Intraorganizational Determinants of Key Account Management Effectiveness

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While there is a significant amount of research on determinants of selling effectiveness for individual salespeople, there is a surprising lack of study of factors that affect selling effectiveness in team-selling situations. The authors focus on the context of key account management (KAM) and develop a conceptual model of factors that affect KAM effectiveness. They test hypotheses with data from 385 firms using structural equation modeling and find that firms should seek to build esprit de corps among those involved in KAM, should proactively initiate activities with key accounts and do these activities more intensively, should ensure that key account managers have access to key resources within the marketing and sales organization, and should involve top managers of the firm.

One of the more widely researched topics in sales management concerns factors affecting the performance of salespeople (Churchill, Ford, Hartley, and Waker 1985; Weitz 1981). The majority of the research on salesperson performance has used theories, frameworks, and constructs from economics and social psychology (e.g., role stress, ambiguity, motivation, rewards) and has taken individual salespeople as the unit of analysis (Bush and Grant 1994). However, there is increasing awareness that effective selling requires the participation of many people, and researchers have started to address cross-functional aspects of the selling process (Cespedes 1992; Cravens 1995; Narus and Anderson 1995; Weitz and Bradford 1999; Wotruba 1991). Many industrial firms have reduced their base of suppliers (Sheth and Sharma 1997) and implemented programs such as just in time (JIT), efficient consumer response (ECR), value chain management, and joint product development, which require tighter linkages with suppliers. As suppliers cannot carry out these types of activities for all of their customers, specific approaches to the most important customers are typically required. In such contexts, key account management (KAM)[1] approaches are often used since the selling process is beyond the capabilities of any one individual and may require a coordinated effort across products, sales regions, functional groups, and divisions.

Given the increased emphasis on cross-functional interactions and "team selling" in these collaborative relationships, there is a need for research that examines the ways in which firms organize their selling efforts and how different modes of organizing affect effectiveness. A recent survey of sales reps and managers by Hewitt Associates found that half of the respondents cited "reorganizing or creating new positions to better serve key accounts" as a major challenge facing their sales organization (Marchetti 1999). While there are conceptual articles about team selling (Moon and Armstrong 1994; Narus and Anderson 1995; Smith and Barclay 1993), articles on trends in selling (Cravens 1995; Leigh and Marshall 2001;

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Weitz and Bradford 1999; Wotruba 1991), and many case stories of how firms such as IBM and Proctor and Gamble have reorganized to better focus on customer relationships (cf. Bauer, Baunchalk, Ingram, and LaForge 1998), there is surprisingly little quantitative empirical research on this topic. Similarly, while there is a long research tradition on national account management (e.g., Pegram 1972; Shapiro and Moriarty 1982; Stevenson and Page 1979), this research is primarily conceptual and descriptive and has not empirically related program dimensions to outcomes of the program. In this article, we focus on the context of sales to key accounts and develop and test hypotheses of how intraorganizational aspects of a KAM approach affect performance.

The objectives of this paper are to (1) develop a comprehensive perspective of KAM that identifies key organizational decisions managers must make, (2) empirically explore the determinants of KAM effectiveness, and (3) examine the impact of KAM effectiveness on performance in the market and profitability. In so doing, we contribute to the literature on selling effectiveness by considering selling in a context that requires extensive teamwork and intraorganizational coordination. It is worth emphasizing that unlike research on distribution channels or buyer-seller relationships that focus on dyads as their unit of analysis (e.g., Doney and Cannon 1997; Geyskens, Steenkamp, and Kumar 1999; Heide and Stump 1995; Morgan and Hunt 1994), we focus on an overall intraorganizational approach for managing the firm's most important set of customers. Our research thus makes contributions to the sales effectiveness, team selling, relationship marketing, and KAM literatures by examining the organizational factors involved in successfully managing the firm's marketing and sales resources.

LITERATURE REVIEW

National and Key Account Management Effectiveness

There is a long stream of research on national and key accounts that started in the late 1960s. However, this research has mostly been conceptual and descriptive, addressing issues such as description of the concept, identification of situations where it is most appropriate, and criteria for including accounts in the program (for a review, see Weilbaker and Weeks 1997). Most studies are based on interviews or surveys in a relatively small number of firms (Dishman and Nitse 1998; Shapiro and Moriarty 1982; Stevenson and Page 1979). The survey research has primarily presented descriptive data concerning various aspects of KAM programs, with little theoretical development and few hypotheses tested (Gardner, Bistritz, and Klopmaker 1998; Pegram 1972; Platzer 1984). While some recent work has used statistical analysis and multivariate techniques to test hypotheses (Lambe and Spekman 1997; Sengupta, Krapfel, and Pusateri 1997; Sharma 1997), these studies have not considered determinants of effectiveness in selling to key accounts—the focus of our inquiry.

In Table 1, we provide details concerning the studies that have used empirical data to make statements about the effectiveness of KAM programs. We do not include studies of individual effectiveness of key account managers (e.g., Sengupta, Krapfel, and Pusateri 2000) since our level of analysis is the organization rather than the individual. The study closest to our topic is that of Birkinshaw, Toulan, and Arnold (2001), who found that global account management structures increase the information-processing capability of firms and their bargaining power with global accounts.

There are a number of limitations to this prior research. First, all but two of the studies have used single-item ratings of performance. Second, half of the studies have used mailing lists from the National Accounts Management Association (NAMA), thus restricting their generalizability to those firms with large, formally established programs whose managers join NAMA.[2] Third, only two studies have used statistical analysis more advanced than *t*-tests or correlations.

Related Research on Performance Implications of Organizational Dimensions

Performance implications of different ways of organizing marketing and sales activities have been examined more extensively in a number of contexts. Since the focus of our article is performance implications of KAM, we review some of these contexts in order to gain insights of the types of factors that may affect performance.

Organizing for effective selling. While there has been a great deal of attention to the performance of the individual salesperson (e.g., Churchill et al. 1985), there has been relatively little attention placed on factors affecting effectiveness when selling in a team context. However, there is widespread agreement that one of the major changes occurring in selling is the shift from transactions and the individual sales person toward long-term relationships and teams of salespeople (e.g., Bauer et al. 1998; Cravens 1995; Marshall, Moncrief, and Lassk 1999). In a recent article on the implications of relationship marketing for sales management, Weitz and Bradford (1999) argued that the increased use of partnering leads to a "shift in the unit of analysis from the individual salesperson to the selling team." They then argued that

TABLE 1
Prior Research on Organizational-Level Key Account Management (KAM) Effectiveness

