

Senior management involvement with key customers: 7 cases

From interviews, by Victor Wullink

How can you use these cases? If you have a concern about top management (TM) involvement with key customers in your company, whether you are a director or key account manager, it can be useful to get together a group of relevant colleagues and, using these examples, talk through what you would like to see in your organisation and what might enable you to achieve it. It is often easier to discuss what you all think about what other companies are doing, in order to find a way to express and determine the approach you want in your own company. Are you all agreed? Do you have very different views? Can they be aligned? How?

You might pose these questions to your group or ask some of your own - these are just some examples of how you might kick off your discussion.

- How does the way KAM operates in the company (KAM embeddedness) affect the nature and degree of top management involvement?
- Do key account managers want top managers involved with key accounts? Why/why not?
- What examples are there of positive top management involvement?
- What examples are there of negative top management involvement? In what way are they negative?
- Which is the best example of that top management involvement? Is that what we want in our company?
- Which of these cases sounds most like the situation in our organisation? In what way?

The cases are presented in terms of:

KAM embeddedness/structure: how key account management is positioned in the firm.

Direct TM involvement: what kind of intentional top management involvement is happening?

Indirect TM involvement: what other top management involvement occurs?

Involvement antecedents: what is driving the level of Top Management involvement observed?

A: Family-owned business, manufacturing/retail, 1000 employees

No of interviews: 3 (CEO with 20+ years management experience; Sales Director with 15+ years sales experience; Key Account Manager with +15 years sales experience) + 3 employees

KAM embeddedness

The sales function is dispersed by international geographical areas, which are managed by Sales Directors. The key accounts in each country are served by a number of Key Account Managers, who formally report to their respective Sales Director. The Sales Directors are managed by the CCO, who is part of the firm's Board. The CEO oversees the Board and also is part of it. Approximately 90% of the firm's revenue originate from key accounts. No KA teams. Key accounts classified on size (revenue), complexity and reference value.

Direct TM involvement

The Sales Director is directly strategically involved with the customer by attending customer meetings (e.g. annual meeting to set budget for next year and supplier events) multiple times per year. Tactical involvement of Top Management tends to take place very marginally and only if problems occur for which the KAM requires assistance (e.g. issues with payments, worrying press coverage on customer future).

The SD is increasingly involved on social occasions, for example during trade shows. However, the Sales Director appears to be most involved with the largest key account, also on a daily basis. The CEO attends annual meetings of some of the largest accounts from a ceremonial perspective. Thus, the SD is the main

driving force strategically, with KAMs handling the accounts on a day-to-day basis. The C-suite will never initiate a meeting with representatives of the customer firm and is only prepared to fulfil a meeting request if C-level representatives of the customer firm join in.

Indirect TM involvement

The SD leads weekly meetings with key account managers, which puts him in an advisory role to the KAM concerned with daily operations. Together with the Board, the SD annually decides on what accounts are granted 'key' status: this indirect strategic involvement in such decisions may alter the degree of servicing provided to the customer. Decisions having a major impact on commercial proceedings, such as introducing new product lines, pull the Board into decision-making based upon input received from the SD.

The key account manager calls in assistance from other departments whenever needed, which explains why top managers are not involved in aligning multiple departments. Nevertheless, the SD might approach his counterpart in the organization (e.g. Marketing Director) in case he feels that the KAM is granted assistance to an insufficient extent.

Involvement antecedents

First and foremost, the firm's organizational structure and company culture signal a strong demarcation of tasks with short lines between the actors involved, which explains how accounts are served: mainly SDs are strategically involved and KAMs operationally. The SD might be indirectly tactically involved depending on the maturity of the KAM. His involvement with the supplier's largest account can be explained from an organizational point of view: the SD interviewed holds accountability for sales operations in the Benelux and the customer concerned increasingly maintains operations across Belgium and the Netherlands. Since the KA managers are working nationally, having the SD involved on this account particularly proves to be more convenient.

