M A R K E T I N G S C I E N C E I N S T I T U T E

Implementing Global Account Management in Multinational Corporations

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W O R K I N G P A P E R S E R I E S

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As companies strive to compete in a globalized market, an increasing number use global account management (GAM) to manage sales across national boundaries. Although intended to improve control and consistency in customer management processes, GAM structures have also increased the complexity and fragmentation of vendors' international sales organizations. Since they operate alongside national sales units, GAM programs create additional organizational units involved in customer management and, thus, raise issues regarding control, incentives, and decision-making authority. In fact, GAM implementation has proved difficult for many multinational companies.

In this paper, authors Arnold, Birkinshaw, and Toulan address the phenomenon of global account management from the point of view of information-processing theory. They suggest that the establishment of GAM structures is a response by companies to deal with heightened information-processing needs that stem from customer demands for global account coordination. A survey of 106 global account managers in 16 major multinational companies was used to test hypotheses regarding which structures in particular lead to increased account performance. Results indicate that:

- Even though the primary objective of global account managers is to coordinate customer relationships, it is the internal coordination of GAM units with other sales and support units that seems to have the greatest influence on their success. Frequency of communication with the customer was of only secondary importance in explaining account performance.

- Global accounts perform better when the global account manager does not make all decisions unilaterally, but acts in coordination with national sales organizations. Centralization of account responsibility, in which all decision authority on the account is transferred to global account managers, is associated with poor account performance.

- Account performance is highly dependent on the development and use of internal support systems.

Managerial Implications

While acknowledging that customer relationship management is critical to the success of global account management programs, this research suggests that implementation of GAM programs should focus initially on internal coordination and support of sales units. Issues to be addressed include the following:

- Timing: If major customers are designated global accounts before the necessary support systems are in place, the vendor may not be able to deliver on expectations of higher service and better relationship management.
- Structure: Some customer responsibility should remain at the local level, even when customers are designated global accounts.
- Personnel: The ability to manage intercompany relationships is a more critical skill for global account managers than customer management capability.

Until now, customer management has generally been delegated to local subsidiary organizations, on the ground that it is an execution-sensitive rather than a strategic activity. The emergence of global account management is a major shift in the complexity of these marketing organizations, and this study suggests that future research should be directed toward organizational implementation, rather than toward the business achieved with major accounts.

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Introduction

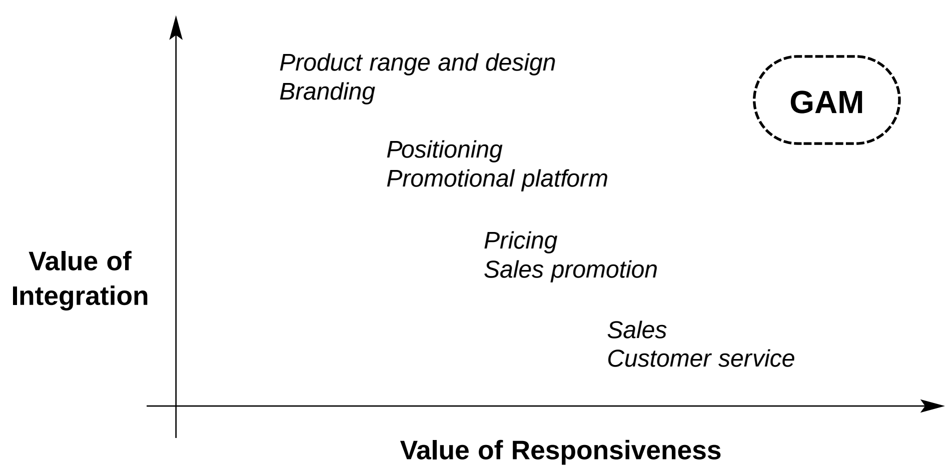
The coordination of customer management across national boundaries, commonly referred to as global account management (GAM), has rapidly emerged as one of the most prevalent corporate responses to the globalization of markets. Its importance has been recognized by academics and practitioners alike. Yip and Madsen (1996) describe GAM as "the new frontier in relationship marketing," and a vital platform for the successful implementation of a number of globalization strategies. A recent editorial in the journal of the National Account Management Association identified a sound GAM program as a "critical competitive weapon" (Napolitano 1998), and argued that GAM "clearly represents the new frontier in strategic account management." Montgomery, Yip, and Villalonga (1998) identified three important trends in the business environment as drivers of this evolution of international marketing organizations. The first two, the globalization of markets and the increased recognition of customer focus as a critical success factor, suggest the importance of GAM to multinational corporations (MNCs). The third, the perceived need for competitive preemption and response among vendors competing for the same global customers, explains the urgency with which GAM programs are being introduced.

Despite this recognition of the importance of global account management, there is to date little scholarship (especially empirical research) to aid understanding of this emergent phenomenon. While GAM would seem to be an critical element of major account relationships in the future, its implementation is proving difficult in many multinational corporations. Indeed, this research project was stimulated by repeated reports from MNC executives that the introduction of GAM programs in their organizations was problematic. In one of the first MNCs we visited, for example, several executives described an incident that had unraveled the GAM structure with one account, and called into question the structure of the entire GAM program. The customer's German subsidiary had promised to the vendor's German subsidiary an order for a huge number of units if they could be priced below the minimum established in the global agreement. Moreover, the vendor's German subsidiary, being a profit center, had every incentive to make the sale rather than conform to the global agreement. The customer, having secured the price, was then able to re-export the units to other subsidiaries, who could demand local service and support under the terms of the agreement. Similarly, a discussion group on GAM in the previously referenced journal (Napolitano 1998) raised concerns regarding control, compliance, and incentives. When asked for their views on organizations separated into national and global account management units, respondents' comments included:

> "I have never seen something like this. . . . [I]t flies in the face of common sense and one account owner."
>
> "This structure is setting the organization up to fail."
>
> "My priorities for the account do not always match the local ones for an individual site."