Authors	*KAM Effectiveness Measure*	*Sample*	*Method Used to Test*	*Statistically Significant Findings*	*Contributions*	*Limitations*
Stevenson (1981)	Increased profits and share, improved communications internally and with buyer	23 firms, personal interviews	*t*-tests of percentage firms mentioning benefit to 50-50 chance ratio for each KAM program dimension	Having a KAM program leads to increased profits, share of purchases, and communication with key accounts	First study to address question of what leads to KAM program success	No theoretical basis for comparing percentage mentioning a benefit to a 50 percent level; small sample size
Platzer (1984)	No specific measure, asks for rating of importance of 23 items for "program success"	Survey responses from 122 members of the National Accounts Management Association (NAMA)	No statistical tests reported	No statistical tests done	Provides percentage of people giving a "Top 2 box score" for importance of 23 aspects of a program for program success	No statistical tests, yea-saying bias in data (13 of the 23 activities given "Top 2 box score" by more than 90% of respondents)
Wotruba and Castleberry (1993)	Single-item rating of account program development compared to ideal program	Survey responses from 50 members of NAMA	Bivariate correlations and *t*-tests	Performance is higher for full-time account managers, older programs, firms that do formal job analysis	Identifies and tests many determinants of program success, finding three of nine proposed determinants affect success	Bivariate analysis, single-item perceptual performance, small sample of NAMA members
Sengupta, Krapfel, and Pusateri (1997)	Composite of account market share, percentage profit and sales objectives, on-time payment for a given key account	Survey responses from 176 members of NAMA	*t*-tests comparing performance of high versus low workloads, high versus low customer incentives	High KAM workload leads to lower performance, customer-based incentives versus sales-profit incentives lead to better performance	First study to use a multi-item measure of program success Consider the effect of workload and types of incentives on outcomes	Simple bivariate testing, performance for a single account rather than for an entire program
Montgomery, Yip, and Villalonga (1998)	Single-item rating of performance	Survey responses from 191 firms with global customers	Structural equation modeling of global account management (GAM) use and performance	Extent of GAM use positively affects performance	First study to use structural equation modeling. First to focus on GAM	Single-item perceptual measure of performance, only a single determinant of performance of program, convenience sample
Birkinshaw, Toulan, and Arnold (2001)	Two multi-item measures labeled: (a) efficiency and sales growth, (b) partnership with customer	106 survey responses from 16 multinational firms using GAM	Ordinary least squares regression	6 different models presented, in general, strongest effects from customer dependence, communication and scope of account	Extensive theoretical development; firms use GAM partly to increase their information-processing capabilities in response to customer power	Model with 106 surveys from 16 firms, thus assuming GAMs in a given firm are independent from each other

these cross-functional selling teams are necessary because an individual salesperson does not possess the knowledge or intrafirm influence to propose and implement a program that has the potential for building a competitive advantage for the buyer-seller dyad. Thus, in the partnering role, salespeople

> assigned to customers become relationship managers responsible for managing the activities of teams rather than simply managing their personal activities. (P. 244)

While cross-functional interactions have been examined in the marketing literature in the context of product management (cf., Low and Fullerton 1994), new product development (e.g., Maltz and Kohli 1996; Olson, Walker, and Ruekert 1995; Workman 1993), and strategy development (e.g., Frankwick et al. 1994; Hutt, Reingen, and Ronchetto 1988; Ruekert and Walker 1987), there is relatively little examination of cross-functional interactions between sales and other functional groups in the firm.

Relationship marketing. One of the most widely discussed trends in the marketing field in the 1990s has been labeled *relationship marketing*. While there are conflicting interpretations of what exactly relationship marketing is, the general theme is that the emphasis has shifted from short-term, transactional exchanges toward long-term, more collaborative relationships. Within the relationship marketing domain, there has been an extensive amount of empirical research that tests hypotheses related to outcomes of relationships, primarily in the context of interorganizational relationships in business-to-business or distribution channel contexts (e.g., Doney and Cannon 1997; Geyskens et al. 1999; Heide and Stump 1995; Jap 1999; Morgan and Hunt 1994). There are two important distinctions between this stream of research and our research. First, our unit of analysis is the KAM approach (which encompasses relationships with a number of important customers), while the unit of analysis in most of the relationship literature is a given dyadic relationship. Second, our focus is on *intra*organizational issues rather then *inter* organizational issues. Following in the path of research on marketing organization (e.g., Day 1997; Moorman and Rust 1999; Workman, Homburg and Gruner 1998), we focus on how firms organize for effective marketing.

Market orientation. In comparison with the research on KAM effectiveness, significantly more conceptual and empirical research has been done on the outcomes of market orientation (e.g., Homburg and Pflesser 2000; Jaworski and Kohli 1993; Narver and Slater 1990). In a recent attempt at integrating varying perspectives of market orientation (behaviors vs. underlying culture), Varadarajan and Jayachandran (1999) characterized market orientation as "a set of tangible actions that a firm initiates as well as the underlying culture that enables a firm to keep track of demand and supply variations in the marketplace and orchestrate appropriate responses to such changes" (p. 134). Research on market orientation shares certain similarities with the research reported in this study in that it focuses on intraorganizational factors, emphasizes cross-functional cooperation and coordination, and addresses how aspects of the organization may affect performance in the market. This research stream contributes to ours in that it helps identify intraorganizational factors that may affect organizational effectiveness such as organizational culture, top management involvement, and cross-functional sharing of information (e.g., Jaworski and Kohli 1993).

While the research reported here is related to research on market orientation in certain respects, there are several important differences. First, the market orientation research presents a picture of the firm assessing and responding to a monolithic "market" and does not specifically consider issues in targeting *the most important customers* in this market. One of the foundational ideas of KAM is the need to be more responsive to the needs of important customers and to have intraorganizational programs, systems, and procedures in place to treat key accounts differently from other accounts. Second, while the unit of analysis in the market orientation research is the strategic business unit (SBU), we look at a sales approach for an entire firm that often spans SBUs. Finally, the market orientation research addresses fairly abstract activities such as information collection, dissemination, and responsiveness (Kohli and Jaworski 1990). In contrast, we emphasize more concrete activities for key accounts such as product development, adaptation of logistics systems, and provision of special services for key accounts.

Synthesis

While there has been recognition of the movement toward long-term collaborative relationships within the marketing literature and a number of articles have been written about how these changes affect the organization of the marketing effort (e.g., Achrol 1991; Day 1997; Webster 1992), there is surprisingly little empirical evidence concerning performance implications of various ways of managing these customer relationships. The KAM literature has been primarily conceptual and descriptive with relatively little hypothesis testing done and no empirical study of how dimensions of a KAM approach affect performance. The sales performance literature has taken the individual salesperson as the unit of analysis and has not examined sales effectiveness in a team-selling context. The channels and business-to-business relationship research has taken the dyadic relationship as the unit of analysis but has not explicitly studied how firms *internally* structure to manage these relationships. The market orientation research has addressed intraorganizational dimensions and has considered the impact on performance but has not focused on differential activities for important customers and has not addressed actors and activities that span SBUs. To address these gaps, we develop a conceptual model of KAM effectiveness and test hypotheses using data from senior sales managers. In addition, we consider the effect of KAM effectiveness on related performance outcome measures.

CONCEPTUAL MODEL AND HYPOTHESES

In this section, we develop a conceptual model of the types of decisions a firm must make when deciding on the approach to be taken to the firm's most important set of customers. Our conceptual model is primarily derived from a theory of the firm developed by Demsetz (1992) and first applied in a marketing context by Anderson, Håkansson, and Johanson (1994). This theory is conceptualized in terms of *actors* performing *activities* and employing *resources*. Since the issue of formalization and structure has been the focus of much of the prior KAM research (Shapiro and Moriarty 1984; Stevenson and Page 1979; Sengupta et al. 1997) and since formalization is a central construct in organization theory related to management within a firm (cf. Scott 1992), we also consider *formalization* of the KAM approach.

Key Account Management Defined

As researchers in the area have long noted (Napolitano 1997; Pegram 1972; Shapiro and Moriarty 1982), there are many labels given to a firm's most important set of customers (e.g., national, global, strategic, major, key, house accounts) and inconsistent or imprecise definitions of the approaches used for managing these accounts. We define *key account management* (KAM) as the performance of additional activities and/or designation of special personnel directed at an organization's most important customers. Our definition implies that (a) some type of identification of most important customers must occur and (b) additional activities and/or special personnel must be directed at these accounts.[3] There are two cases when KAM would not exist. The first case is when there is no identification of some accounts as more important than others (which implies that all customers are equally important). The second case is when there is an identification of a set of more important customers, but nothing different is done for them (i.e., no special actors and no additional activities). We do not limit our domain to the situation where people are formally designated as KAM managers and formal KAM programs are established. If the CEO, senior managers, or managing partners are responsible for the firm's most important customers, they are involved in KAM.