The SD believes that industry dynamics play a role in the limited number of social interactions ("We are part of an industry where social interaction is limited"), although this number seems to be increasing. Moreover, the CEO argues that it might be worth looking at top manager characteristics when explaining their involvement. In his view, the Board is not involved with customers very often for the simple reason that there are capable people in the organization being responsible for this. Too much involvement of a C-level representative would only lead to problematic situations: the credibility of the SD and KAM will be undermined, customers may want to talk to the C-suite more than just once after a meeting, and all this erodes the Board's position both internally and externally. This view was presented by all interviewees.

B: Family-owned business, integrated payment solutions), 200 employees

No of interviews: 1 (1x Key Account Manager with 3+ years of working experience)

KAM embeddedness

The KA Manager is positioned one level below the Commercial Director, which has a seat in the firm's Board. Further, the Board is represented by an Operational Director and General/Financial Director. KAs are classified based on complexity (i.e. resources needed from the company to serve the customer properly), non-key accounts are served by a regional account manager. No KA teams.

Direct TM involvement

Mostly, the Commercial Director tends to be directly involved with customers when major decisions are to be taken (e.g. signing contracts), which according to the interviewee often is appreciated by the customer because "this is the way it goes". The Commercial Director may also initiate contact with the largest key accounts to sit down for a coffee and evaluate the latest developments as well as future (strategic) plans. Thus, the Commercial Director appears to be mainly strategically involved but may also discuss daily issues if necessary, which are then being talked through with the KA manager in case this person did not join the meeting. Although rarely, being involved tactically with daily issues is also driven by problematic situations which may put the relationship at risk and for which the CD is able to leverage his organizational weight. Moreover, the Commercial Director is said to be an active networker visiting various events and, as a consequence, gets in touch with customers on a social level to develop personal relationships.

Indirect TM involvement

Decisions having a long-term impact on the relationships with key accounts are made by the Board jointly. This is due to the fact that such decisions may not simply affect financial conditions and commercial opportunities of key accounts but also impact on the service provided currently by project managers, for which engagement of the Operational Director is pivotal. Most decisions about the day-to-day operations of the key account are made by the key account manager himself (e.g. marketing actions), but his daily interaction with the CD allows the CD to provide an advisory role to the KAM. Acquiring assistance in the form of fellow colleagues is mostly done by the key account manager himself, yet sometimes customers issue requests which must be handled by a large number of employees within the supplier firm. In such a situation, the CD takes a coordinating role.

Very rarely, it appears that the KA manager needs to respond to last-minute requests from customers, which seems to be a phenomenon observed frequently within a certain customer segment. In that case, the CD decides if and what human resources are being transferred to support the KA manager in his task. If accounts grow in complexity, the Commercial Director decides on whether to add the customer to key account portfolio. Such a decision may influence the extent to which a customer is being serviced, equaling indirect involvement of the top manager side.

Involvement antecedents

It could be argued that direct top management involvement occurs because of the firm's organizational structure – which has developed historically in a particular way - in which the CD is responsible for strategic issues which are based on information he receives from the key account manager. At times, customers wish to talk to the CD directly either because “this is the way it goes” or because talking to high-level supplier representatives is regarded a status symbol by some. Also, when on the road, the CD may visit not just key account A but also key account B if that firm is located in proximity of firm A. Thus, convenience also plays a role in terms of direct involvement. Direct tactical involvement is limited to problematic situations.

C: Family-owned business, facility services, 8000 employees

No of interviews: 3 (1x National Account Manager with +20 years of management experience, 2x Key Account Manager, both with 10+ years of sales experience)

KAM embeddedness

Key accounts are defined based on revenue, reference value and possibly complexity. Key account management is divided into acquisition – mostly happening through tender projects – and retention. The acquisition function is held by one KAM (KAM 1). Within the retention cluster, one KAM (KAM 2) is in charge of the top 25 accounts per region – of which there are three in the Netherlands, whereas the other employee is considered a National Account Manager (NAM) bearing responsibility for nationwide customers. KAM2 reports to the NAM, whereas the KAM1 reports to a sales manager which is – in hierarchical terms – equally positioned to the NAM. Above these one finds the C-suite, which is home to a number of Directors, including the CCO and the COO. The 80/20 rule in terms of revenue can be applied to distinguishing key accounts from regular accounts. District managers ensure the operational proceedings of all accounts, except for one major account located in the Southern Netherlands which is fully handled by the NAM for convenience reasons.

