Strategic Account Management Programs: Identifying Design Elements and Best Practices

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Abstract

Taking the strategic account management practices as the unit of analysis, the paper characterizes the design elements of strategic account management programs, and identifies commonalities across effective firms. A strategic account management program is defined as a relational capability, involving task-dedicated actors, who allocate resources of the firm and its strategically most important customers, through management practices that aim at inter- and intra-organizational alignment, in order to improve account performance, and ultimately shareholder value creation. The research identified four inter-organizational alignment design elements: account portfolio definition, account business planning, account-specific value proposition, account management process; and four intra-organizational design elements: organizational integration, support capabilities, account performance management, account team profile and skills. Additionally, twenty four best practices were identified.

Introduction

This paper is built on the premises that an under-investigated source of firm performance heterogeneity is the firm's ability to identify and manage customer relationships that contribute, or could contribute significantly (or critically) to the achievement of corporate objectives, present or future (Burnett, 1992), or who are pivotal to success in a market (Abratt and Kelly, 2002).

Strategic account management focuses on co-creation of value (Vargo and Lusch, 2008) and is both "inside-out", i.e. implements strategy in order to achieve agreed corporate goals, and "outside-in", i.e. identifies business and renewal opportunities by deeply understanding the customer's value-creating process, and influences the firm's strategic process (Gosselin and Heene, 2003). According to Homburg, Workman and Jensen (2002) strategic account management programs include 'special activities … such as pricing, products, services, distribution, and information sharing' and that they involve 'in addition to marketing and sales, functional groups such as manufacturing, research and development, and finance' (p. 40-42). Strategic account management is, hence, a boundary spanning (McDonald, Millman and Rogers, 1997; Singh and Rhoads, 1991) management practice, spanning boundaries between the firm and the selected customers, between different functional groups and hierarchical levels within the firm and the customer's organization, and often between geographical areas (and, thus, cultures).

The key ingredients of the work done in strategic account management relates to the inter- and intra-organizational alignment (Guesalaga and Johnston, 2010) of all the above dimensions in such a way that the performance of the account, i.e. value creation and value capture, is improved. Strategic account management can strive to influence this by changing different elements of the firm's business model and/or improving the interconnectedness of firm and customer business models.

Homburg *et al.* (2002) have suggested a configurational approach to key account management. A particularly important aspect of a configuration is to create harmony,

consonance, or fit between the elements of the configuration (Normann, 2001; Meyer, Tsui, and Hinings, 1993; Miller, 1996). According to Meyer *et al.* (1993) configurations are constellations of design elements that commonly occur together because their interdependence makes them fall into patterns. Miller (1996, p. 509) suggests that configuration "can be defined as the degree to which an organization's elements are orchestrated and connected by a single theme". Miller suggests that typical themes could be "innovation" or "efficiency". We argue that "strategic account management" could be a theme, around which a pattern or program can be orchestrated (Hui Shi, Zou and Cavusgil, 2004).

Strategic account management can be viewed as a firm's dynamic relational capability (Eisenhardt and Martin, 2000) for market/customer-sensing and customer-linking (Day, 1994). Eisenhardt and Martin (2000) argue that dynamic capabilities exhibit commonalities across effective firms that can be termed "best practices". This opens up questions regarding the opportunities for firms to design effective strategic account management programs (or configurations), by applying best practices.

Building on this, the objectives of the paper is to (1) *define and characterize the design elements of strategic account management programs,* and (2) *identify commonalities of strategic account management practices (best practices) across effective firms*.

Research Process

The research discussed in this paper was carried out in the Netherlands between September 2007 and April 2008, and involved a group of five sales management experts, as well as a group of nine multi-national firms headquartered in Belgium, Finland, Germany, Netherlands, and the United States, operating in different industries: management consulting, textiles, consumer electronics, elevators and escalators, office furniture, insurance, document handling, engineering, and training. The sales management experts were identified by the participating firms. All of them had more than 15 years of experience related to sales and account management. Two of them were management consultants specialized in sales strategy and management, one was an executive education specialist, and two were experienced executives who has organized and managed account management programs.