Our definition implies that most firms are involved in KAM whether they formally recognize it or not, since most firms have some set of customers that are seen as more important than others and are treated differently. We view *KAM as an approach* to a set of customers *rather than as a formally structured program*. One empirical question is whether firms that formalize KAM are more effective than others who do not explicitly label and organize a KAM program. Much of the prior KAM research has (1) focused on large firms (e.g., Birkinshaw et al. 2001; Shapiro and Moriarty 1982, 1984) and/or (2) used NAMA membership lists as the sampling frame (e.g., Platzer 1984; Sengupta et al. 1997; Wotruba and Castleberry 1993), thus limiting investigation to firms with formal programs. We do not restrict our attention to these situations that we view as a special case of KAM. For example, in professional service firms, it is common to assign key account responsibility to senior-level managers. There is no change in organizational structure (which many prior definitions of KAM require), but there is recognition that some accounts are more important than others and there are differential actors and/or activities, thus meeting our criteria for KAM.

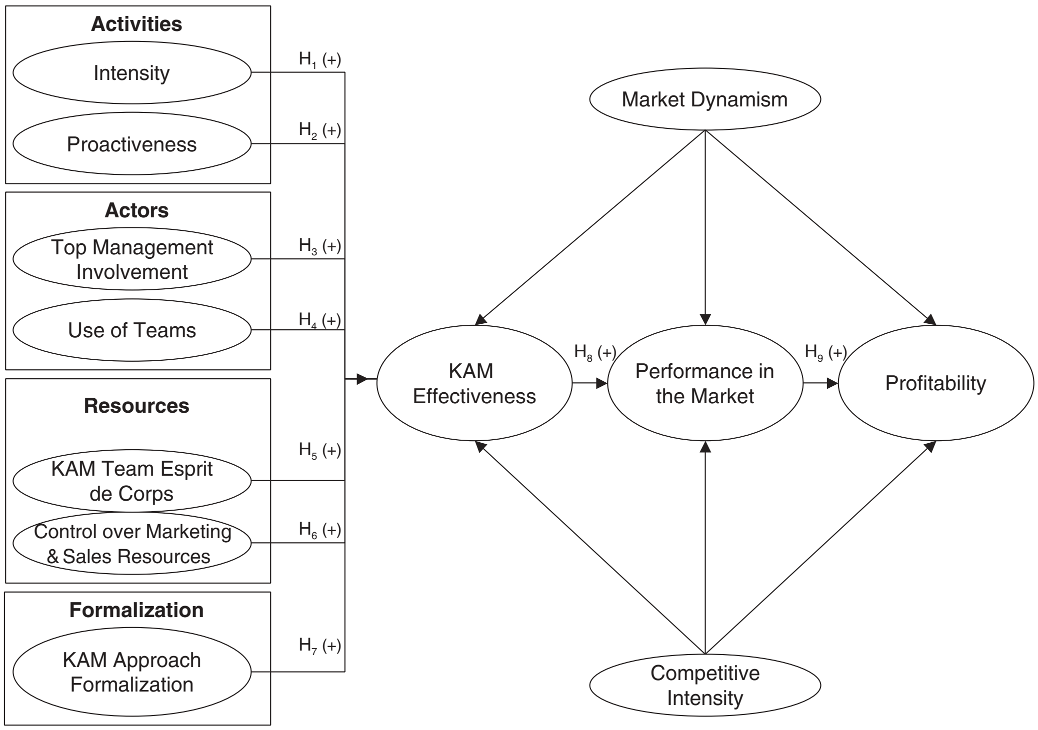
KAM effectiveness is a central construct in this article. Consistent with the perspective of Ruekert, Walker, and Roering (1985), who noted that "effectiveness involves the degree to which organizational goals are reached" (p. 15), we define *KAM effectiveness* as the extent to which an organization achieves better relationship outcomes for key accounts in comparison with average accounts. The relationship marketing literature has identified a number of goals that firms seek to achieve through partnerships. These include development of trust (Doney and Cannon 1997; Smith and Barclay 1999), increased information sharing (Frazier, Spekman, and O'Neal 1988; Mohr and Nevin 1990), reduction of conflicts (Germain, Dröge, and Daugherty 1994; Gundlach and Cadotte 1994), and commitment to maintaining the relationship (Achrol 1991; Mohr, Fisher, and Nevin 1996; Morgan and Hunt 1994). Furthermore, since one reason for designating an account as a key account is to increase sales to the account, our KAM effectiveness measure also includes an item concerning meeting sales objectives.

In addition to examining determinants of KAM effectiveness, we also develop hypotheses and test a model that relates KAM effectiveness to performance in the market and profitability. We define *performance in the market* as the extent to which market-related goals such as achieving desired growth, market share, customer satisfaction, and attraction of customers are achieved. The overall model of our hypothesized relationships is shown in Figure 1. We now develop specific hypotheses.

Activities

We begin with the topic of activities. While many conceptual articles have listed things firms typically do for their key accounts, there is surprisingly little empirical support for how the performance of activities affects KAM success.

FIGURE 1
Intraorganizational Determinants of Key Account Management (KAM) Effectiveness: A Conceptual Model



Activity intensity. One central issue related to KAM concerns what additional activities are done for key accounts compared with other accounts (Dishman and Nitse 1998; Platzer 1984; Shapiro and Moriarty 1982). By *intensity*, we refer to the extent to which additional activities are performed for key accounts. Customers enter into collaborative relationships with suppliers in anticipation of receiving benefits such as better products and services, better pricing terms, improved logistics, and more information sharing than they would receive if they were not in such a relationship (Frazier et al. 1988; Jap 1999; Mohr and Nevin 1990; Sheth and Sharma 1997). The adaptation of selling approaches and activities to the needs of an individual account is consistent with the "adaptive selling concept," which emphasizes that effective salespeople understand how their customers make decisions and adjust their efforts accordingly (Weitz 1981).

In examining the effect of activities on KAM effectiveness, we initially focus on *activity intensity*, which we define as the extent to which more activities are done for key accounts compared with average accounts. The types of activities that have been mentioned in previous research can be grouped under the 4P framework (i.e., product, pricing, promotion, and place), with the addition of communication and information sharing (Mohr and Nevin 1990). Prior empirical work on activity intensity focused on individual activities such as information sharing (Mohr et al. 1996) or JIT logistical relationships (Germain et al. 1994) and has not considered an overall level of activity intensity across a number of domains.

Higher levels of activity intensity bring a number of benefits to key accounts. First, it is a sign of supplier commitment, which can deepen the trust with the account. Trust has been shown to have a number of benefits in the relationship literature (e.g., Doney and Cannon 1997; Smith 1997). Second, by doing special things for key accounts (e.g., product adaptation, integrated logistics systems), customers may reduce their cost structure and improve their efficiency (Cannon and Homburg 1998; Day 2000; Germain and Dröge 1997; Kalwani and Narayandas 1995). This can lead to customers wanting to maintain and deepen the relationship. Third, activity intensity can lead to improved effectiveness and competitive position for key accounts and can help them compete in their markets. For example, special logistical arrangements with key accounts can reduce the time it takes for them to respond to changes in the market. Finally, activity intensity can improve communication between the firms, which is positive for the relationship (Mohr et al. 1996) and which can lead to improved responsiveness to changes in the market (Frazier et al. 1988). On an overall basis, activity intensity provides benefits to key accounts that should lead to greater investments by them in the relationship, more information sharing, and desire by them to continue the relationship. On the basis of this logic, we hypothesize the following:

Hypothesis 1: Activity intensity is positively related to KAM effectiveness.

Activity proactiveness. In addition to activity intensity, proactiveness in initiating activities may lead to better performance. Hunt (1999) emphasized proactiveness in his resource-advantage theory and argued that firms are not "just passively responding to a changing environment" but rather "firms can be proactive toward their environment." We define *activity proactiveness* as the extent to which the supplier initiates activities. We now consider how proactiveness can improve KAM effectiveness.