Direct TM involvement

The NAM is directly involved with the customer strategically, tactically and socially. Formal meetings with customers take place at least once every 3 months to discuss developments and issues that have occurred over the past time period, as national accounts feel the need to have one sparring partner within the supplier firm. However, the NAM is also engaged on a daily basis to discuss marketing actions, contractual matters, etc. The CCO is frequently involved with new business opportunities, which includes a mixture of both tactical and strategic involvement according to KAM 1. If such opportunities arise from the family owning the business, he will be involved with prospects from the very first stage of the tender project and may also be involved on a daily basis with them through maintaining direct contact.

At such an early stage the CFO may be involved too, in order to sketch the financial opportunities to the prospect. In case the CCO does not happen to know the customer from his own network, he tends to be more likely involved at the end of the tender project when his presence is more urgently desirable by the prospect.

The latter is being arranged by the KAM himself. As for current customers, KAM 2 states that more strategic involvement would be desirable since some customers have defected out of frustration of the firm's insufficient attachment to the customer. They have explicitly reported this to the supplier. Nowadays, most involvement is based on reactivity and happens to occur in case of customer issues only, which particularly goes for the COO.

Social involvement of the CCO happens frequently, with a special focus on developing relationships with some major procurement organizations that have been known to the CCO for over 20 years. These procurement organizations serve as important mediator between supplier and customer in case the latter decides to set up tenders for outsourcing their facility management. Further, the firm actively organizes social activities (tastings, golf clinics) to connect and re-engage with customers and other stakeholders.

Indirect TM involvement

The NAM is responsible for implementing contractual arrangements of the national accounts into the districts. As such, the NA manager takes on a coordinating role and so is engaged with strategic and tactical matters of the national accounts indirectly. C-suite representatives like to receive status updates regularly on what's happening with key accounts. Further, the company is finding itself in a transitional phase which ultimately leads to key accounts being segmented based on their industry (e.g. high-tech, leisure, offices). This transition is led from the C-suite which essentially denotes that key accounts will be treated differently in the future. At this point, the exact organizational consequences are unknown.

Involvement antecedents

It appears that differentiating between NAs and KAs has led to the NAM being able to completely focus on nationwide accounts, which is likely to explain both strategic and tactical involvement of the NAM. As some facility services are highly substitutable from a customer perspective, the NAM believes that social contact may be a differentiator in terms of customer retention. Also, such contact helps to resolve issues if they occur, thus effectively social contact serving as a social lubricant for tactical engagement with the customer. Thus, product substitutability and low transaction costs from the customer perspective seem to explain the focus on social contact from top management. This view is supported by both KAMs, although they experience varying degrees of involvement from the C-suite.

As for tender projects, KAM1 acknowledges that C-suite involvement with prospects is quite significant and can be activated relatively easily. By contrast, KAM2 indicates that more involvement from the CCO in the tender phase is desirable in order to signal early issues that may affect profitability. Also, involvement of the CCO can be improved for the sake of retaining customers. Time constraints and prioritization of issues seem to be the explanatory factor for this rather limited involvement.

D: National subsidiary, industrial tools, 100 employees

No. of interviews: 1 (Key Account Manager, 10+ years of sales experience)

KA structure

The KAM is responsible for coordinating and managing tender projects at multinationals operating one or multiple branches in The Netherlands. Central to classifying an account as being 'key' are: size (revenue), reference value and complexity (multiple locations, centralized purchasing function possibly complemented by a focus on supplier reduction). KAM reports to CEO The Netherlands and manages a group of 38 employees (mainly local sales representatives and product specialists). CEO represents the subsidiary's interest on holding level through a seat in the Executive Board. Key accounts amount to 35% of total account revenue in The Netherlands.

Direct TM involvement

The KAM is responsible for direct strategic customer contact, which mostly occurs through site visits alongside the sales representative. The CEO may also engage in such meetings if the supplier is to present a proposal or theme which is believed to be critical to the customer's performance. The CEO may also engage with accounts in case of critical issues (e.g. customer threatening to dissolve partnership), although the interviewee has never experienced such a situation so far. The firm's senior management is not involved in day-to-day customer operations and leaves this to sales reps and product specialists. Social contact is being maintained by all hierarchies in the firm, although especially sales reps maintain a strong focus on developing personal relations.