These implementation problems are organizational rather than marketing issues, and it is in the organizational aspects that global account management represents a revolutionary change to international marketing organizations. In many cases, GAM is viewed as a gradual evolution of key (or "national" or "strategic") account programs, since it is normally structured around some of the main characteristics of key account programs, such as the coordination of customer relationships across sales territories, and the designation of a single point of contact and responsibility in the vendor company (Shapiro and Moriarty 1980). In fact, there appears to be a qualitative shift in organizational complexity when moving to the supra-national level, since it is at this level that the administrative infrastructure of a company is laid. In many cases, for example, it was reported that it was a major challenge simply to identify the sales made to a single account worldwide, since the reporting systems were not always compatible, and the sales were made through a variety of direct and indirect channels. In general, MNCs have responded to increasing globalization principally by reconfiguring "upstream" elements of the value chain, such as production, R&D, and financing, in which the benefits of scale and control are most evident. Customer management has generally remained the responsibility of local subsidiaries, on the grounds that the benefits of international integration are outweighed by the benefits of responsiveness to heterogeneous customer demands. The structure of MNCs has reflected this configuration of activities, by delegating responsibility for marketing and sales to the national subsidiary level. Indeed, even within the marketing function, customer management is generally regarded as the most execution-sensitive of activities, and is therefore delegated to local territories within the country organization (see Figure 1). GAM attempts to capture the scale and control benefits of integration while retaining the responsiveness necessary to serve customers effectively. In addition, the allocation of responsibility for revenue generation to the national level provides a basis for the company's measurement and control systems.

Figure 1. The Dominant Model of International Marketing Organizations



This rationale for organization design is turned on its head by the global account management structure. To complicate matters further, this is not simply a transfer of responsibility for major accounts from the local to the global level—GAM units must exist alongside traditional territory-based sales units, since they depend upon them for execution of GAM initiatives. Therefore, although intended to increase the levels of control and consistency in customer management processes, GAM also increases the complexity and fragmentation of the vendor's international sales organization.

This paper focuses on these organizational challenges. It is divided into six parts. In the first we report some insights into the phenomena of global account management organizations, obtained through a series of preliminary field interviews at firms using such structures. In the next section, we review those bodies of literature relating to the concept of GAM and how one theory in particular, information-processing theory, can shed light on the phenomena. In the third part, we develop a basic model and series of hypotheses of the predictors of global account performance, based on the theoretical perspective described in the previous section. The fourth part provides a brief description of the formal empirical research and measurement techniques used. This is followed by a presentation of the findings from the research, including both descriptive data about the sample and the results of a series of multivariate tests of our model of account performance. Finally, we conclude with a discussion of the core findings from the research and their implications for future work in the field.

Insights from Field Research into Global Account Management Organizations

Before beginning the formal and systematic phase of our research, we conducted approximately 50 exploratory interviews. These were with a sample of executives from 16 companies in Europe and North America between October 1997 and April 1998. Our objective was to develop an understanding of the organizational forms of global account management, and to identify the challenges and consequences of introducing these new structures. The qualitative findings from this preliminary phase of our work carry no formal validity, but have informed the development of our research hypotheses and design. Issues that emerged from this field research included:

- The major managerial challenge reported by almost all interviewees was the management of incentive and control structures between GAM and national sales organizations, described by one as "the battle for ownership of the customer." In many cases the solution was to double-count sales for rewards purposes, i.e., both GAM and national sales teams were credited for the same order.

- The objective in establishing GAM structures varied by firm and industry. The most common goals, however, were to increase sales of existing and new products, to increase customer lock-in, to fight off competitive threats, to reduce customer price arbitrage, and to develop customized new products in conjunction with customers. In most cases the impetus to adopt such structures came both from the customer and the vendor.

- GAM organizations were additive rather than alternative forms of sales units, resulting in two parallel and interdependent sales organizations. In almost all cases, GAM initiatives were executed through established national sales organizations (e.g., sales were invoiced and paid for at the national level, and delivery and service was locally managed). In cases where a GAM team member was located in an international market of importance to the customer, that GAM executive was formally also an employee of the national sales organization.

- The development of GAM as an organizational process in many cases lagged the establishment of GAM as an organizational form, i.e., vendor organizations were only partially coordinating their management of global accounts, with GAM teams being inhibited by factors such as: (a) lack of information on contacts with the account worldwide; and (b) lack of authority over locally based sales executives.

- GAM organizations were emergent forms in most organizations, often regarded as experimental and subject to regular re-design. Two frequently observed dimensions of variation were: (a) structuring GAM organizations to mirror the customer's buying and operating organization, thus resulting in within-vendor variation; and (b) variation in the degree to which GAMs had authority over sales decisions (e.g., dictating price levels to country sales organizations) or acted only in an advocacy and consulting role.

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In summary, we learned that the introduction of global account management frequently resulted in greater complexity and fragmentation within vendor organizations. In most cases, imposing a GAM structure on the organization implied adding a third dimension to the traditional product-geography matrix, thus increasing the internal challenges to making such a sales and marketing system work. As will be seen later, adopting measures to overcome these organizational challenges becomes crucial for achieving success of the GAM program.

Literature Review

Global Account Management

Research on global account management *per se* is sparse and recent. Building on Nahapiet (1994), Yip and Madsen (1996) reported that the key driver of GAM programs was demand from the rapidly globalizing procurement functions of customers. Their conceptual framework of GAM is in the paradigm of contingency theory, suggesting that a number of industry- and firm-specific factors determine the likelihood of a company instituting a GAM program, and of that program contributing to the successful implementation of global marketing strategies.

The work of Montgomery, Yip, and Villalonga (1998) represents the only quantitative research in this stream, using a large-sample survey. They found an accelerating customer demand for, and vendor adoption of, global account management programs, and a positive but weak effect on vendor performance, measured as perception of customer satisfaction. Of relevance to this paper is their finding that the adoption of GAM programs most commonly consisted of appointing personnel rather than infrastructure changes such as information systems and control and evaluation systems. Senn (1999) categorizes personnel changes as the "tactical level" of GAM implementation, as opposed to the strategic (e.g., systematic business partner analysis and joint learning events) and operational (e.g., clear hierarchical structure and performance measures) levels. His survey results show higher levels of GAM program success, as measured by customer satisfaction, when initiative at all three levels are undertaken, which he describes as "a comprehensive GAM approach . . . rather than the 'traditional' relationship management concept" (p. 16).