A first advantage of proactiveness is the first mover advantage (Kerin, Varadarajan, and Peterson 1992; Lieberman and Montgomery 1988). Decisions by customers to enter into close collaborative relationships with one supplier may preclude the opportunity for other suppliers to service those customers (Dishman and Nitse 1998; Sengupta et al. 1997; Sheth and Sharma 1997). By proactively forming close relationships, suppliers have the opportunity to learn about trends in the market and have the opportunity to sense sources of conflict earlier and develop appropriate responses (Day 2000).

A second advantage of proactiveness is that firms have more control and more degrees of freedom concerning what they will do for key accounts. By being proactive, they can design activities in a way that matches their interests and capabilities. In contrast, suppliers have less flexibility when they are in a position of responding to key account demands. Other research on KAM cautions against creating KAM programs that are essentially responsive programs that cater to customer demands for price and nonprice concessions (Lambe and Spekman 1997; Pardo 1997). On the basis of these considerations, we hypothesize the following:

Hypothesis 2: Activity proactiveness is positively related to KAM effectiveness.

Actors

We now turn to the issue of the actors involved in KAM. Given our interest at the organizational design level, we focus not on specific KAM managers (the focus of much prior work) but rather on extent of involvement of different actors. We focus initially on vertical participation and then consider horizontal participation.

Top management involvement. The "upper-echelons perspective," initially articulated by Hambrick and Mason (1984), argues that the organization is a reflection of the top managers. Organizational strategies are proposed to reflect the characteristics and interests of the top managers of the firm. Managerial articles and conceptual articles on KAM have consistently called for top management involvement. The director of the Strategic Account Management Association stated, "Top management sponsorship and involvement is the most critical indicator of success. They must be willing to commit the resources required" (Napolitano 1997:5).

We define *top management involvement* as the extent to which top management participates in KAM. Since KAM involves many parts of the organization, it is important that top management of the firm sets an example and shows commitment to KAM. Top managers can set an example for the rest of the organization through their actions and are able to help encourage cross-organizational responsiveness. In addition, the involvement of top management shows commitment to key accounts, which may lead to greater involvement of the customer's top management and a deepening of the overall relationship with the key account. On the basis of this logic, we hypothesize the following:

Hypothesis 3: Top management involvement in KAM is positively related to KAM effectiveness.

Use of teams. A number of studies on trends in selling have emphasized the increased use of teams (Bauer et al. 1998; Marshall et al. 1999; Weitz and Bradford 1999). As customers become more complex and more heterogeneous, it is necessary to have more specialization in the customer-facing parts of the supplier organization, with a resulting need to have integration mechanisms that couple these specialties. Perry, Pearce, and Sims (1999) argued that "under conditions of moderate/high selling task complexity, the need for effective selling team processes is heightened."

One reason for introducing KAM is to address the differences between the needs of key accounts and needs of normal customers. The team-selling literature has often emphasized that teams are introduced when selling to key accounts. Moon and Armstrong (1994) argued that "the essential point of a national account approach to personal selling is that large, complex customers are serviced by many individuals, and coordination of these individuals' efforts is necessary for the seller to become the preferred supplier" (p. 19). The task facing key account managers is typically one of internal coordination across functional units, product units, and geographic regions. We define *team use* as the extent to which teams are formed to coordinate activities for key accounts. It is a continuous rather than a dichotomous construct. On the basis of these considerations, we hypothesize the following:

Hypothesis 4: Team use is positively related to KAM effectiveness.

Resources

It is recognized that successful KAM requires the coordination of activities of salespeople in different organizational units (e.g., multiple locations or multiple product groups) and activities of people in different functional groups (e.g., Cespedes 1992; Gardner, Bistritz, and Klopmaker 1998; Lambe and Spekman 1997; Shapiro and Moriarty 1982; Wotruba and Castleberry 1993). This is especially important in situations where marketing activities are dispersed across organizational groups (Workman et al. 1998). In this section, we consider two aspects of organizational resources—development of an esprit de corps among those involved in the management of key accounts and access to resources by key account managers.

Esprit de corps. There is widespread recognition in the relationship marketing literature that developing close partnerships with customers requires the participation of people throughout the firm (Day 2000; Menon, Jaworski, and Kohli 1997). We define *KAM team esprit de corps* as the extent to which people involved in the management of key accounts feel obligated to common goals and to each other. The KAM literature has emphasized that successful KAM requires obtaining commitment and resources from across the organization, often through the use of cross-functional teams (McDonald, Millman, and Rogers 1997; Shapiro and Moriarty 1982, 1984). KAM team esprit de corps is related to interdepartmental connectedness and collaboration, which others have argued affects performance. In the team-selling literature, there is general consensus that cohesiveness of those involved in sales activities affects performance (Smith and Barclay 1993; Spekman and Johnston 1986). In a new product context, Kahn and Mentzer (1998) found that interdepartmental collaboration is positively related to performance.

KAM team esprit de corps is related to the development of an organizational culture that supports customers. Drawing on a resource-based view of the firm, Barney (1986) argued that "a firm's culture can be a source of sustainable competitive advantage if that culture is valuable, rare, and imperfectly imitable" (p. 663). According to Menon et al. (1997), "Greater esprit de corps allows for early and quick exchange of customer and market information" (p. 188). Capron and Hulland (1999) used a resource-based view of the firm to argue that developing complex relationships with buyers requires "team selling approaches and/or the development of horizontal selling alliances. To be successful, both of these approaches demand unique cultures, systems, and processes that permit the breaking down of functional and divisional boundaries" (p. 43). Day (2000) claimed that to develop strong relationships with an organization's most valuable customers, "a relationship orientation must pervade the mindset, values, and norms of the organization" (p. 24).

When firms fail to achieve an esprit de corps, there may be a lack of commitment to common goals for key accounts and people will follow their personal agendas, thus making it more difficult to serve the needs of key accounts. In addition, there may be a loss of organizational information about key accounts since this information enters the organization through many different people who are more likely to share it with others when there is a higher level of esprit de corps. On the basis of this logic, we hypothesize the following:

Hypothesis 5: Esprit de corps among the people involved in management of key accounts is positively related to KAM effectiveness.

Access to marketing and sales resources. It is common for key account managers to be responsible for coordinating sales activities across multiple geographies and divisions. However, it is also common for these managers to have no direct control over line sales and support people who report to product-based or geographically based business units.[4] The reason for lacking hierarchical control is that there is often not enough sales volume to justify dedicated sales and support personnel across all the product groups and geographic regions that may be involved for a given key account.

One of the key challenges of the KAM coordinator is obtaining commitment of resources from sales, support, and marketing personnel, particularly when they do not formally report to him or her (Gardner et al. 1998). Internal selling within their own organization to obtain these resources is often more important than external selling in the customer organization. Moon and Armstrong (1994) discussed the role of a coordinator who "identifies needed resources and then obtains them." They argued that the "presence of at least one effective coordinator will likely be critical to the success of any selling center effort." Sengupta et al. (2000) found that "intrapreneurial ability" is a determinant of effectiveness, operating through intermediate processes of communication and trust. They indicate that intrapraneurial ability includes the key account saleperson's "ability to locate personnel or other resources within the seller firm and deploy them to assist the customer account."

We define *access to marketing and sales resources* as the extent to which a key account manager can obtain needed contributions to KAM from marketing and sales groups. On the basis of a study of how senior executives in customer organizations view salespeople who seek to form close relationships with them, Gardner et al. (1998) stated, "The ability of salespeople to wield influence within their own organization and bring the right resources to bear on their customers' needs is of prime importance" (p. 22). Similarly, Maister (1999) noted,

> Account management for a major client is not a simple matter of a single member of the firm [the key account manager] focusing his or her attention on a few key decision-makers. A proper relationship with a major account requires the full participation of a large number of people who service or deal with the account. Everyone who participates in serving the client can, and does, affect the relationship. (P. 62)

KAM coordinators who fail to gain the necessary access to marketing and sales resources will be unable to meet their firm's commitments. We hypothesize that KAM coordinators who do obtain these commitments are more successful:

Hypothesis 6: Access to marketing and sales resources is positively related to KAM effectiveness.

