

# Overcoming internal conflict through key account management

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## Summary

The need for an integrated, cross-functional approach to customer management is well recognised. Managers have tried numerous structural and cultural adaptation methods to achieve it but with limited success. Strategically important customers are becoming more prevalent and are demanding more sophisticated, integrated (often international) solutions. As a result, the internal conflicts that naturally arise from attempts to integrate across functional and national barriers now risk leading to customer dissatisfaction on a critical scale. Key account management (KAM), developed to meet the broader needs of those large, strategically important customers, has succeeded in overcoming internal conflict where other approaches have failed. Key account management success relies on cross-functional teamwork and key account managers with a unique blend of boundary spanning qualities. Not only does this combination help to solve the problem of internal conflict within the KAM team itself, it also extends beyond the KAM team, reducing cross-boundary conflict and infighting in the wider organisation. Whilst not an easy or simple solution, and not one that is necessarily suitable for all companies, it seems that where key account management is strategically appropriate, the benefits are culturally as well as financially profitable.

## Introduction

Many managers find their efforts to develop an integrated customer facing solution frustrated by internal organisational conflict. In some organisations the conflict has outlasted the managers who started it and has become an embedded part of the corporate culture. Frustrating as this internal conflict may be for those who work within it, many companies still survive and even thrive for years despite the lack of integration. So, does conflict really need to be resolved? And, if so, how?

The reason that many companies are currently struggling with the need to provide integrated customer solutions is the growing importance of large and strategically important customers, and research shows that these big customers are getting bigger, more powerful and more sophisticated in their purchasing<sup>1</sup>. Moreover, many of these big, powerful customers actively demand international or global servicing capability from their suppliers, along with an unprecedented breadth of support. Suppliers who are not able to meet these standards rapidly find themselves sidelined and even relegated to second tier supplier status<sup>2</sup>.

Many organisations struggle to provide the level of support and relationship management that major customers demand. Increasingly, however, best practice companies are using

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<sup>1</sup> Wilson, Charles (1996) Profitable Customers. Kogan Page

<sup>2</sup> Woodburn, Diana and McDonald, Malcolm (2001) 'Key Customers: World-leading key account management', report for the Cranfield KAM Best Practice Research Club, Cranfield School of Management, July 2001.

cross-functional key account management (KAM) teams to manage their top customer relationships. Team working generally is on the increase: nearly two-thirds of US Fortune 500 companies use teams and the active team users have very many teams. At one time Motorola was estimated to have 4,000 teams globally<sup>3</sup>.

### ***Customer relationships: the need for an integrated structure***

There was a time when companies could afford to ignore their internal conflicts. Products, services and channels to market were relatively simple and integration was not a significant issue. Functional silos were separately responsible for the invention, production, promotion, selling or distribution of the company's products or services. As each function completed its responsibilities, the job was passed 'over the wall' to the next internal function. Each function worked in virtual isolation from the others and only directly customer facing roles were measured on the impact of their actions on company sales and customer opinion.

This worked fine in the 'old world', where competition was less sophisticated and customers were more forgiving and pliant than they are today. Time was, if we told our customer the product would not be available until next week, that it was only manufactured in one size and that it was available only through our chosen distributors, this would be unchallenged. Many readers will be able to remember a time when British Telecom (then a monopoly supplier) could tell its business customers how many telephone lines might be installed at their premises, rather than the customer telling BT how many lines it required. This seems laughable to us now as we deal with customers who dictate channels, drive delivery schedules according to their own specific requirements, and negotiate service level agreements as an integral part of the product or service purchase.