Key Account Management

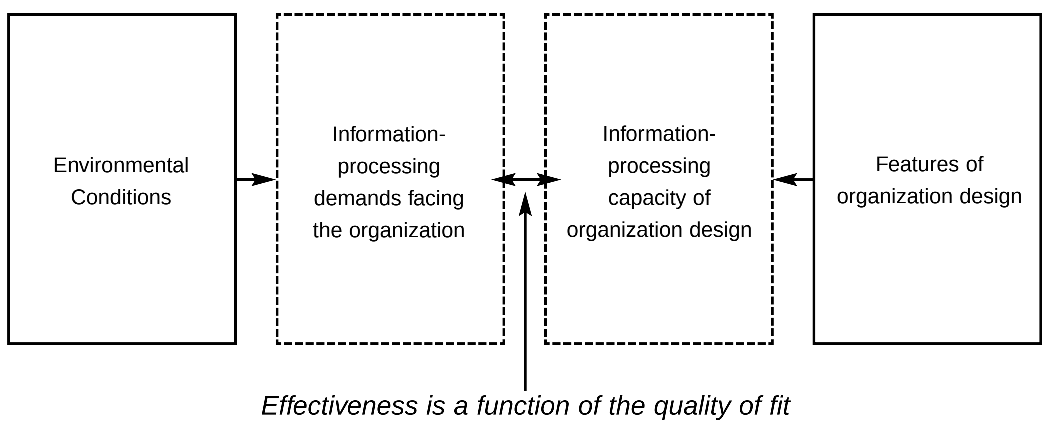
The concept of key account management or KAM (also referred to as "national," "strategic," or "major" account management) predates the ideas of relationship marketing and customer focus with which it is now frequently associated. Key account management is the coordination by a selling organization of the multiple relationships with a single client in several sales territories. In a recent review of research, McDonald, Millman, and Rogers (1997) trace this research stream to models of industrial buying behavior (Webster and Wind 1972), with later contributions from the interaction research of the Industrial Marketing and Purchasing (IMP) Group (Håkansson 1982). Reflecting this behavioral pedigree, the research stream evolved with a strong focus at the dyadic level, focusing on areas such as the traits and role boundaries of KAM personnel, compensation systems, customer selection, and normative work on successful major account selling (for surveys of this research see McDonald, Millman, and Rogers [1997]; Weilbaker and Weeks [1997]).

There was relatively little work examining key account management outside the paradigm of the established literatures on salesforce management and selling processes, the notable exception being a series of papers by Shapiro and colleagues drawing on field research (Shapiro and Moriarty 1980, 1984a, 1984b). This work highlighted the complexity of managing both KAM and local sales organizations in tandem, and also reported (Shapiro and Moriarty 1984b) that support systems were generally a neglected area and the last to receive attention in new KAM programs. This challenging aspect of KAM was noted again much later in an exploratory study of "sales coordination" by Cespedes (1992). He identified two areas of challenge in key account programs which required further research: the compensation system appropriate for multi-location accounts, and specifically the division of sales credit among salespeople calling on the same account; and the relative importance and effectiveness of formal sales control systems versus informal controls inherent in the sales environment.

Organizational Information-processing Theory

Information-processing theory traces its roots back to the open systems perspective on organizations developed in the 1960s, and in particular to the work of Thompson (1967), who argued that organizations need to "buffer" certain core activities from uncertainties in the environment, which they do through the creation of "boundary spanning activities" that monitor, soak up, and respond to those uncertainties.

Figure 2. The Information-processing Approach to Organization Design



Galbraith (1973, 1977, 1997) elaborated on Thompson's ideas and developed the conceptual approach that has come to be called information-processing theory. Galbraith defined uncertainty as "the difference between the amount of information required to perform the task and the amount of information already possessed by the organization." Thus, he argued that the information-processing demands on the organization (i.e., the uncertainty it faces) must be matched by the organization's capacity to process that information. Figure 2 illustrates this basic model (cf. Egelhoff 1982, 1992). It should be clear, moreover, that this approach is one key variant of contingency theory, in that the appropriate organization structure is a function of the environment in which it is operating (Lawrence and Lorsch 1967).

High performance, according to this approach, is achieved through a close "fit" between organization and environment.

How does information-processing theory help us to understand the topic under investigation here? The descriptive research available on global account management indicates that the main stimuli for its emergence are demands for greater information transfer throughout the MNC network. The provision of globally uniform service contracts or a global price list, for example, require the distribution of decision guidelines throughout the MNC's units, as well as the monitoring of compliance and effectiveness. The function of the global account manager and his or her team becomes one of increasing the information-processing capacity of the firm, in response to the heightened information-processing needs resulting from customer demands.

Model of Global Account Performance

In contrast to most previous studies which focused on global account management programs, the relevant unit of analysis for this study is the individual global account, and the dependent variable in the statistical analysis is the performance of that account. Building on the information-processing perspective, it is argued that the various systems and approaches associated with GAM will enhance the information-processing capacity of the multinational firm. This assumes that the information-processing requirements on the system are greater than its current capacity, a reasonable assumption given the shift from dispersed local responsiveness to coordinated global responsiveness. It follows then that the extent to which such systems are put in place will be associated with superior performance in the global account; well-coordinated accounts will outperform those that are weakly coordinated.

With regard to the specific organizational mechanisms that constitute the information-processing capacity of the firm, Galbraith (1973) suggests an impressive list as follows: direct contact between individuals, individual liaisons, task forces, permanent teams to address frequently occurring issues, a specific manager with a coordinating role, a dedicated manager actively involved in decision making, and matrix management structures. In pretesting a questionnaire using these dimensions, it became apparent that most global account managers use all of the above, implying that GAM itself places one at the high end of Galbraith's scale. As such, it was necessary to develop an even finer set of measures to discern differences across the accounts. We opted for an applied approach, by developing questions and measures that came out of the exploratory interviews. Three sets of factors, in particular, emerged as important.

Scope of Relationships. In some global accounts, the relationship between the vendor and the customer is only through the global account manager. In others, relationships are established at multiple levels — top management, frontline managers, technical managers, and so on. Applying information-processing theory, it follows that the greater the scope of relationships between vendor and customer, the greater the information-processing capacity of the vendor, and thus the better the performance of the account. More formally:

> Proposition 1. The greater the scope of relationships between the vendor and customer organizations, the better the performance of the account.

Frequency of Communication by Global Account Manager. Obviously the frequency of communication between individuals does not help us figure out the quality of that communication, but it does give a sense of where the priorities lie. Thus, we asked global account managers to indicate how often they talked to a large number of different people in the customer firm and in their own firm. Again, the argument is that the frequency of communication is an indicator of where information is flowing, and that, *ceteris paribus*, the greater the flow of information, the better the performance of the account. Research has shown that frequent contacts between the parties involved in problem-solving activities leads to faster and more effective solutions (Allen 1986; Bastien 1987; Carter and Miller 1989). Studies on project teams have also identified a significant positive correlation between group performance and the frequency and extensiveness of communication both within and outside the group (Ancona and Caldwell 1992). This suggests the following proposition:

> Proposition 2. The more frequent the communication between the global account manager and other individuals (in both his or her organization and the customer organization) on matters relating to the global account, the better the performance of the account.