KAM Approach Formalization

Much of the focus of prior research has been on the establishment of KAM programs (Pegram 1972; Platzer 1984; Shapiro and Moriarty 1982, 1984; Stevenson 1981). This research has typically drawn on interviews or surveys to identify situations where KAM programs are appropriate and to identify criteria for inclusion in the KAM program. Much of this and related KAM research implies that KAM programs will be more successful when there has been a careful planning of the activities for key accounts and a program has been formally established to serve these accounts.

Formalization is a central construct in organization theory and is generally viewed as providing systematic ways for handling recurring activities. We define *formalization of the KAM approach* as the extent to which an organization has established policies and procedures for handling its most important set of customers. In marketing, positive effects of formalization have been empirically shown in the development of trust in marketing research relationships (Moorman, Deshpande, and Zaltman 1993) and in the context of structuring the marketing department (Dastmalchian and Boag 1990). Conceptual frameworks for team selling have emphasized establishing procedures to encourage the participation of nonsales personnel in sales activities (Moon and Gupta 1997).

There is a limited amount of empirical support for establishing KAM programs and procedures. For example, in their survey of KAM salespeople and KAM managers, Wotruba and Castleberry (1993) found that performance of KAM programs was higher for KAM programs that do a formal job analysis. Stevenson (1981) found that establishing a national account program led to increased profits, increased share of purchases, and better communication with these accounts. While there is limited empirical support, there are potential drawbacks to formalization as argued by Spekman and Johnston (1986) who stated, "Formal structure and control bring greater coordination among disparate units but one can sacrifice flexibility and entrepreneurial spirit" (p. 524). Nevertheless, on the basis of prior research and the general advantages of formalization from the organizational literature, we hypothesize the following:

Hypothesis 7: Formalization of the KAM approach is positively related to KAM effectiveness.

Consequences of KAM Effectiveness

To model the consequences of KAM effectiveness, we introduce the construct of *performance in the market*, which we define as the extent to which the firm achieves market-related goals such as revenue growth, market share, customer satisfaction, and retention of customers. Many factors can affect performance in the market such as advertising, introduction of new products, changes in distribution strategy, and competitive actions. However, there are a number of reasons why KAM effectiveness should have a positive effect on performance in the market. First, key accounts may represent a substantial percentage of the firm's business. Thus, performing well with these accounts may be directly reflected in overall performance in the market. Second, key accounts may provide know-how about the market and early signals about changes in the market (Pels 1992; Selnes and Sallis 1999). Successful KAM can provide this information that then can be used to improve market performance with all of the other customers. Third, key accounts can serve as reference or showcase accounts (Pegram 1972; Pels 1992). Other customers may decide to buy from a firm, due to the prestige associated with the firm's key accounts. On the basis of these considerations, we hypothesize the following:

Hypothesis 8: KAM effectiveness is positively related to performance in the market.

An organization that is performing well in the market will also be financially successful. The literature on performance implications of customer satisfaction and loyalty provides evidence that these components of market performance are positively related to financial performance (Anderson, Fornell, and Lehmann 1994; Fornell 1992). Furthermore, Reichheld (1996) argued that loyal customers could increase a firm's profitability through the absence of acquisition costs, decreasing operating costs, referrals, and higher price tolerance. Thus, we hypothesize the following:

Hypothesis 9: Performance in the market is positively related to profitability.

Control Variables

Much of the research in organization theory and strategy identifies change in the environment as a determinant of performance. Market dynamism is a key component of environmental change and has been shown in prior empirical research to affect performance (Dess and Beard 1984). Similarly, competitive intensity has been argued by many strategy researchers to be one of the most important determinants of performance (e.g., Porter 1980). We control for the effects of market dynamism and competitive intensity as shown in Figure 1 using the scales for these constructs as developed by Jaworski and Kohli (1993).

METHOD

Sample and Data Collection

Data to test the hypotheses were collected using a mail survey from senior sales managers in the United States and Germany. A random sample of 1,000 U.S. and 1,000 German firms in different size categories in the designated industry sectors were obtained from commercial list providers, and an initial survey was sent to the head of the sales organization.[5] To achieve generalizable results, we included five industry sectors in our sample. The five industry sectors were food, chemical, machinery, financial services, and electronics/computer. The cover letter and directions on the survey indicated that the survey should be answered by a "VP/director/manager of sales" or should be forwarded to someone familiar with how the firm's most important set of customers were managed. In our survey, we were interested in measuring aspects of the KAM approach for a firm's most important set of customers. Our prior field research as well as the literature review indicated that there are many different terms used in practice. In our survey directions, we directed our survey respondents to focus on their firm's most important set of accounts, regardless of the internal label used for these accounts.[6]

A reminder postcard was sent 1 week after the initial mailing to encourage response. Follow-up phone calls starting 2 weeks later were made to verify the contact name, to verify the appropriateness of the firm for participation in the study, and to encourage response. A second mailing of the survey was done to all people approximately 4 weeks after the initial mailing. On the basis of the phone calls and nondeliverable mail, we determined that 174 of the U.S. firms and 171 of the German firms were inappropriate for the study. Follow-up surveys were sent out so that, in the end, every verified name had been contacted twice. We received responses from 264 German firms and 121 U.S. firms for effective response rates of 31.8% and 14.6% within each country and an overall response rate of 23.3%. Given the length of our survey and the senior level of managers targeted, our response rate is in line with those of other researchers studying complex organizational phenomena (e.g., Harzing 1997; Kahn and Mentzer 1998; Menon et al. 1997).

To detect possible problems with nonresponse error, we compared the early respondents with the late respondents within each country (Armstrong and Overton 1977). The data set was divided into thirds within each country according to the number of working days from the initial mailing to the company until the receipt of the survey. *t*-tests between the first and last thirds indicated no statistically significant differences ($p < .05$) in the mean responses for the constructs used. Hence, on an overall basis, nonresponse bias does not appear to be a problem in our study.

The survey was initially designed in English based on insights gained on KAM from an earlier field research study on major trends in marketing sales organization done with 25 people in the United States and 25 in Germany. To enhance translation equivalence, the English version of the survey was first translated into German by one person and then retranslated into English by a second person, each of whom was bilingual. The two expert translators reconciled differences. The resulting two versions of the survey were pretested and modified in the United States and Germany on the basis of comments from eight marketing and sales managers who completed the survey.

Measurement Development and Assessment

Given the dearth of prior empirical research on KAM, scales for the study consisted mostly of newly generated items that were derived from a thorough literature review. We used three outcome measures—KAM effectiveness, performance in the market, and profitability. The intensity and proactiveness of activities for key accounts were assessed with seven activity items. Items were developed drawing on prior conceptual work in the KAM literature (Montgomery, Yip, and Villalonga 1998; Shapiro and Moriarty 1984). The constructs and specific items are shown in the appendix.[7]

Measure reliability and validity were assessed using confirmatory factor analysis. Composite reliability represents the shared variance among a set of observed variables measuring an underlying construct (Fornell and Larcker 1981). In general, composite reliability of at least

.6 is considered desirable (Bagozzi and Yi 1988:82). As shown in the appendix, each construct met that criterion. Furthermore, all but three coefficient alpha values are above .8. Nunnally (1967) recommended a threshold alpha value of .6 for exploratory research participants (p. 226). Hence, alpha values suggest a reasonable degree of internal consistency between the corresponding indicators. That conclusion is supported by the fact that all the factor loadings were significant at the .001 level suggested as a criterion of convergent validity by Bagozzi, Yi, and Phillips (1991). Discriminant validity among the constructs was assessed using the criterion proposed by Fornell and Larcker (1981), which requires that the squared correlation between two constructs be smaller than the average variance extracted for each construct. We found that these conditions were met, and thus discriminant validity holds for all constructs used in the study.