The research process consisted of three phases: (1) the *design elements* phase, aimed at identifying possible design elements and creating a first version of a framework of strategic account management programs (2) the *best practices* phase, aimed at investigating different management practices, or sets of practices for each design element that could be viewed as best practices, and (3) the *interpretation* phase with the aim to finalize the framework and present a set of best practices for each identified design element.

Between the phases we conducted two full-day research workshops with 2-3 representatives from each participating case firm. In the workshops the results of each phase were discussed with the firm representatives and initial results were refined according the comments. This process of member checks increased trustworthiness of our results (Wallendorf and Belk 1989; Lincoln and Cuba 1985). During the workshop, the researchers documented the discussions, and collected written feedback and firm-specific examples of account management practices.

The Design Elements of a Strategic Account Management Program

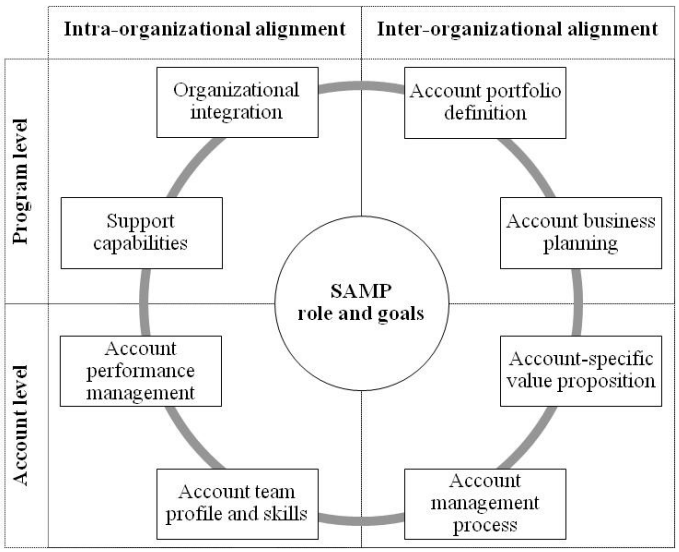
In this paper, a strategic account management program (SAMP) is defined as *a relational capability, involving task-dedicated actors, who allocate resources of the firm and its strategically most important customers, through management practices that aim at inter- and intra-organizational alignment, in order to improve account performance (and ultimately shareholder value creation).*

Based on the research process it is suggested that a SAMP consists of four inter-organizational alignment design elements: account portfolio definition, account business planning, account-specific value proposition, account management process; and of four intra-organizational design elements: organizational integration, support capabilities, account performance management, account team profile and skills. A central finding was that strategic account managers are involved in relational processes with the customers in which they try to influence customer's resource allocations. This is often referred to as "impact without authority" – the tools used are the account plan, the value proposition and the meeting structures defined by the account management process.

The elements in Figure 1 are grouped in a two-by-two matrix created by the intra- and inter-organizational alignment and two levels of analysis: the program level and the individual account level. The program level refers to management practices that are common to all accounts: the selection of the correct portfolio of accounts is a firm level issue, the program defines the account planning procedures, creates support capabilities and secures the support of the whole organization to the account. The account level refers to issues that are account specific: each account has its own value proposition, its specific relationship process, its account team and its performance outcomes.

All elements are organized on a circle around the raison d'être of the SAMP (roles and goals), in order to illustrate that all elements have to echo this meaning, and to highlight the interconnectedness and configurational fit between all elements: change of one element may require change of several others.

Figure 1: Design elements of a strategic account management program



Goals that can be achieved with a SAMP are growth, improved profitability, reduced risk due to asset and information sharing, reduced risk due to volume commitments, reduced risk due to joint planning for future, trust and interdependence, reduced risk due to increased dependency by customer , cost savings due to reduced production costs, reduced transaction costs due to better information, reduced uncertainty and routinized transactions, consistency leading to better fit which ultimately leads to increased efficiency and effectiveness, and facilitation of introduction of new products and services due to increased trust (Ellram, 1991; Harvey *et al.,* 2003; McDonald, 2000; Senn, 2006).

Commonalities across Program Configurations: Best Practices

Based on the research, we identified twenty four commonalities or best practices of strategic account management configurations (Table 1). These commonalities were a result of the dialogue with the participating firms. The content is defined as "guiding principles", rather than literal descriptions, as details will vary among firm applications.