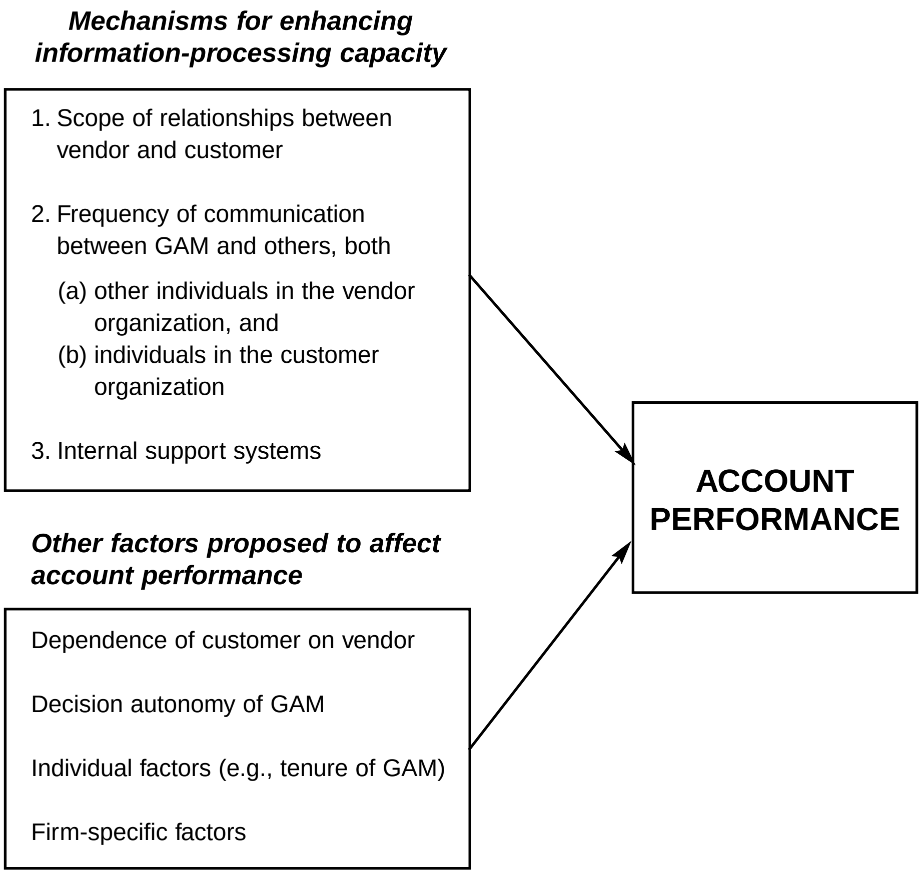
Note that we have focused here on the level of communication inside and outside the firm in aggregate. In the findings section, we will provide some further analysis to consider the relative impact of communication with individuals inside the vendor organization versus individuals in the customer organization.

Internal Support Systems. One issue that came out of the interviews very clearly is that there are a host of support systems that global account managers need to be able to do their jobs effectively. This is in line with Shapiro and Moriarty (1980). For example, information systems that enable the firm to determine the profitability of an individual customer are of great importance, as are internal seminars in which global account managers share ideas and connections with one another.[1] All of these factors are again closely related to the effective flow of information within the vendor firm, and, consequently, they are proposed to have a link to the performance of the account. Our focus here is on the extent to which these systems are "well-established," because the interviews suggested that many firms were in the process of building such systems, and our expectation is that they only provide superior information-processing capacity once they are well established. It is also worth pointing out that even though these systems are typically developed at the firm level, the extent to which they are used depends on the individual account manager. Moreover, global account management units are usually structured to mirror the global structure of the customer, and so there can be considerable variety in the structure and processes of GAM units within a single organization; thus, it is their specific answers to these questions that are relevant, not the question of what systems the firm has put in place. Thus:

> Proposition 3. The more well established the internal systems that support the specific account, the better the performance of the account.

Control Variables. While the above propositions are explicitly concerned with the information-processing capacity of the multinational firm, there are many other important factors at work that are likely to also affect the performance of the account. Central among these are the *dependence* of the customer on the vendor, in that a dependent customer is likely to work harder to make the account a success, and the *autonomy* of the global account manager, in terms of whether decisions are made by the global account manager or by the local sales manager. We would also expect certain firm-specific and individual-specific factors to have some effect on the performance of the account. Figure 3 provides a summary of these sets of factors and the three propositions developed above.

Figure 3. Global Account Performance Model



Research Design

As previously discussed, we began our research with a series of exploratory field interviews with global account management executives. These findings helped us prepare for the sytematic data collection that followed. In this phase, three different groups of individuals within each organization were surveyed: the global account managers, the global account program executives, and the national sales managers. Given the decision to focus our research at the level of the individual account, most of our attention was targeted at the individual global account manager. In addition, however, we surveyed those individuals responsible for the overall GAM programs, in part to provide confirmatory account performance data and thus avoid single source bias. Additionally, the daily functioning of these accounts still occurs at the local level, so we decided to survey a cross-section of national sales managers to again avoid single source bias, in this case on issues relating to the operation and decision-making process associated with GAM structures.

The surveys were administered in a sample of large multinational firms, and put together on the basis of issues identified in the interview phase and using concepts identified as important from theory. These questions were pretested with a small number of global account managers, and then amended (e.g., the Galbraith [1973] series of questions was dropped).

Defining an appropriate sample was not a simple matter. In theory it would be interesting to have a matched sample of cases—those with global account management versus those without. In practice that was virtually impossible. Rather, we worked on the assumption that there is sufficient variance in the way that global accounts are run that the impact of these different approaches on performance can be identified. No single company we spoke to had enough GAMs to do a single company study, so we decided to work with a limited number of companies and survey all the GAMs in each.[2] The final sample of 106 GAMs came from 16 companies, with between 1 and 14 GAMs in each. We also sampled 57 national sales managers from the same companies. The sampling frame from which we selected companies can be defined as follows: (1) sales revenues of more than $5 billion, (2) presence in 10 or more countries, (3) an active GAM program in place, (4) headquarters in the U.S., Sweden, or Great Britain, and (5) not in direct competition with other companies in the sample.[3] It is also important to observe that all the companies were involved in business-to-business sales, because that is the sector in which global accounts tend to be established. Some (e.g., banks, insurance companies, computer manufacturers) sold both to end-consumers and other businesses; others (e.g., manufacturers of industrial and telecommunications equipment) sold exclusively to other businesses.

Beyond these criteria, the companies were selected on a convenience basis. The result was an interesting cross-section of companies, and although firm effects are factored into our regression analysis, it should still be stressed that findings from this sample should not be readily generalized to a particular population. Table 1 provides a summary of the companies involved and the number of respondents in each.