To ensure measurement invariance across countries, we followed the procedure suggested by Steenkamp and Baumgartner (1998). Given that the objective of our article is to test dependence relationships between variables, configurational invariance and metric invariance need to be fulfilled. Configurational invariance implies that the factorial structure underlying a set of observed measures is the same across the two countries. Metric invariance is a stricter criterion that assesses whether the units of measurement (i.e., the scale intervals) are equivalent in the German and the U.S. subsample. Using multiple-group confirmatory factor analysis, we found full configurational invariance and at least partial metric invariance (at least two items were metric invariant) for our constructs. Thus, the two national subsamples may be merged for the testing of our hypotheses.

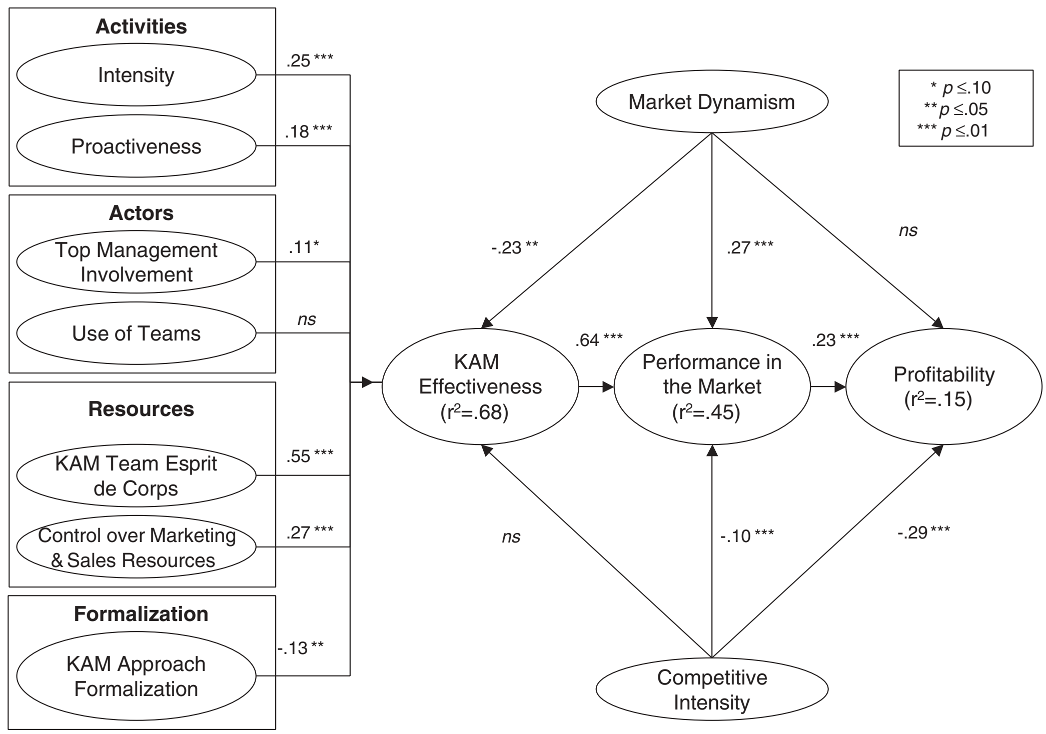
We used structural equation modeling by means of LISREL VIII to test our hypotheses. Measures of overall fit evaluate how well the model reproduces the observed variables' covariance matrix. The Goodness-of-Fit Index (GFI) and Ajusted Goodness-of-Fit Index (AGFI) are two descriptive overall fit measures for which a minimum value of .9 is usually considered to be acceptable (Bagozzi and Yi 1988; Baumgartner and Homburg 1996). The same threshold value can be applied to the Comparative Fit Index (CFI), an incremental fit index suggested by Bentler (1990). The root mean square error of approximation (RMSEA) is a fit measure based on the concept of noncentrality. Usually, values up to .08 are considered to indicate reasonable model fit (Browne and Cudeck 1993). These criteria were all met in our structural equation model (GFI = .92, AGFI = .91, CFI = .96, RMSEA = .04).

RESULTS

The results of our analysis are shown in Figure 2. On an overall basis, our model seems to have captured the most important determinants of KAM effectiveness in that we are able to explain a large share (68%) of the variance in KAM effectiveness. The relationship between activity intensity and KAM effectiveness is statistically significant, thus supporting Hypothesis 1. Hypothesis 2, which posits a relationship between activity proactiveness and KAM effectiveness, is also supported. The relationship between top management involvement and KAM effectiveness is significant, thus supporting Hypothesis 3, although smaller in magnitude than the other statistically significant coefficients. We fail to find any statistically significant relationship between use of teams and KAM effectiveness, thus failing to support Hypothesis 4. However, we do find support for Hypothesis 5, that KAM team esprit de corps positively affects KAM effectiveness. This implies that it is not so much the extent of team use that matters but rather the development of an organizational culture that is committed to supporting KAM. Access to marketing and sales resources is also statistically significant, supporting Hypothesis 6. It is important to note that the magnitudes of the two resource variables are the highest in the model, drawing attention to the importance of developing organizational resources that support KAM. We fail to find support for Hypothesis 7, that KAM approach formalization affects KAM effectiveness, and find the coefficient is statistically significant in the direction opposite that hypothesized. These results imply that when controlling for the other variables, less formalized KAM approaches lead to higher levels of KAM effectiveness. Our results also support our hypothesized relationships between KAM effectiveness, performance in the market, and profitability.

In addition, one might argue that KAM effectiveness is especially important in the case when a large percentage of revenues comes from key accounts. We analyzed the potential moderating effect by means of multiple-group LISREL (Bollen 1989). The sample was split by the median of the percentage of sales derived from key accounts. In the group with a high percentage of sales to key accounts, the effect of KAM effectiveness on performance in the market is stronger than in the group with a low percentage of sales to key accounts. However, in both subgroups, we observe strong and highly significant effects of KAM effectiveness on performance in the market (standardized effect of .40 in the case of a low percentage of sales to key accounts and .55 in the case of a high percentage). The significance of this moderating effect can be tested. In the first multiple-group LISREL model, we freely estimated the parameters in both groups. In a second model, we introduced an identity restriction: we set the effect of KAM effectiveness to market performance equal in both models. If this restriction significantly deteriorates model fit (measured by chi-square), there is a significant moderating effect. As chi-square deteriorates by 4.3 (which is larger than the threshold value of 3.84), the

FIGURE 2
Results of Hypothesis Testing Using Structural Equation Modeling (N = 230)



NOTE: Completely standardized coefficients are shown; χ^2 = 1,419 and df = 1,031. KAM = key account management.

moderating effect is significant at the 5% level. These findings are consistent with those of Birkinshaw et al. (2001), who found a significant difference in the effectiveness of global account structures for conditions of high versus low dependence on global customers.

DISCUSSION AND IMPLICATIONS

To summarize our results, we find that the dimensions of the KAM approach that positively affect KAM effectiveness (in decreasing order of effect) are KAM team esprit de corps, access to marketing and sales resources, activity intensity, activity proactiveness, and top management involvement in KAM. On the other hand, formalization of the KAM approach, a design parameter emphasized in the KAM literature, is negatively related to performance. The most surprising aspect of our findings is that the softer factors (e.g., top management involvement, KAM team esprit de corps) matter more than formalization of the approach. One downside of formalizing the approach to key accounts is that this may lead to bureaucracy and impede flexibility in responding to the demands of different key accounts. To the extent that there is heterogeneity among key accounts, formalized approaches may get in the way of providing special treatment to customers.