Table 1: Commonalities across strategic account management programs

SAMP element	Commonalities across configurations
Account portfolio definition	- Selection criteria, aligned to the SAMP role and goals are defined and communicated. - There is a yearly process for selecting and de-selecting strategic accounts. - Selections are decided by the executive committee.
Account business planning	- Account business planning is integrated with the firm's yearly strategic planning process. - Account plans focus on recognizing future value creation opportunities, designing action plans for improved account performance. - Account planning is done in cooperation with the customer.
Account specific value proposition	- There is a differentiated value proposition defined for the strategic accounts. - The offering is defined in conjunction with operations in order to secure earnings logic. - The offering is configured of standardized modules, and pricing logic is defined
Account management process	- A generic encounter process for strategic accounts is defined, that balances the need to match customer and firm business model elements, and the need to build personal relationships between different functions and hierarchy levels. - A knowledge management process is defined for generating and dissemination customer insight - The sales process is used to monitor progress of the account business plan.
Organizational integration	- The roles and responsibilities of account managers, team members and functional/regional management are clearly defined. - The SAMP is represented in the executive committee. - There is an escalation mechanism defined to ensure operational resource prioritization to strategic accounts when needed.
Support capabilities	- Business intelligence is fed into the account planning process. - There is IT support for the knowledge management needs of the SAMP. - The roles of administrative support functions (finance and legal) are defined.
Account performance management	- Value capture is measured using both retrospective and prospective measures. - Value creation to customers is quantified and communicated on a regular basis. - There is a reporting system for account performance follow-up.
Account team profile and skills	- Qualification criteria (skills) for the strategic account team are defined. - There is a specific development program defined for strategic accounts. - Account managers and account team member have their own remuneration system.

Equifinality and the Interdependence of Design Elements

Homburg *et al.* (2002) report that several approaches to strategic account management are equally successful. This supports the argument often discussed in the configurational approach (Meyer *et al.,* 1993; Miller, 1996), i.e. the idea of equifinality. Equifinality implies that different types of configurations are possible as long as they are configured in such a way that there is internal fit or congruence between the elements. The SAMP elements discussed in the paper will be present in all configurations of programs; elements will interact, be reinforcing and independent; but they will be configured differently in different contexts.

Based on the research process some elements can be said to be critical or framing elements. The first element – that has been already defined and depicted as framing – is the SAMP role and goals. The issue that will frame a firm's ability to improve account performance the most is the level of coreness, i.e. how core or peripheral is the SAMP for the firm – in relation to its strategy and corporate goals. If the SAMP is peripheral it means that the account team will not get access to the resources that need to be invested in the account in order to improve performance. The simplest way to approach this is to ask why a firm would start a SAMP. Boles, Johnston and Gardner (1999) identified many different reasons: increase market share, change in business strategy, allow increased product/service customization, ensure better customer relationships, market place pressures, becoming more attractive to large clients, and a general category including issues like gaining a competitive advantage, providing increased customer satisfaction. Many of the reasons are likely to frame the SAMP in a favorable way.

Secondly, the definition of the account portfolio will determine the future of the program. Success in selecting customers with a strategic fit, in terms of willingness to build collaborative relationships, will frame much of the other elements: the planning, definition of value proposition, the account management process, account team profile, and organizational integration. Selecting accounts is certainly one of the key drivers of demand heterogeneity and will, hence, influence firm performance heterogeneity. Viewing customers as assets implies that also strategic customers should be divided into portfolios. In the light of the customer portfolios presented in Storbacka (2004, 2006), it seems evident that a firm wishing to maximize shareholder value creation should not manage strategic accounts as one homogeneous group.

The third framing element is the value proposition. A value proposition defines both the work division and the earnings logic of the account, and will, hence, drive the ability to improve the performance. At its best the value proposition can be used to decrease demand heterogeneity. In high velocity environments demand heterogeneity is usually higher, as there is no "dominant design". By collaborating in research and development with strategically important customers a firm can create preference overlap or preference symmetry that evolves into a dominant design that decreases demand heterogeneity, and helps the firm to position itself in the market (Adner, 2002).

Finally, it can be argued that the organizational integration will be a framing condition. Homburg *et al.* (2000) argue that the dimensions of organization are structure, coordination, culture and power. Defining these dimensions from a SAMP point of view will eventually determine the program's ability to execute its role and goals.

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