Table 1. Sample Characteristics

Company	Primary Industry	Home Country	GAM Surveys		NSM Surveys	
			Sent	Returned	Sent	Returned
A	Electronics equipment	Sweden	14	14	7	7
B	Business solutions	Sweden	12	10	5	2
C	Telecommunications services	UK	13	11	6	5
D	Banking	Sweden	9	6	4	3
E	Insurance	Sweden	9	7	5	5
F	Electronics and consumer products	USA	7	7	4	1
G	Consumer durables	Sweden	3	3	5	4
H	Chemicals	USA	14	10	8	5
I	Engineering	USA	12	6	7	3
J	Chemicals	UK	25	11	14	8
K	Banking	USA	17	9	15	9
L	Computers	USA	10	7	10	3
Other			5	5	1	2
Total			**150**	**106**	**91**	**57**

The questionnaire was sent to everyone in the three groups mentioned, with a cover letter stating that their company had agreed to participate, and giving the name of our lead contact in the company. The surveys themselves were six pages long in the case of the global account managers and somewhat shorter in the case of the other two groups. Despite the length, our approach generated a response rate of 70 percent, which compares favorably with other work previously discussed in this topic.

Measures

In the analysis that follows, we focus on questions from the global account manager survey. Many of these questions were about factual issues, such as the age of the global account, the size of the company served by this account, etc. These data are reported in descriptive form in the findings section; however, to measure the main constructs discussed in the conceptual part of the paper, we used multi-item Likert scales. Details of the specific items used in each construct are as follows.

Account Performance. In the course of the exploratory part of the research, we identified 13 different aspects of performance, related to such issues as sales growth, better coordination, greater responsiveness to the customer, creation of a long term relationship, and so on. Factor analysis revealed that 12 of the 13 loaded onto a single factor, the one exception being sales discounts to the customer which, unlike all the other measures, is an undesirable outcome. Thus, we created a single aggregate performance measure out of the other 12. This scale had good reliability (Cronbach alpha = .80).

As mentioned earlier, an effort was made to confirm the performance measures reported by the account managers by surveying the overall global account program executives on the performance of each account. The results showed no significant difference. The correlation between the global account manager and global account executive responses on the account performance was $r = .51$ for overall account performance and $r = .31$ for the strategic importance of the account, with significance levels of $p < .001$ and $p < .05$, respectively. As such, we felt confident in using the self-reported performance measures of the account managers as our dependent variable.

Scope of Relationship with Customer. Global account managers were asked about the extent to which relationships with the customer had been established at four levels: senior executive, global account manager, local account manager, and technical or frontline level, where 1 = no relationship and 7 = very strong relationship. The average of the scores for the four groups was then used as a proxy of the scope of the relationship.

Frequency of Communication. Nine different groups of people were identified as important contacts for the global account manager. Five were internal to the vendor organization: other members of the global account team, senior executives responsible for overseeing the global account, country sales/marketing managers, other global account managers, and business unit managers. Four were in the customer organization: the lead contact (e.g., head of global purchasing), country contacts, senior executives in the customer firm, and technical personnel. For each, the respondent assessed the frequency of communication, where 1 = daily, 2 = weekly, 3 = monthly, 4 = rarely, and 5 = never. Because these nine items did not fall easily into distinct groups (e.g., internal versus external) and were strongly correlated with one another, we created a single communication construct with good reliability (Cronbach alpha = .71).

Internal Support Systems. From the exploratory phase of interviews we identified six systems that were designed to support the global account management program: information systems that monitor worldwide sales to customers, information systems that calculate profitability of global customers, global account "executives" or mentors to oversee specific accounts, internal forums for all global account managers, specifical evaluation or reward systems for them, and specific career/development tracks. Each global account manager was asked to what extent each of these was available to help in running their account. These all loaded onto a single factor that we called internal support systems (Cronbach alpha = .65).

Dependence of Customer on Vendor. This was an aggregate measure of the extent to which the customer is dependent on the vendor. The questions were: (a) "What percentage of the customer's inputs are provided by your company?" (< 1%, 1-5%, > 5%); (b) "How important is your company as a supplier to this customer?" (lead supplier, one of two to five certified suppliers, one of many); (c) "We are a strategically important supplier to this customer" (Disagree = 1, Agree = 5); and (d) "The customer views us as one of its most important partners" (Disagree = 1, Agree = 5) (Cronbach alpha = .74).

Centralization of Decision Making with Global Account Manager. The global account manager was asked who was responsible for making a series of decisions, where 1 = country sales manager, 2 = jointly by country sales manager and the global account manager, and 3 = global account manager. The decisions were as follows: (a) frame agreement on worldwide customer sales, (b) price changes within a previously agreed band, (c) major price changes, (d) changes in volume of product/service ordered, (e) changes to delivery schedule, (f) modifications of product/service, and (g) changes to local service agreement. These questions were aggregated to form a single construct (Cronbach alpha = .77).

Tenure of Global Account Manager. This was the number of years that the respondent had been in his or her current job.

Firm Dummies. For each company we created a 1-0 dummy variable. In the models reported, we have only left in those dummy variables that were significant.

Findings

The findings are reported in two ways. First, we discuss the descriptive data, using insights from the exploratory interviews where relevant, in order to shed light on the approaches used by the companies in managing their global customers. To our knowledge this is the first significant research study to survey global account managers, so the descriptive data should be of great interest. The second part of the findings section uses the global account manager survey data to test the model developed in this paper. These results are complemented with findings from the national sales manager and global account executive surveys.

Characteristics of Global Accounts

Table 2 provides a breakdown of the key features of the global accounts and their managers. Several points are worth noting. First, there is no simple one-to-one correspondence between a global account manager and a global account. Just over half the responding managers had two or more accounts to manage, and this is reflected in the amount of time spent managing the biggest account—anything from 5-10 percent of the time (8 cases) to 90-100 percent (16 cases). Most accounts also had more than one person working on them. Usually, this meant that the account manager had sales managers in multiple countries whose time they could “borrow” for global account issues. In a few cases there was a dedicated account team who worked closely with the customer bidding for large projects.

A second important point is that GAM systems are relatively new. Most were set up in the last 5 years, though some are over 10 years old. And the global account managers themselves have typically been in the job between 1 and 3 years. Finally, these accounts are indeed global, with only nine respondents having an explicitly “regional” (typically European) mandate.