In most cases now, especially business to business, winning propositions are complex combinations of product, service, channel and promotion. Customers are more demanding and competition is more intense. And, with the trend being for this to become more so, we cannot afford to continue operating with the inefficiencies of an 'over the wall' approach; real integration is essential if we are to meet increasingly sophisticated customer demands. To our predecessors, this integrated world would seem an impossible dream but for us, our competitive strength, and ultimately our corporate survival, depends on it. In order to meet these more demanding client needs, organisations must be more flexible, more reactive and more internally integrated than ever before. A client demands delivery within a one-hour slot, quality control documentation ahead of delivery and 24 hour service and support at the end of the telephone. If this fails, the supplier's internal barriers are not an acceptable excuse.

### ***Traditional solutions fail to solve problems of integration***

The desire for integration is not new; the benefits to be gained from the whole organisation operating in a fully customer oriented fashion instead of being product focused with individuals blinkered to everything outside their own function are evident. The change in business environment from simple to complex did not happen overnight and firms have been aware for some years that they need to become better integrated in order to meet the increasing demands of their market.

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<sup>3</sup> Sivasubramaniam N, Murry W, Avolio B and Jung D (2002), A longitudinal model of the effects of team leadership and group potency on group performance, *Group and Organizational Management*, Vol 27, No 1, March 2002, Pages 66-96

As the internal conflicts have arisen, managers have tried numerous responses to try and resolve them and achieve an internally integrated structure. We have seen different approaches come and go, all too often with limited success. Matrix structures, idealised as the ultimate integrated structure, often mean that everyone shares authority but no-one takes responsibility. Outsourcing, designed to solve the problem by creating internal markets in the virtual organisation, is often unsustainable due to increased internal transaction costs. Functional leadership, selecting a 'lead' function and aligning others behind it, frequently results in a kind of guerrilla warfare amongst those who resent playing second fiddle to a function with whom they have a history of conflict and infighting. The internal conflict that arises as the organisation attempts to move away from the 'over the wall' structure towards a more integrated one is cultural; and organisational culture is, as Drucker<sup>4</sup> said, persistent and pervasive.

Like many business problems, we know the solution we are looking for – we need an efficient, integrated, customer focused organisational structure – the struggle comes when we try to put it into practice and come up against cultural resistance and the internal conflict that results from it. Managers know that the barriers need to be broken down, both functionally and personally, allowing the organisation to be aligned to the customer's needs, not our own.

By fortunate coincidence, it turns out that a process created to handle another business challenge has many of the answers to this ongoing problem of internal conflict. Just as aspirin, developed originally as a pain killer, has been found to be effective in contributing to the prevention of heart disease due to its blood thinning properties, so key account management, created to manage large, business critical accounts, has, in the process, been found to break down functional silos and conflict and align organisations effectively towards the customer.

### ***Cross-functional teams and leadership***

A critical element of achieving organisational alignment is often having a champion or leader. In key customer relationships, this role may devolve onto the key account manager. Managing a team, particularly a cross-functional team, is a delicate role requiring self-awareness, patience, and the ability to support others. The team leader's job is to co-ordinate conflicting views about the team's purpose and to establish shared goals and a working approach, as well as to build buy-in to the team<sup>5</sup>. Where team members come from differing organisational functions, this can be particularly difficult. Still worse, research shows that the team leader's role changes over time and from job to job, so that a team leader who is successful in one situation may be unsuccessful in the next. There is an additional dimension to the role of the key account manager as leader, which is that he or she may be managing a team which includes some team members who work for the customer. Such boundary-spanning teams are found in outsourcing (logistics, ICT, catering,

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<sup>4</sup> Drucker, Peter F. (1993) 'Corporate Culture: Use It Don't Lose It' in 'Managing for the future' (Chapter 25, pp 150 – 154), Butterworth Heinemann, London

<sup>5</sup> Katzenbach J and Smith DK (1992), The delicate balance of team leadership, *McKinsey Quarterly*, Issue 4, 1992, Pages 128-142

cleaning), the automotive industry and certain other manufacturing operations, construction, and defence<sup>6</sup>.