Indirect TM involvement

The KAM presents strategies (price, penetration), scheduling and contractual arrangements to sales reps and specialists, which makes the KAM indirectly strategically involved. All of these are agreed upon with the CEO. Further, the KAM may grant and revoke key account status to customers, which essentially alters the level of servicing. Having provided the strategic framework, it is up to the KAM's team to implement actions in the key account firms on a daily basis.

Involvement antecedents

KM emphasizes the firm's open culture that recognizes the importance of all organizational layers and the structured way tasks are divided. Social engagement seems to be driven by industry dynamics: tools are used on a daily basis with which the worker feels a strong connection. Replacing a blue screwdriver for a red one requires prudence. Personal relationships may serve as social lubricant for facilitating such a change. When presenting a certain interesting theme or topic to the customer, the presence of KAM and/or CEO is beneficial because it signals the weight the firm attaches to such a meeting.

E: Family-owned business, IT solutions, 500 employees

No of interviews: 1 (Key Account Manager with 10+ years of working experience)

KA structure

Key accounts fall within the responsibility of the KA manager who is being supported by a project leader and a service manager. 20% of the accounts (mostly key accounts) yield 80% of the firm's revenue. Classifying an account as being key is done based upon revenue and strategic value, the latter referring to reference value, growth potential and order frequency. Organization is headed by a Director – to whom the KA manager reports - who is to report to the Board of the Holding company. The Board is led by a CEO who assigns individual Board members. Within the firm, there is a strong intent to maintain relations with counterparts in the customer firm to be able to communicate quickly. KA teams installed, although managed without top management involvement

TM Involvement and antecedents

The Director is involved in direct strategic matters affecting the customer both indirectly and directly which has a clear organizational reason: tasks and job profiles are well-delineated and structured organic growth has resulted in a clear hierarchy. An example of an indirect strategic task carried out by the Director is his leadership on developing new IT projects (for example cloud-work spots). Eventually, these decisions entail new ways of servicing extant key accounts and thus affect buyer-supplier relationships indirectly. Tactical involvement takes place only in case of problems appearing at the KA manager level (e.g. payment problems). The CEO of the Holding appears to be only socially involved with some of the largest key accounts for the simple reason that the Director is responsible for strategic proceedings. Despite the fact that accounts are served by teams (which is due to the complexity and nature of IT products), the Director is not involved with organizations alignment as the Service Manager is specifically appointed for this.

F: National subsidiary, FMCG/retail, 1500 employees

No of interviews: 1 (Key Account Manager with +10 years of sales experience)

KA structure

Accounts are categorized as being 'off-premise' (retail) or 'on-premise' (horeca), with retail volumes contributing to 2/3th of total sales volume and horeca for 1/3th. The retail section includes three KAs, of which the interviewee manages one KA. KA status is mostly granted based on the availability of a central purchasing function in the customer firm, which in turn maintains multiple locations across the country. Smaller firms may also establish a separate procurement organization to pool their individual purchasing volumes in order to realize better buying conditions. Smaller customers without such a function are served by regional account managers, whereas these managers may also control for the local implementation of agreements negotiated by the KAM. The KAM is managed by a Head of Retail (HoR) who is formally reports to a Sales Director (SD). In turn, the Sales Director finally reports to the national CEO.

Direct TM involvement

The KAM, HoR and SD maintain contacts with their counterparts in the key account firm. The CEO is not involved in direct customer contact. The KAM is responsible for handling the day-to-day proceedings with key accounts (direct tactical involvement). The HoR and Sales Director maintain social relations with their counterparts in the firm and may be involved in strategic sessions with the customer depending on their current performance and future potential.

Indirect TM involvement

The CEO agrees with SD, HoR and KAM on strategic mandates for the firm's KAs, whereby the CFO assesses the potential financial risks. Indirect tactical decisions impacting on the customer firm are made by the Key Account Manager. As the firm does not work with key account teams, aligning intradepartmental employees for the benefit of serving a key account is not relevant.

