Candidate Accounts are then positioned in one of the four quadrants: True Key Accounts (top corner right in the illustration), key development accounts (top corner left), maintenance accounts (lower right) and opportunistic accounts (or "manage for profit").

Although the base principles remain the same, the selection criteria for true Key Accounts are strongly dependent on the Supplier's activity, on the structure of the

Clients portfolio and of course upon the strategy. A first company might have hundreds or even thousands of clients across many application segments and tens of competitors. This is the case of highly diversified industrial companies who have to be very selective on the definition of true Key Accounts. Another industrial company might have only a few national or global clients as well as few competitors. The Tier 1 subcontractors in the automotive industry or companies selling mostly to large retailers are typical examples. In that case, a few true Key Accounts contribute to a high proportion of the whole business. A third company might offer services to global companies and focus most of its activities on a small number of strategic global clients. These 3 types of companies will have a different way to define Large and Key Accounts and to evaluate Value and the Strategic Potential. Despite these differences, a common ground exists. It consists in the necessity to *build a clear picture of the strategic value of each Customer* and identifying where a special effort on carefully selected Key or Global Accounts will bring special benefits.

The benefit of the customers portfolio analysis and segmentation goes well beyond the theme of KAM. It helps the company become sharper at managing its overall customer's base with a clear definition, assessment and ranking of the economic and of the strategic value of each customer.

Eventually, a number of candidate Key Accounts is identified. They must be assessed one-by-one and then a decision must be made on whether or not to start a KAM program and on which perimeter. This process requires an adequate methodology.

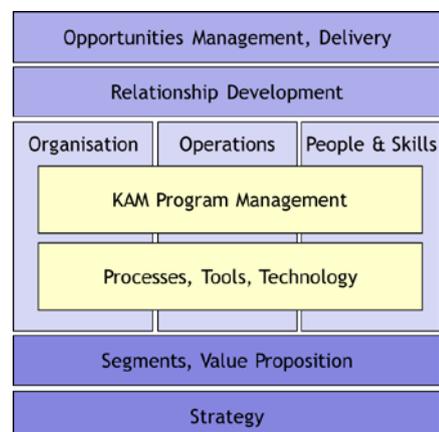
Defining an adequate KAM methodology

A modern KAM methodology takes into account the company's strategy and is built on 3 pillars: the organisational setup, the management of operations management and the development of adequate people and skills and behaviour. Some practitioners and consultants consider the people and skills aspects as embedded into the organisational and operational ones. From the experience, we consider it as essential to handle the people and skills dimension as a specific one. This allows a better treatment of the encountered challenges therefore increasing the chances of success

On the **organisational side**, the KAM methodology aims at creating the organisational setup, processes and tools necessary to support the selection of and operations with Key Accounts. The key elements are as follows;

- Organisation definition
- Organisational alignment and shared KAM-related goal setting
- Resources allocation, monitoring, controlling
- KAM Program management infrastructure

KAM Reloaded™ Methodology



On the **operational side**, the KAM methodology provides the tools to assess select and engage Key Accounts. The key elements are;

- Processes and tools for assessment of candidate Key Accounts
- Building and management of Key Account Teams
- Processes and tools to create and implement Key Account Plans
- Networking and Business Development with the Key Account
- Delivery Management
- Measurement of progress and results

On the **people and skills** side the KAM methodology provides the content (training) and development tools (coaching, mentoring) to develop and maintain the knowledge and behaviours necessary to a good implementation of KAM. The key elements are;

- KAM training for Key Account Managers and their teams
- KAM training for supporting functions
- Specific training and coaching on networking, collaboration, ...
- Skills and knowledge management
- Development of specific cultural features

The crucial role of the KAM Program Director

It is highly recommended to appoint a *KAM Program Head* or Director, if not a Key Accounts Director. This person is in charge of coordinating the building of the organisational infrastructure and of supporting (or even leading) the Key Account Managers and their teams. This is a demanding role that ideally should be filled by a seasoned senior manager or by a high potential person mentored by an Executive.

If not a senior manager or executive him/herself, the KAM Program Head reports to a member of the Leadership Team, for examples the Sales Director, Marketing Director or Client Service Director. However, even when not reporting to the CEO, which is the most frequent case, the KAM Program Head must take a position that is as neutral as possible towards all the key functions. This is one of the main challenges of such a position.