This said, and despite the increasing emphasis on the use of teams, the results from cross-functional teams are mixed. The benefit of cross-functional teams is in bringing together diverse resources, skills and capabilities in the service of a customer. However, that very diversity makes it more difficult for them to succeed. As well as functional diversity, cross-functional teams may also have to struggle with time allocation conflicts and multiple reporting relationships. This makes it more difficult for trust to develop within the team; yet trust is a critical requirement if the team is to perform<sup>7</sup>.

### ***Using cross-functional KAM teams to resolve conflicts***

Key account management is 'an integrated approach to the profitable development of customers of strategic importance to a supplier'<sup>8</sup>. Organisations that have chosen to adopt a key account management strategy have, by definition, chosen to adopt an integrated approach to how they manage those strategically important customers. From the perspective of conflict resolution, this choice has two significant effects on the organisation – the structure they adopt, and the interpersonal relationships that develop are designed to support a key account strategy. What is more, in key account organisations, these benefits seem to extend *beyond* the key account teams and into the wider organisation, reducing the general culture of internal conflict and infighting.

Organisations implementing key account management structure themselves in a number of ways, ranging from a classic 'bow-tie' structure (where the key account manager is the point of contact with the key customer's purchasing manager, and each organisation is structured to support that dyadic relationship) to a 'diamond' structure (where the client and supplier have multiple points of contact and the supplier organisation is structured to ensure that all points of contact to deliver customer expectations in an integrated manner). Importantly, whatever the chosen structure for key account management, it requires integration, focused on serving the needs of one or more strategically important accounts.

The structure, however, is only part of the equation in the context of reducing internal organisational conflict to achieve integration. As we have already discussed, many different organisational structures have been tried in the past without success. The unexpected benefit of key account management in this respect comes from the role of the key account manager him- or herself. Key account management, designed to provide a cross-functional, integrated approach to key customers, owes its success not only to formal structures, responsibilities and metrics, but also to the informal linkages that emanate from the role of the key account manager such as interpersonal relationships and shared learning. Much

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<sup>6</sup> Rogers, Beth (1999) The key account manager as leader, *The Journal of Selling and Major Account Management*, Vol 1, No 3, February 1999, pages 60-66

<sup>7</sup> Webber, Sheila Simsarian (2002), Leadership and trust facilitating cross-functional team success, *The Journal of Management Development*, Vol 21, Issue 3-4, Pages 201-214

<sup>8</sup> Woodburn, Diana and McDonald, Malcolm (2001) 'Key Customers. World-leading key account management: Identification and development of strategic relationships', Cranfield School of Management Research Report, Cranfield University

research has been undertaken to define the principle roles of a key account manager and these are well summarised by Holt and McDonald<sup>9</sup>:

The KAM roles identified were: *boundary spanning* role of the relationship builder where the incumbent is simultaneously the negotiator, consultant, interpreter of customer needs/values, mediator, customer's advocate/friend, information broker; *facilitating* multi-level, multi-functional exchange processes; *co-ordination* and tailoring the seller's total offering to key accounts; *promoting* the KAM concept within their own company; *responsibility for sales/profit* growth of one or more key accounts, consistent with the business objectives of the seller's total portfolio of key accounts.

It is this combination of roles that is critical to the key account manager being able to align the supporting organisation successfully behind the key client. By serendipitous coincidence, it seems that the combination also overcomes the traditional problem of internal conflict, perhaps because of key account manager's unusual position of being simultaneously both inward and outward facing.

Like other business solutions, key account management is not easy. Research has confirmed that key customers do not enter into a key account relationship with their suppliers lightly and, when they do, they expect a tailored service that delivers benefits considerably above and beyond cost savings on volume transactions<sup>10</sup>. The key account manager alone cannot be expected to deliver that level of integrated alignment. While cross functionality and conflict free working may be facilitated by the key account manager, it requires key account management to become an organisation-wide approach.