Table 2. Characteristics of Global Account Managers and Global Accounts (number of responses)

Tenure of manager (years)	0 - 1	26
	1.5 - 2.5	28
	3 - 5	36
	6 - 15	15
Number of global accounts that manager is responsible for	1	66
	2 - 4	24
	5 - 8	7
	10 - 20	9
Age of manager's main account	1 - 2	16
	3 - 5	40
	6 - 9	23
	10 - 17	18
Percentage of manager's time spent managing the account	5 - 10%	9
	15 - 40%	22
	50 - 80%	26
	90 - 100%	48
People working fulltime on account	0	33
	1 - 5	60
	6 - 9	7
	10+	3
People working parttime on account	0	10
	1 - 5	51
	6 - 10	16
	11 - 20	9
	21 - 50	8
	50+	2
Geographical scope of account	Global	88
	Regional	16

Table 3. Descriptive Data on Global Account Manager Autonomy (percentages)

	Decision made primarily by		
	NSM	NSM & GAM jointly	GAM
"Frame agreement" on worldwide customer sales	11%	35%	53%
Price changes within a previously agreed band	33%	48%	19%
Major price changes	19%	41%	40%
Changes in volume of product/service ordered	45%	35%	20%
Changes to delivery schedule	58%	29%	13%
Modifications of product/service	28%	42%	30%
Changes to local service agreement	47%	41%	12%

Decision Making

Table 3 provides data on the extent to which the global account managers enjoyed autonomy with regard to various account decisions. Traditionally, most of these decisions would have been made in the local marketplace by the national sales manager or the local account manager. What this table shows is that the global account managers have taken a considerable amount of that decision-making autonomy away from the national sales managers. Certain marketing decisions, such as the negotiation of frame agreements, are obviously the domain of the global account manager. Other decisions, such as changes to price, product volume, and local service agreements, are still for the most part within the domain of the national sales manager, but are increasingly influenced by global account managers. The customer-oriented reason for this increasing GAM involvement is that they have to be able to guarantee certain quality, price, and delivery standards on a worldwide basis, which involves reaching into a number of activities that are extremely local in nature. There is also a rationale grounded in organizational control: global account managers want to ensure that local sales managers do not react to decreased ability to do price deals by striking local deals on service agreements.

Patterns of Communication

Table 4 is a breakdown of the frequency of communication between the account manager and various groups inside and outside the firm. Not surprisingly, the most frequent contact is with "other members of the global account team" (daily or weekly). Other frequent communication inside the firm is with country sales/marketing managers (weekly on average), senior executives responsible for overseeing the global account (weekly to monthly), and other global account managers (weekly to monthly). In terms of the relationship with the customer firm, the lead contact is typically communicated with weekly, though as many as 12 respondents stated that they "rarely" communicated with this individual. Technical and country-level contacts were made on a weekly or monthly basis, while communication with senior executives in the customer firm were less frequent—monthly on average, but with 27 respondents answering "rarely" or "never."

These patterns of communication confirm that the global account manager sits in the middle of a complex web of internal and external relationships. He or she has a customer liaison role that involves talking to many different individuals in the customer organization, and also has an internal coordination role that involves communicating with multiple interested parties at the local and global levels. While it is inappropriate to generalize too much, the broad pattern that emerges is that the global account manager spends an approximately equal amount of time interacting with the customer and interacting with his or her own organization.

Table 4. Descriptive Data on Frequency of Communication (number of responses)

	Daily	Weekly	Monthly	Rarely	Never
Internal communication					
Other members of the global account team	41	32	15	3	—
Senior executive responsible for overseeing global account	4	26	43	23	5
Country sales/marketing managers	9	51	26	13	1
Other global account managers	7	28	24	32	6
Business unit managers	4	14	37	29	15
External communication					
Lead contact, e.g., head of global purchasing	14	49	19	24	—
Country contacts, e.g., purchasing managers	3	32	31	32	7
Senior executives in customer firm	—	16	28	34	26
Technical people in customer firm	7	46	33	15	5
Alliance partners working with us to serve the global customer	1	11	23	31	20

Table 5. Characteristics of Global Account Customers (number of responses)

Approximate annual sales revenues of the customer in 1997 (MUSD)	0 - 2,000	21
	2,001 - 10,000	24
	10,001 - 25,000	22
	25,001 - 50,000	14
	50,001 - 200,000*	11
Number of countries where the customer operates	0 - 24	30
	25 - 49	16
	50 - 99	22
	100 - 149	18
	> 150	20
Approximate percentage of the customer's overall input provided by your company	< 1%	48
	1 - 5%	15
	> 5%	42
The importance of GAM's company as a supplier to the customer	The "lead" supplier	22
	One of 2 - 5 "certified suppliers"	27
	One of many suppliers	56
Annual growth of sales to this global customer during the past 3 years	0% (or reduced)	6
	5%	26
	10%	24
	15%	18
	20%	11
	> 20%	18
Average price of goods sold to your global customer, relative to 3 years ago	Much lower	27
	Slightly lower	21
	No change	25
	Slightly higher	27
	Much higher	4

*the highest is 170,000

The Global Customer

Table 5 provides a breakdown of certain characteristics of the customers being served by global accounts. Several interesting observations can be made. First, the size of the global customer varies enormously, from revenues of less than $2 billion to $170 billion. In all cases, though, the firms are highly international, being present in at least 24 and in some cases more than 150 countries. Furthermore, there is an enormous variation in the importance of the vendor to the customer. The percentage of the customer's inputs provided by the vendor is less than 1 percent in 48 cases and more than 5 percent in 42. Although the vendor is the "lead supplier" in 22 cases, it is "one of many" in 56 cases. Finally, the last two rows of Table 5 provide some indication of the impact of global account management on prices and volumes. Most accounts have increased in volume sharply over the past three years (18 indicating growth of more than 20 percent), but at the same time the average price of goods sold has decreased—“much lower” or “slightly lower” in 48 cases. These two facts go hand in hand, in that the implicit deal in these relationships is often greater volumes in return for bulk discounts; indeed, a surprising finding is that 27 of the respondents reported a “slightly higher” price of goods sold compared to three years before, possibly due to a broadening of the products purchased to include ones with higher price points.

Statistical Analysis

The propositions developed in the model section of the paper were tested using multiple regression techniques. Each proposition was tested in a separate regression model because of the high level of correlation between the three independent variables and the relatively small sample size. See Table 6. The control variables were included in all four models.

Table 6. Predictors of Account Performance
(OLS regression analysis, dependent variable: global account performance)

Model	1	2	3
Control variables			
Dependence of customer on firm	.439***	.476***	.457***
Tenure of global account manager	.209*	.233**	.167*
Centralization of decisions	-.214*	-.261**	-.197*
Firm dummy (A)	-.199*	-.241*	-.176†
Independent variables			
P_1: Scope of contact w/ customer	.225*		
P_2: Freq. of communication		-.229*	
P_3: Use of support operations			.341*
Adjusted R^2	.285	.289	.385
F ANOVA	9.280***	9.440***	12.410***
CHANGE IN R^2	.038*	.042*	.100***

† p < .10, * p < .05, ** p < .01, *** p < .001

Notes:

1. Number of observations = 102. Standardized regression coefficients reported.
2. Each model contains all control variables and one of the independent variables (propositions 1-3). Intercorrelations between independent variables vary from .21 to .49.
3. Frequency of contact was coded as 1 = Daily through 5 = Never, thus a negative coefficient actually supports Hypothesis 2.