Some companies make the choice of appointing a Key Accounts Director – An executive in charge of all Key Accounts - early in the process of their KAM initiative. This has a lot of advantages as long as this person has a true boundary-spanning skills set. Having a deep understanding of how to globally manage Customers Relationship is a key pre-requisite for this role Experience shows that people who have done their career only in sales are not necessarily the best Key Accounts Program Director.

Other companies, usually large ones, treat KAM – or KAM Program Management - as a support function. For example, a Headquarters-based Performance or Methodology team owns the KAM methodology and supports the Key Account Managers and their team. Although this seems a logical choice at once, this setup almost always raises a challenge of credibility and legitimacy. KAM is in fact a very complex topic that requires the ability to build and maintain a dialogue with all functions and at all

hierarchical level. Very few people in a methodology-focused team are able to do this, especially without a high degree of seniority.

The Survey already mentioned at the beginning of this document, showed that *the best performing companies on KAM massively (over 75%) rely on a KAM Program Head* or even on a full team.

The need for a clear support from the Leadership Team

Starting a KAM initiative means introducing new ways to work. It also redefines the boundaries between functions and almost always requires new forms of collaboration. This almost automatically generates fear and resistance. Some managers and sales persons fear a loss of control on what they consider as “their” business. There is also a legitimate concern to burn precious resources, investing time from the best people and possibly capital as well, with no warranty of return. These fears must be taken very seriously by the Leadership Team.

First, the strategic goals of KAM must be communicated very well and all the Leadership Team must be behind the initiative and avoid lip service. KAM requires cross-organisations alignment and this must be reflected by shared goals. KAM offers a great opportunity to drive the leaders of business units or divisions to think beyond the boundaries of their own organisation.

Second, most (if not all) members of the Executive Team should be the sponsor of one or several Key Accounts. This means that, without replacing the Key Account Manager, who owns the Account, the Executive sponsor is involved into the relationship to show the attention paid by the Supplier to each Key Account.

Third, the progress of the KAM program should be reviewed regularly at Executive level, preferably in a steering committee organized by the KAM Program Head.

A clear and unequivocal support from the Executive Team is recognized by all practitioners as a key element to the success of KAM.

Business Intelligence as the foundation of Key Account Plans

The engagement with a Key Account must be based on a strong Key Account Plan. The preliminary step is of course to create the Key Account team: Appoint a Key Account Manager, identify the members of the core (regular) and extended (sporadic) team members. The KAM Program Head, possibly supported by HR, has to lead this process. Training and coaching must be planned.

Before writing a plan, *it is crucial to focus on gathering true business intelligence on the Key Account*. The team must strive to do more than gathering the “usual data”: sales history and some figures from controlling. It is important to look for the insight of as many people in the company as possible and also to look for valuable data in the outside world. The point is not to conduct an endless search but to build a better and multi-faceted picture of the Key Account’s business. Especially important is the identification of pain points on which the Supplier can or could offer a solution.

A KAM initiative and the exploration of what drives each Key Accounts is very well complemented and supported by a practice of *Listening to the Voice of the Customer*.

If such a practice already exists, it must be embedded into the KAM program. If it doesn't exist, it is an appropriate moment to get it started.

The Key Account plan should be written only after completing the in-depth analysis. This sounds obvious but the reality shows that, too often, the Key Account team rushes to the writing of a plan without investing enough time and energy into the analysis.



A good Key Account Plan is not a long document and clearly articulates;

- The strategic goal with the account
- The status of the relationship and the plan to develop it
- The deep knowledge of the Key Account needs and pains
- The portfolio of opportunities and how to manage them
- Relevant information on resources and delivery (varies a lot with the context)
- A dashboard that covers all dimensions of the engagement (not only revenue figures)

How Key Account Plans are written and communicated plays a big role in the success of the engagement.

Implementation: don't rush things and pace yourself

Establishing a KAM program and making it fly and create value for the company takes time: seasoned practitioners recognize that this is at least a 3 years process. In fact *implementing KAM is a true Business Transformation* and fits very well in a broader corporate strategic initiative aiming at transforming the business and the culture. Driving this change is like running a marathon, not a sprint. It is therefore very important to avoid rushing things.

A general recommendation is to start with a pilot, selecting a few Key Accounts – may be 2 or 3 - and building the infrastructure, processes and teams to engage them. This allows acquiring experience while controlling carefully the amount of investment. If properly driven, after 6 months to a year the pilot should provide enough learning to allow for a gradual expansion of the KAM initiative.