Theoretical Implications

One contribution of our article is our general framework of activities, actors, resources, and formalization that provides a systematic way to think about KAM. As we indicate in Table 1, prior KAM literature has tended to be nonempirical or has examined only one dimension of KAM. Our study is the first large-scale, cross-national empirical study that studies the performance outcomes of various dimensions of a KAM approach. The general activities-actors-resources relationship model of Demsetz (1992) could be extended into relationship contexts other than our KAM context.

A second contribution is identification of specific aspects of a KAM approach that lead to effectiveness. Prior KAM research has not been able to demonstrate which aspects of a KAM approach are most important. Our results indicate that formalization of KAM programs actually reduces KAM effectiveness. Having a formalized program can impede flexibility and the ability to customize offerings to specific customers. Also, it may be more costly, due to administrative costs or dedication of the best salespeople to these accounts when they might be more productively used elsewhere.[8] Rather than a formalized program, our results indicate the important factors are whether firms do differential things for their key accounts, do them proactively, and then provide an overall culture and organization environment that provides the resources needed to support the KAM effort. Top management involvement is important, not only for its direct effect on KAM success but also for sending signals to the organization that support of the KAM effort is important. In terms of the categories of our model, *activities and resources* are more important than *actors and formalization*. Given the prior emphasis on KAM programs and KAM managers (formalization and actors), our results indicate a shift in research direction toward better understanding the activities and resource dimensions may be needed.

A third contribution is our finding concerning teams. It is not the extent of team use that affects KAM effectiveness but rather the development of esprit de corps among those involved in the management of key accounts. The coordination of activities across the organization requires a common commitment to serving the needs of key accounts. Similar to the research on market orientation, our results indicate that development of an organizational culture that supports customers is a key driver of performance. Research on marketing's role within the organization has started to examine conditions that lead to marketing having relatively higher or lower levels of influence (Homburg, Workman, and Krohmer 1999) and the knowledge and skills necessary to connect customers with the firm's product and service capabilities (Moorman and Rust 1999). While there is a long tradition of studying power and influence *within the sales organization* (e.g., Busch 1980) and *within channels of distribution* (e.g., Frazier 1983; Gaski 1984), there is a lack of research on cross-functional influence of the sales organization and competition for resources *within the organization*. Since KAM is primarily about managing and coordinating the activities of people over whom the key account manager does not have formal authority, additional research is needed to understand how key account managers can best accomplish their goals and obtain the needed resources. Research on product managers and new product development team leaders may be a good source of theoretical frameworks for addressing this issue of access to resources and "responsibility without authority."

A fourth contribution is our finding that KAM effectiveness leads to profitability in the market. KAM effectiveness has a direct effect on performance in the market that then leads to profitability. Since performance in the market encompasses all accounts (not just key accounts), this result implies that there is a relationship between how well firms do with key accounts and their general performance in the market. This link between KAM performance and firm performance highlights the importance of the topic of KAM and the need for additional research on organizing to manage key accounts.

At a more general level, a fifth contribution of our research is that it highlights the importance of studying how firms manage their intraorganizational relationships. While there have been calls for field research that helps refine conceptualizations of buyer-seller relationships and the process by which these form and evolve (Narus and Anderson 1995), there has been relatively little examination of the intraorganizational processes involved. These relationships are complex due to the multiple people, products, functional groups, hierarchical levels, and geographies represented on both buyer and seller sides. By identifying issues involved in the intraorganizational management of relationships, our study serves as a bridge between the relationship marketing literature and the marketing organization literature (e.g., Moorman and Rust 1999; Workman et al. 1998).

Managerial Implications

A number of important managerial implications follow from our research. First, our conceptualization of KAM can provide managers with a structured way of looking at KAM decisions. Specifically, managers involved with key accounts need to consider and debate the following questions:

- To what extent does your firm actually do differential activities for your key accounts?
- Does your firm proactively initiate these activities?
- Is top management involved with KAM?
- Has your firm developed a culture that develops an esprit de corps among those involved in KAM?
- Do key account coordinators have sufficient access to marketing and sales resources?

Second, our empirical results provide managers with guidance concerning factors having the greatest effect on KAM effectiveness. KAM team esprit de corps and access to marketing and sales resources by key account managers are particularly important. Because KAM is fundamentally about relating better to the firm's most important customers, changes are required throughout the organization and not simply in sales and marketing.

Third, proactiveness has a significant effect on outcomes. Sales managers should not wait for customers to request special treatment but rather should be proactive. In so doing, they can differentiate themselves from competitors and design KAM activities in a way that leverages their core competencies.

Fourth, managers should involve the top managers in their firm in KAM. While prior research has claimed that top management support is important (Napolitano 1997;

Platzer 1984; Weitz and Bradford 1999), there has been lack of empirical support. Our data indicate a significant positive association between top management involvement in KAM and success.

Finally, managers should exercise caution with regard to formalization of KAM. Our results indicate a negative association between KAM formalization and KAM effectiveness. As emphasized above, the activities, actors, and resources seem to matter more than formalization.

Limitations and Directions for Future Research

There are a number of limitations of our research that should be addressed in future research. First, our research approach of a cross-sectional design with a single informant has all the limitations of such a design. There is a possible bias where an unmeasured factor is affecting both independent and dependent variables. We are not able to establish direction of causality. It is possible that success with key accounts leads to designation of special personnel, additional resources, and a higher esprit de corps. There is also the possibility that KAM is more likely to be implemented when powerful customers demand it, with a result that customer power may be a missing factor that affects our results.

Second, our model focuses on direct effects of the constructs shown in Figure 1 on KAM effectiveness. There may be interactions between these constructs and moderators that affect the strength of their relationship on KAM effectiveness. Furthermore, we find that percentage of revenues to key accounts moderates the relationship between KAM effectiveness and market performance. Future research should consider the role of moderators between our key constructs and KAM effectiveness, as well as between KAM effectiveness and outcomes.

Third, we do not address the process of how access to resources is obtained. We see parallels between the situation of key account managers, product managers, and new product development managers who often have responsibility without full authority and thus encourage additional research on constructs such as "intrapreneurial ability" (Sengupta et al. 2000) and internal selling to obtain resources needed to effectively serve key accounts.

Fourth, we did not measure whether key accounts are managed through permanent or nonpermanent teams, and thus we are not able to determine if our results hold up for both types of situations. Our nonsignificant finding for use of teams may also be related to having different types of teams represented in our sample. Thus, future research examining how the type of KAM team affects effectiveness as well as the challenges in managing different types of KAM teams is needed.

APPENDIX
Scale Items for Theoretical Measures

Scale Name, Response Cue, and Individual Items	*Composite Reliability / Coefficient Alpha*	M/SD
Activity Intensity (reflective scale, scored on 7-point scale with anchors 1 = not more than for average changes *and 7* = far more than for average*)*	.75/71	4.86/1.06
Compared to average accounts, to what extent do you do *more* in these areas for key accounts?		
Product-related activities (e.g., product adaptation, new product development, technology exchange)		
Service-related activities (e.g., training, advice, troubleshooting, guarantees)		
Price-related activities (e.g., special pricing terms, corporate-wide price terms, offering of financing solutions, revelation of own cost structure)		
Distribution and logistics activities (e.g., logistics and production processes, quality programs, placement of own employees in account's facilities, taking over business processes from customer)		
Information sharing (e.g., sharing of strategy and market research, joint production plans, adaptation of information systems, access to top management)		
Promotion activities to final customers (e.g., joint advertising and promotion programs to help the account sell your products)		
Activity Proactiveness (formative scale, scored on 7-point scale with anchors 1 = not more than for average changes *and 7* = far more than for average*)*		4.09/0.85
Do the activities in these areas derive more from customer initiative or more from your own initiative? (same set of seven activities as were used above)		
Top Management Involvement (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*)*	.66/.62	3.90/1.24
Even small matters related to key accounts have to be referred to someone higher up for a final decision.		
Very few decisions related to key accounts are made without the involvement of senior managers.		
Top management often deals with key account management.		
Use of Teams (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*)*	.85/.82	3.92/1.55
When there is a problem related to our key account relationships, a group is brought in to solve it.		
Key account–related decisions are made by teams.		
We have teams that plan and coordinate activities for key accounts.		