Considering the control variables first, the dependence of the customer on the firm had a consistent positive relationship with account performance. This is as one would expect, in that the customer is likely to work harder to ensure the success of the global account in cases where they are depending on the vendor. Because of the strength of this finding, we provide some additional analysis below in which the sample is split between high dependence and low dependence accounts. The tenure of the account manager also had a significant and positive association with account performance in each case. In other words, the longer he or she had been in the job, the higher the performance of the global account. The causality in this relationship could go in either direction—long tenure could make the account successful, and a successful account could result in the account manager holding the job longer. The centralization of decision making with the global account manager was also consistently significant, though negative in all four models. The interpretation we take on this is that removing all authority from the country sales manager can endanger local buy-in, and with it, performance. This seems to suggest that the active and willing involvement of country sales managers is an important component of successful global account management, an issue of major importance to firms establishing global account structures. Finally, of the firm dummies, we included the one for firm A in the models because it was significant. This finding simply means that accounts in firm A generally underperformed those in other firms.

All three propositions were supported. Taking these in order, the scope of contact with the customer was found to be a significant ($p < .05$) and positive predictor of account performance, meaning the broader the scope of contact, the better the account performed. The frequency of communication was significant at $p < .05$, meaning that the more frequent the communication with other individuals in the vendor and customer organizations, the better the account performance. We also performed some additional analysis around this proposition, by considering the correlation between each individual communication item and account performance: The frequency of communication with senior executives inside the vendor organization has the strongest correlation with performance ($r = .402$, significant at $p < .01$), and communication with the rest of the global account team ($r = .252$, $p < .05$) and business unit managers in the vendor organization ($r = .227$, $p < .10$) are also significant predictors of performance. Given that measures of communication with the customer yielded correlations at lower levels of significance, it is the *internal* levels of communication that appear to affect account performance, not *external*.

How should we interpret this finding? Our argument is that many global account managers end up working extremely closely with their customers. Several acknowledged that they know their customers' strategies and organizations better than they know their own firms, and in a few cases, they actually had offices on their customers' premises. In this situation, it is not surprising that communication with the customers is easier for them than communication with people in their own firms. We end up with the important suggestion that those account managers that continue to work effectively with *both* vendor and customer have the most effective accounts.

A second and related interpretation of this finding is that global account management is primarily an exercise in *internal* coordination. Given the complex organizational structures of the vendor firms we studied, it is no small matter to ensure that the disparate parts of the organization are working together to serve the customer. It is also consistent with the finding that accounts perform better when the global account manager is not the one making all the decisions unilaterally.

Moreover, it was clear from our field research that GAM units are supplemental to national sales organizations, rather than a substitute for them, and so add value by coordinating previously autonomous units. This interpretation is consistent with the information-processing perspective on global account management, and seems to be supported by the finding discussed previously that centralization of decisions (i.e., global account managers taking over from national sales managers) is associated with poor account performance.

The third and final proposition concerned the importance of internal support systems to account performance. Here the results were very strong, resulting in easily the highest adjusted R-squared value (.341). This suggests that account performance is highly dependent on the development and use of internal support systems (remember that these systems are established at the firm level, but the extent to which they are used will vary by account manager). This leads to a couple of observations. First, it strengthens the argument that effective global account management is about internal coordination. One common view hinted at earlier is that GAM is a "new way" of handling global customers by putting the power in the hands of a centralized global account manager. This result, coupled with the finding about decision-making centralization above, suggests that the value of GAM is much more as an internal enabler of coordinated action. The global account manager's view of the account's performance is therefore determined not so much by the quality of the relationship with the customer's executives, but rather by the internal communication and coordination systems that are developed as a result of the GAM program. A second observation is that the importance of support systems as a predictor of performance may go down over time. Currently, many firms are still putting these sort of systems in place, so the extent to which they are used is an important differentiator between accounts. If a few years from now all global account managers make use of these systems, then performance differentials may end up being attributed to other factors.

Additional Analysis

The dependence of the customer on the vendor proved to be a very important factor in account performance, so we undertook some additional analysis by splitting the sample into high and low dependence groups, and re-running the regression models. Table 7 shows the results of this analysis. Considering the low dependence subsample first, the results are largely consistent with what was seen in the full sample, in that dependence, account centralization, account scope, and level of communication are all still significant. Use of support operations is not significant, and neither is the tenure of the global account manager. For the high dependence subsample, however, the results are very different, with the only strong predictor variable being the use of support operations. This has some important implications. At a practical level, it suggests that the key "success factors" for vendors vary according to the level of dependence of the customer. When you are "one of many" suppliers to the customer, the scope of the account and the extent of communication are important; when the customer depends on you as a strategic supplier, internal support systems are more critical. At a theoretical level, it suggests that the information-processing perspective is more appropriate at relatively low levels of customer dependence.

Table 7. Predictors of Account Performance Split by Level of Customer Dependence

Model	1	2	3
High Customer Dependence on Vendor (n = 55)			
Constant			
Dependence of customer on firm	.147	.171	.178
Tenure of global account manager	.220	.289*	.172
Centralization of decisions	-.200	-.241	-.131
Firm dummy (A)	-.163	.221	-.134
Scope of contact w/ customer	.218		
Freq. of communication		-.231	
Use of support operations			.494***
Adjusted R^2	.093	.102	.299
F ANOVA	2.090†	2.210†	5.520***
CHANGE IN R^2	.038	.046	.224***
Low Customer Dependence on Vendor (n = 52)			
Constant			
Dependence of customer on firm	.457**	.536***	.487***
Tenure of global account manager	.213†	.157	.181
Centralization of decisions	-.280*	-.347*	-.281*
Firm dummy (A)	-.313*	-.286*	-.274*
Scope of contact w/ customer	.250*		
Freq. of communication		-.256*	
Use of support operations			.150
Adjusted R^2	.326	.332	.288
F ANOVA	5.830***	5.970***	5.040**
CHANGE IN R^2	.052*	.058*	.020

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Analysis of National Sales Managers' Responses

We surveyed the national sales managers as well, which allowed us to not only confirm the responses of the global account manager surveys, but also to further probe some of the issues raised by them. With regards to the first issue, it is impossible to make a one-to-one comparison, because the individual global account managers responded on the basis of one account, and the national sales managers were asked to respond for all the global accounts operating in their country. As a rough estimation, however, we did compare the means of the two samples on a number of questions, particularly those regarding decision-making authority. In five of the seven cases, there was no significant difference in the answers given by the two groups, implying that on average they agreed on how the authority for these accounts was being split between the two of them (see Table 8).