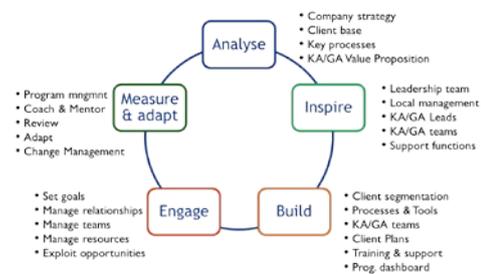
Another very important point is to avoid making radical changes to the organisation upfront. More than on a given organisational setup, the success in KAM depends from the combination of adequate processes and collective behaviour. Therefore, you don't need to make a big change to the organisation to get started on KAM. As your KAM pilot develops, you should look at potential synergies between KAM and other on-going initiatives that foster collaboration and alignment.

Monitor, share best practice, measure, reward

Driving operations with Key Accounts takes time and time from the best people. In addition, developing a specific Value Proposition, which is a key goal of true KAM, also means investing capital and know-how. Therefore, it is very important to *put the right controlling tools in place* to measure the investment and the return. In addition, the return might not be only measured by extra revenue and margin. It might also have a less quantifiable dimension related to the learning on an industry-segment or a given application. Running KAMs also requires a lot of efforts and initiatives from the people involved, and not only in sales. It is therefore important to recognize and reward the efforts and the success. As a consequence, implementing KAM usually leads to a refinement of tools used for goal setting, measurement and controlling. It is worth defining a score card able to capture all dimensions of the expected return.

Analyse, Inspire, Build, Engage, Measure

The 2008 Sankt Gallen Survey highlighted that the quality of the monitoring and measurement tools as well as the capacity to identify and share best practice are critical success factors of KAM.



Driving KAM is about people and culture, get HR on board

Creating the organisational infrastructure for KAM and assessing, selecting and engaging Key Accounts demands and fosters collaboration. *Success comes from the combination of collective intelligence and personal initiatives.* Therefore KAM must be driven by people who have the capacity and talent to build trust and develop collaboration. HR and its Learning & Development arm have an important role to play. Also, identifying the right persons for the key roles, Key Account Program Head and Key Account Managers can be a true challenge. It is HR's role to help find and/or develop the required skills.

Both as an Executive in charge of Key Accounts and as a consultant, our (it is always a team work) best success have always been obtained by working hand-in-hand with HR (or in really small companies with no dedicated HR resources, focusing on the people development side).

The positive impact of KAM on an organisation

Of course, starting *KAM* requires a certain maturity of the organisation and of its Executive Team but it also *helps the organisation mature faster.* Properly implemented a well-designed KAM initiative has a multidimensional positive impact on a company. The most usual benefits are as follows;

- Help execute on the strategy and accelerate growth

- Develop a culture of alignment, collaboration and transparency
- Foster the sharing of best practice
- Strengthen customer-orientation
- Sharpen the capacity to build and deliver a Value Proposition
- Create new career path and make the organisation more attractive to talents

Ready, Set, Go!

Company owners and Executives who want to make their business stronger by combining human factors with efficient and modern business practice, should take a deep look at what KAM could do for them.

KAM is a true strategic opportunity as long as one is committed to driving the execution with energy and determination over time. The example of many companies of all size demonstrates that it is worth the effort.

Starting KAM is a significant effort but there are efficient ways to do it in a pragmatic incremental way, complementing other measures aiming at strengthening the organisation.

As stated by the Sankt Gallen Survey already mentioned several times; *"In the next years, KAM will become one of the most important way to achieve a competitive advantage"*

About the author

Dr. Olivier Riviere is a consultant and interim manager with over 25 years international experience in diverse sectors such as Information Technology, Semiconductors, Enterprise Software, and Marketing & Communications. His career path holding senior management and executive positions in several global SMBs from various countries of origin with clients across numerous industry segments has given him a rich and highly diverse experience that he leverages as a consultant.

Founder of two consultancies, creator of the KAM Reloaded™ methodology, he is a recognized expert of Key/Global Account Management, Prescriptive Selling, Sales Efficiency, Cultural Change, Company Identity and Business Transformation. Trilingual, he lives in Munich - Germany, and Paris - France and operates across Europe and worldwide. He is also a teacher, speaker and writer.

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