

## Case study: KAM failure in an outsourced services company

(This case study first appeared in 'The impact of organisational context on the failure of key and strategic account management programmes', K Wilson & D Woodburn - Journal of Business & Industrial Marketing, 2014, Vol. 29 No. 5, pp. 353-363.)



You can discuss this case study with colleagues and apply the 'KAM failure model' described below to establish agreement on underlying potential causes of failure. If you are concerned about the progress of your organisation's KAM initiative, you may then be able to shift the discussion to your own organisation and carry out a similar analysis, which may clarify some of the issues in your own KAM programme and how you might address them.

### The case study

#### Company background

The case company is a national provider of outsourced HR services to a small customer base of very large US corporations. The company manages the provision of basic employee benefits such as medical insurance and retirement benefits. Contracts tend to be for periods of three years and over and whilst working relationships between the company's operational staff and customer personnel tend to be close, little marketing attention was given, at the time prior to the case, to customers between the signing of one contract and the sales effort at the time of contract renewal. The sales force was fiercely "hunter" orientated, rewarded for sales not customer retention and managed by an affable and extremely able VP of sales, described as a "good ol' boy of the old school"

#### KAM trigger

The launch of the account management program occurred after the company received an RFP (invitation to tender) from one of their most important customers. They had held the contract for the previous five years and the customer was prominent in their advertising and provided an important case study on their website. The customer decision to go out to tender rather than renew the contract signaled their dissatisfaction and caused shock within the company.

The decision to launch an account management program was in direct response to this customer's defection and was taken at board level with several board members active in its launch.

#### Key Account Management launch

An experienced program manager was bought in to manage the KAM program. Account managers were appointed and senior managers attached to each customer in an executive sponsorship program and as mentors to the account managers. A new strategy was formulated to expand the company's ongoing involvement with customers through a process of predictive analysis of healthcare needs and the development of preventative programs involving the local medical community, aimed at encouraging workers to adopt healthy life-styles.

Structurally little changed apart from the appointment of the account managers and the new "farmer" program ran in tandem with the old "hunter" sales force. Time and senior

management attention was given to developing processes, a clear engagement methodology and account plans. Monthly reporting was initiated whereby each account manager presented to his executive sponsor and received feedback and advice. Some mistakes were made. For example, the senior managers failed to inform the operations people delivering services within customer organisations about the new program. Some felt that they owned the relationship and resented the intervention of account managers who they viewed as usurping their position. This was a cause of some friction, which could have been avoided if they had been involved in developing the program and had it been explained that the objective was to enlarge the engagement with customers to include contacts with senior managers within the client organisations, beyond those of HR alone.

### **Results**

The new program started to show results. Customer satisfaction improved and some customers, who had previously threatened to seek other providers, were evaluating new offers initiated by the KAM program that expanded their contracts. The executive sponsorship program led to high-level relationships with the customers beyond the level of HR in client companies and teamwork was developing around delivering to the customer's needs, not to the contract as had been the case before the KAMs were put in place to better understand and communicate the customer issues.

### **Post launch**

A few months into the program the existing VP of Sales was "retargeted" on a special project to find new clients and a new VP of sales was appointed. Her background was in sales, not account management and her brief was to increase sales. A further mistake, however, was that she was also given control of the account management program and immediately began to hire additional territory salespeople.

The CFO, COO, head of R&D and other very senior managers, pre-occupied with internal issues let their relationships with customers go dormant; and without the KAM program prompting them, they failed to initiate contacts at the customer sites. The relationships were not broken, just not pursued or leveraged.

The monthly account reports were allowed to drop away and the company continued to fail to renew contracts with existing clients, some of whom expressed frustration that the account management program, which they had bought into, was shelved. Whilst in the short-term sales increased, so did the level of customer dis-satisfaction and turnover. Within six months, three of the five KAMs left the company, and the others left within the year. Shortly after that the new sales VP left.