The national sales manager survey also allowed us to probe deeper into the relationship between global account management and performance. In Table 9, we regress various measures of performance at the country level on centralization of account decision making, localization of sales and service activities, and the percentage of country sales done through global accounts. This analysis suggests a couple of interesting findings. First, the overall effect of global accounts on country-level prices is negative—meaning that price rises have been greater the less the percentage of sales through global accounts. In contrast, the percentage of global accounts has no perceptible effect on country-level sales growth. When you consider price rises and sales growth for the three largest global accounts in the country (models 2 and 4), we see that greater localization of sales and services is beneficial to both price and sales growth. And in Model 4, we see that the active involvement in global account managers in local sales and service decisions has a negative effect on sales growth. Overall, the suggestion is that global accounts as a group can be good for sales volume but at the expense of prices received, while for specific global accounts there is evidence that some localization around sales and service is still very beneficial.

Table 8. Average Scores of Authority Distributions by Responding Groups

1 = Decision made by country manager
2 = Decision made jointly
3 = Decision made by global account manager

	Average Score by Group		
	GAM	**NSM**	**Z-Statistic**
"Frame agreement" on worldwide customer sales	2.43	2.07	3.13**
Price changes within a previously agreed band	1.85	1.71	1.15
Major price changes	2.20	2.11	0.88
Changes in volume of product/service ordered	1.74	2.00	-2.00*
Changes to delivery schedule	1.56	1.66	-0.76
Modifications of product/service	2.02	2.02	0.00
Changes to local service agreement	1.65	1.75	-0.79

Significantly different scores: * p < .05, ** p < .01

Table 9. Predictors of Account Performance at Country Level

Model	1	2	3	4
Dependent variable	**Price increase in country over 3 years**	**Price increase in 3 largest global accts over 3 years**	**Sales growth in country over 3 years**	**Sales growth in 3 largest global accts over 3 years**
Percent of country sales from global accounts	-.359*	-.023	.024	.079
Extent of global authority over local sales & services	.067	.115	-.231	-.396**
Extent to which sales and service are undertaken locally	.202	.419*	.160	.289†
Adjusted R^2	.223	.171	.030	.123
F ANOVA	5.980**	4.500**	1.040	3.430*

† p < .10, * p < .05, ** p < .01, *** p < .001

Note: All dependent variables were on 5-point anchored scales. For the independent variables, percent of country sales from global accounts was a single numerical answer, extent of GAM decision making over local sales and service was the mean of four questions (Alpha = .88) worded as in the GAM questionnaire, and extent to which sales and service are undertaken locally was a mean of two 4-point anchored questions where 1 = Coordinated globally and 4 = Done exclusively on a local basis.

Discussion and Conclusions

The findings from this research raise a number of important issues, with regard to both the specifics of global account management and how it is integrated into the complex multinational corporation.

Considering the implications for global account management first, the research suggests the somewhat surprising finding that it is effective *internal coordination* that discriminates between high performing and low performing accounts. Of course, GAM is fundamentally about the relationship with the customer, and it would be disingenuous to deny that this is central to its effectiveness. But what the research shows is that the internal coordination aspect to the relationship is also very important, and indeed appears to be the side that is less well managed in many cases. Although we know from current research that GAM is generally instituted in response to external customer-centered stimuli (Montgomery, Yip, and Villalonga 1998), our research suggests that its success depends not so much upon an external market-sensing capability as upon what Day (1994) identifies as the "inside-out process" category of marketing capability, i.e., the ability of the organization to coordinate its actions among corporate and national units. For the marketing organizations of MNCs, the successful establishment and maintenance of these processes represents a major challenge. Until now, customer management has generally been delegated to local subsidiary organizations, on the ground that it is an execution-sensitive activity rather than one which yields returns on integration or centralization. The emergence of global account management is a major shift in the complexity of these marketing organizations, and our research suggests that it is in the organizational implementation, rather than in terms of the business achieved with major accounts, that future research should be directed. For example, our analysis suggests that successful implementation of GAM requires the continued involvement of local sales personnel in decision making, in order to maintain their commitment, rather than a simple reallocation of authority to a single global account unit.

Depending on your theoretical perspective, GAM can be seen as an attempt to enhance the quality of network linkages within the firm and with the customer, or as a means of enhancing the information-processing capacity of the firm. Either way, it involves the creation of greater interdependencies between individuals in parts of the multinational firm that hitherto could work separately. Such a process clearly takes time; therefore, it is important to be aware that the research was conducted *during* the parties' adjustment process. The firms involved were building the necessary capabilities to manage their customers on a worldwide basis, but none of them would suggest that they had really mastered this challenge. In particular, the support systems (such as IT systems for measuring the profitability of individual customers) were still being put in place by most firms in the study.

To conclude, this paper should be seen as a first step towards understanding the complex and increasingly important phenomenon of global account management. Several previous studies highlighted the importance of GAM and described it in general terms. This paper is the first to focus on the level of the global account itself, and to examine the factors associated with the performance of individual accounts. Our focus, therefore, was on describing the data and developing some basic propositions regarding the information-processing capacity of the firm and account performance. Future research should examine these issues in much greater detail, in terms of both the internal and external network relationships of the global account manager. Topics needing research include:

- Best practice among global account managers in coordinating national sales and support units
- The effect of GAM involvement on local levels of service (e.g., do national sales units devote less effort to global accounts which they perceive as being owned by corporate?)
- The effect on account performance of alternative structures for control systems (allocation of responsibility for price, product, etc.) and incentive systems (allocation of sales commission between corporate GAM units and local sales organizations)
- At a theoretical level, information-processing theory needs to be complemented by other theories, especially in a situation of high customer dependence. Perhaps the use of resource dependency theory (Pfeffer and Salancik 1978) or a bargaining power perspective would be useful in this regard.

Notes

1. Note that the support systems in question could equally apply to normal key accounts. However, our research suggests that they are typically much harder to put in place for global accounts, because of the costs of bringing the global account managers together, and the difficulties of integrating country-based information systems. Thus, the question of support systems is very much a *global* account management concern.

2. In company A, we only received permission to survey 14 GAMs out of a total of 25.

3. This was requested by the participating companies. Because of its perceived importance and novelty, many companies expressed strongly that they would only participate if none of their direct competitors were also involved.

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