APPENDIX (continued)

Scale Name, Response Cue, and Individual Items	*Composite Reliability / Coefficient Alpha*	M/SD
KAM Team Esprit de Corps (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*; adapted from Jaworski and Kohli 1993)*	.92 /.90	5.12/1.16
People involved in the management of a key account		
are genuinely concerned about the needs and problems of each other.		
have a team spirit that pervades all ranks involved.		
feel like they are part of a big family.		
feel they are "in it together."		
(lack an "esprit de corps.") (R)		
(view themselves as independent individuals who have to tolerate others around them). (R)		
Access to Marketing and Sales Resources (reflective scale, scored on 7-point scale with anchors 1 = very difficult *and 7* = very easy*)*	.75/.69	5.58/1.05
How easy is it for the key account coordinator to obtain needed contributions for key accounts from these groups?		
Field sales		
Customer service		
Product management		
KAM Approach Formalization (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*; adapted from Jaworski and Kohli 1993)*	.87/.84	4.14/1.55
Please indicate the extent to which you agree with the following statements.		
We have established criteria for selecting key accounts.		
Within our organization, formal internal communication channels are followed when working on key accounts.		
To coordinate the parts of our organization working with key accounts, standard operating procedures have been established.		
We have put a lot of thought into developing guidelines for working with our key accounts.		
Market Dynamism (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*; from Jaworski and Kohli 1993)*	.64/.61	3.89/1.07
Please indicate the extent to which you agree with the following statements.		
In our kind of business, customers' product preferences change quite a bit over time.		
Our customers tend to look for new products all the time.		
We are witnessing demand for our products and services from customers who never bought them before.		
New customers tend to have product-related needs that are different from those of our existing customers.		
(We cater to many of the same customers that we used to in the past.) (R)		
Competitive Intensity (reflective scale, scored on 7-point scale with anchors 1 = strongly disagree *and 7* = strongly agree*; from Jaworski and Kohli 1993)*	.84/.81	5.04/1.20
Please indicate the extent to which you agree with the following statements.		
Competition in our industry is cutthroat.		
There are many "promotion wars" in our industry.		
Anything that one competitor can offer, others can match readily.		
Price competition is a hallmark of our industry.		
One hears of a new competitive move almost every day.		
(Our competitors are relatively weak.) (R)		
Key Account Management Effectiveness (reflective scale, scored on 7-point scale with anchors 1 = very poor*, 4* = about the same*, and 7* = excellent*; adapted from Irving 1995)*	.88/.85	5.36/0.72
Compared to your average accounts, how does your organization perform with key accounts with respect to		
achieving mutual trust?		
achieving information sharing?		
achieving a reputation of fairness?		
achieving investments into the relationship?		
maintaining long-term relationships?		
reducing conflicts?		
meeting sales targets and objectives?		
(making sales of those products with the highest margins)?		
(making sales from multiple product divisions)?		
Performance in the Market (reflective scale, scored on 7-point scale with anchors 1 = very poor*, 4* = about the same*, and 7* = excellent*; adapted from Irving 1995)*	.87/.85	5.06/0.85
Relative to your competitors, how has your organization, during the past 3 years, performed with respect to		
achieving customer satisfaction?		
providing value for customers?		
attaining desired growth?		
securing desired market share?		
successfully introducing new products?		
keeping current customers?		
attracting new customers?		
Profitability (interval item with 10 levels of variable provided)		5.24/2.48
What was your company's average pretax profit margin during the past 3 years? (1 = *negative*, 2 = *0-2%*, 3 = *2%-4%*, 4 = *4%-6%*, 5 = *6%-8%*, 6 = *8%-10%*, 7 = *10%-12%*, 8 = *12%-16%*, 9 = *16%-20%*, 10 = *more than 20%*)		

NOTE: Scale items not retained are indicated in parentheses. (R) denotes a reverse-coded item. KAM = key account management.

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NOTES

1. Throughout this article, we use the term *key account management* (*KAM*) rather than *national account management* since it seems to be more widely used in practice. This trend toward using the term *KAM* is evidenced in the fall 1997 special issue of the *Journal of Personal Selling & Sales Management*, where four articles use *key account* in the title of their article, while only two use *national account*. Similarly, a 1999 special issue of the *Journal of Business & Industrial Marketing* on the topic used the label *key account management* on the cover, in the editorial, and in the titles of three of the five articles.

2. Membership in the National Accounts Management Association (NAMA) (renamed Strategic Accounts Management Association in 1998) is at the individual level. In our survey, we find that more than half of our randomly sampled firms have formal KAM programs, which would imply that hundreds of thousands of firms in the United States have KAM programs. In contrast, there were only about 800 members of NAMA in 1997 (Weilbaker and Weeks 1997). Thus, NAMA lists are skewed toward large firms and represent well below 1 percent of firms with KAM programs. In addition, the people who are members of NAMA are highly involved in the issues of KAM, which may reduce the range of variation on key constructs.

3. It is also worth noting that our definition does not include the process or criteria by which firms select their most important customers. While it is not the primary focus of our article, we did include questions about the importance of various criteria for selection of key accounts. On a 1-to-7 scale of importance, we found the following rank ordering of the selection criteria (with their means): amount of potential sales to the account (6.06), amount of your current annual sales to the account (5.66), possibility of using the account as a reference/showcase account (4.38), demand for special treatment by the account (4.33), learning about key technologies from the account (3.97), international scope of the account (3.89), and internal coordination problems in catering to the account (3.72).

4. The concept of responsibility without authority is well known to product managers and is also commonly faced by new product development team leaders. Research in each of theses areas has emphasized the importance of social networks, personal initiative, leadership, and championing actions to obtain access to resources for which they have no formal authority. See Brown and Eisenhardt (1995) for a review of the new product development literature and Low and Fullerton (1994) for a review of the product management literature.

5. Size categories were chosen to eliminate the smallest firms that might not have enough scale to face the issues of coordination discussed in the KAM literature. In our survey, we asked for size in terms of annual revenues and received a distribution of responses as follows: (a) less than \$30 million: U.S. 21%, Germany 19%; (b) \$30 to \$150 million: U.S. 39%, Germany 27%; (c) \$150 to \$600 million: U.S. 24%, Germany 24%; (d) more than \$600 million: U.S. 19%, Germany 21%. On the basis of a chi-square test assuming equal distribution across the size categories, we found no variation between the sampling frame and the achieved sample.

6. In the U.S. sample, we found that the four most common labels for the most important set of customers were *key accounts* (46%), *major accounts* (14%), *strategic accounts* (12%), and *national accounts* (11%).

7. We measure performance in the market relative to competitors and measure profitability on an absolute basis. The reason is that marketing and sales managers typically are likely to be knowledgeable about how well their strategic business unit is performing relative to their competitors (e.g., market share, growth, customer satisfaction) but are less likely to be knowledgeable about their competitors' profitability. Reasons for less reliable knowledge of competitors' profitability are that competitors may be privately owned (thus, not publishing profits) or may be publicly traded, but part of a larger corporation. In the strategy literature, it is relatively common to use absolute profitability rather than profitability standardized to industry average as a dependent variable.

8. As one reviewer noted, it may be the case that KAM programs are more formalized when powerful customers demand such programs. If these powerful customers are also relatively less profitable, this may be an additional reason for our finding. As we note in the Limitations and Directions for Future Research section, we are not able to assess the direction of causality or rule out other constructs, such as powerful customers, that may affect both the independent and dependent variables.

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