### **Conclusion**

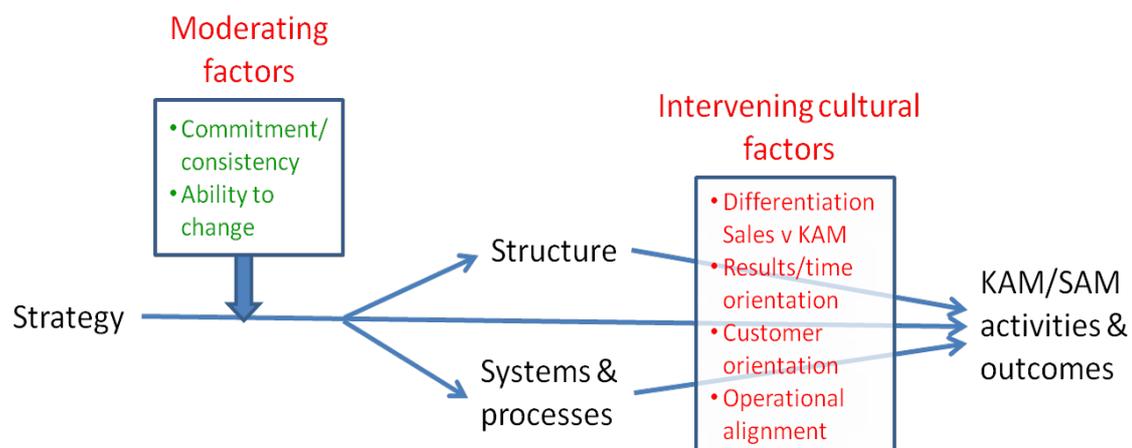
While the KAM program did not last long enough to be sure that it would achieve sustainable success, the signs were good: customer satisfaction increased and threatened defections were held off, in contrast to the situation after the focus was shifted back to short-term sales.

## A model of the elements of organisational context in KAM failure

The linkages between the factors reported may be represented by in a model, as below. It suggests that **strategy** should proscribe the formal elements of the organisation, i.e. **structure** and **systems/processes**, which is standard textbook theory. As KAM is itself a strategy, then it should drive appropriate structures and systems/processes to support the manifestation of the KAM program in terms of **activities and outcomes**.

However, we perceive that there are two groups of factors which have an impact on the efficacy of this translation of strategy into activities and outcomes through other formal elements of the organisational environment. The first of these groups we have called **moderating factors**, as they have an impact directly on the realisation of the strategy: they appear to relate to the integrity of the company's commitment to the strategy which is reflected in the consistency of its application; and the company's ability to change, supported by indications that it has put in place important elements of the change process..

The second group, which seems to operate between the high-level formal elements of strategy, structure and systems/processes and the KAM program's activities and outcomes, we have therefore called **intervening factors**. They are part of the informal elements of the company's culture: those that most strongly affect the effectiveness of the KAM program's activities and outcomes seem to be the differentiation between Sale and KAM; results or time orientation; customer orientation and the alignment of Operations with the KAM strategy.



The model may help to identify potential points of failure, so that they can be addressed. It would be valuable to know the extent to which it represents a 'necessary and sufficient' model of KAM implementation, i.e. if companies get all these elements right, does that increase their chances of success in KAM? Or what else contributes to failure and therefore needs to be changed to ensure success?

### Questions for discussion

1. Does analysing the case study in terms of the model of failure help to illuminate what went wrong?
2. What should have been changed to make the KAM programme continue to work?
3. If you apply the model to your organisation, what failure factors do you see?
4. What should be changed to make your KAM programme continue to work?

**Application of the model to the case study/ your organisation**

<b>Organisational elements</b>	<b>Stage 1: KAM launch</b>	<b>Stage 2: KAM development</b>
<b>Strategy</b>		
<b>Moderating factors</b>		
<b>Commitment</b>		
<b>Ability to change</b>		
<b>Formal elements</b>		
<b>Structure</b>		
<b>Systems and processes</b>		
<b>Intervening factors</b>		
<b>Differentiation Sales v KAM</b>		
<b>Results/time orientation</b>		
<b>Customer orientation</b>		
<b>Operations alignment</b>		
<b>KAM program</b>		
<b>KAM activities</b>		
<b>KAM outcomes</b>		