Also, although key account management has this fortunate side-effect, let us remember that it was not developed with this purpose in mind. KAM requires significant investment of resources and company-wide commitment to deliver the level of client specific support necessary to satisfy a key account. It also requires a degree of commitment on the part of the key customer if the relationship is to provide the value and return to make that investment worthwhile. Thus, if key account management is not appropriate for the business at a strategic level, then it would be something of a sledgehammer if used to crack the nut of internal organisational conflict.

### ***High-performing KAM teams***

In the microcosm of team life, research shows that team members with differing attitudes can work successfully together. Like Holmes and Watson, or Dalziel and Pascoe, teams comprising people with conflicting attitudes can be a success. What is required from team members, however, is conforming behaviour. That is, the leader must ensure that each team member conforms to the team norms. Simple but powerful behaviours such as doing a fellow team member a favour or showing interest in or respect for team members, reduce conflict and promote better team performance<sup>11</sup>. The characteristics that high-performing

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<sup>9</sup> Holt, Sue and McDonald, Malcolm (2001) 'A Boundary Role Theory Perspective of the Global Account Manager', *The Journal of Selling & Major Account Management*, Vol. 3, No 4, pp. 11-31.

<sup>10</sup> Woodburn, Diana (2004) 'Key account management in financial services: Poised between desire and fulfilment', *Interactive Marketing*, Vol 6 No 1 pp 9-20

<sup>11</sup> David Strutton and Lou E Pelton (1998), Effects of ingratiation on lateral relationship quality within sales team settings, *Journal of Business Research*, 43, 1-12, 1998

teams share are: communication; vision; drive and a results orientation; and flexible resource (sometimes also with revolving leadership)<sup>12</sup>.

Research shows that, when putting together a high-performing KAM team, there are two issues that are important. First, the team must have the right mix of skills. Here, knowledge and training are both important. Lucent Technologies rolled out a programme of training for 2,000 sales team members that covered opportunity identification, frequently asked questions, product benefits and competitor analysis<sup>13</sup>. Second, the team must have the right kind of leadership and the willingness to share leadership tasks<sup>14</sup>.

Once the high-performing KAM team is assembled, directors must appreciate the issues that are faced by team members. Top among these, perhaps unsurprisingly, is compensation. Next comes the handling of disputes and performance feedback. Below these issues are how sales goals are set and the amount and quality of information about company strategy provided to the KAM team<sup>15</sup>.

### **Conclusion**

One thing is certain; the dysfunctional 'over the wall' model no longer works in a business world where customers require and expect suppliers to be internally integrated to meet their increasing demands. By coincidence, via both tangible and intangible mechanisms, key account management, designed to serve the needs of large, strategically important customers, has been found to break down the internal barriers and create the necessary alignment for delivering an integrated face to the customer. It is not an easy solution. It requires careful management and significant investment if the structural and cultural changes are to be implemented successfully and the necessary organisational and management support are to be developed and actively managed. What is more, key account management is not automatically an appropriate strategic solution for all organisations. However, in cases where such an approach fits with the corporate strategy of the organisation, the added benefits may mean there is little alternative.

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<sup>12</sup> John Morris and Peter Mountfort (1997), The leader and the team, *Managing Service Quality*, Vol 7, Issue 6, page 314-?

<sup>13</sup> Anonymous (2003), Rapid competitive intelligence strengthens global sales teams (Lucent case study), T+D (American Society for Training and Development), Vol 57, Issue 6, page 66-68

<sup>14</sup> Perry Monica L, Pearce Craig L, and Sims Henry P Jr (1999), Empowered selling teams: How shared leadership can contribute to selling team outcomes, *The Journal of Personal Selling and Sales Management*, Vol 19, Issue 3, Summer 1999, Pages 35-51

<sup>15</sup> Cespedes Frank V (1992), Sales Co-ordination: An exploratory study, *Journal of Personal Selling and Sales Management*, Vol 12, No 3, Summer 1992, pages 13-29