Involvement antecedents

According to the interviewee, hierarchies play a major role in managing relations in retail, indicating the importance of industry dynamics. As a result, maintaining social contact between top managers is important when disagreements between the KAM and his counterpart in the customer firm occur. This 'escalation model' pulls top managers into direct tactical contact in case the KAM needs to escalate to his superiors. The CEO's indirect strategic involvement is influenced by the power bloc represented by the three key accounts: individually they bring in 1/3th of 2/3th of total retail volume, which constitutes an important factor in the supplier's annual performance. This performance constitutes a major element in the assessment of the national CEO by his superiors in the mother firm, which explains his indirect involvement with key accounts.

Strategic top-to-top meetings are organized based on the KA's current profitability and future potential. Such treatment differentiation occurs due to the fact that the supplier firm is bound by its organizational resources, which is why some KAs receive superior treatment over others, including the (non-)involvement of top management.

G. Family-owned business, import/export of FMCG, 40 employees

No of interviews: 1 (1x Key Account Manager, 10+ years of sales experience).

KA structure

Key accounts (KAs) are classified based on revenue, with two KAMs running daily operations with KAs. The interviewee is responsible for managing key accounts related to Food Services. KAs account for 70% of the firm's revenue. KAM is responsible for Dutch, Belgian and some Caribbean accounts and falls under a Commercial Director who in turn reports to the CEO. The KAM works narrowly with inside sales employees but is not formally in charge of them.

Direct TM involvement

The CD is to attend customer meetings once every two months on average, with the top-5 largest accounts being visited more often, in order to sense market developments and interact socially with the customer firm. Additionally, the CD is to assist the KAM on strategic matters such as conditions and pricing in case negotiations with KAM and counterpart fail, although this rarely happens. The CEO tends to be decreasingly involved in customer contact, having appointed a CD about five years ago for taking the lead in commercial proceedings. In exceptionally problematic situations, the CEO might be involved because he served as an account manager previously, implying that he still knows many customers personally. Daily operations are carried out by the KAM. Direct strategic interaction seems to go hand in hand with social interaction.

Indirect TM involvement

The CD is indirectly strategically involved by discussing matters including pricing and conditions with the KAM. Overall strategy development is being done by the CD in conjunction with the CEO. The CD may want to deliver to end-customers directly due to market developments, which effectively alter the relationship between supplier and buyer (supplier becoming a competitor of buyer or buyer starts buying from the supplier's supplier). There are no KAM teams so there is no organizational alignment required.

Involvement antecedents

Interviewee argues that the family-owned structure of the business and some decade-long spanning partnerships result in fairly easy-going relations with customers. As the transaction costs of defecting to a competitor are low, social interaction of the CD is important to maintaining customers. The CD's involvement with customers can further be explained in terms of personal interest (CD may ask KAM to visit customer together to get updates directly), while the CEO's extant personal relationships explain his (if applicable) present involvement. Further, it seems that bad trade periods, such as after the financial crisis in 2008, result in more top management involvement as more issues tend to appear in the buyer-supplier relationship during such periods. Thus, escalation is a pivotal factor for explaining top management involvement.

To portray your own company in a similar way, ask these questions:

Part 1: KAM Embeddedness:

Q1: What is your role within the firm? For how long have you been working with the firm?

Q2: What are the criteria for granting key account status? How does a key account differ from a regular account?

Q3: What is the ratio key accounts / regular accounts in terms of revenue?

Q4: What connections exist between KAM (units) and other units within the firm?

Q5 (if applicable): How can these connections be characterized in terms of resource flows and requisite integration?

Part 2: Top Management Involvement:

Q6: Is (your) top manager active in discussing matters that might be of strategic importance to your firm? Why (not)?

Q7: Is (your) top manager active in resolving issues that occur on a daily basis with the customer? e.g. the delivery of products or after-sale service?) Why (not)?

Q8: Does (your) top manager build personal relationships with representatives of the customer firm? Why (not)?

Q9: Is (your) top manager active in making decisions for your firm that have an impact on the relationship with key accounts? Why (not)?

Q10: Does (your) top manager engage in tactical decisions if the customer has issues (e.g. decide on marketing actions, prices charged or what to do in case of complaints?) Why (not)?

Q11: Does (your) top manager influence the way employees from different functional areas work together in key account teams? Why (not)?