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Making Key Account Management (KAM) work through organisational alignment



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Abstract

As businesses seek to grow their customer bases, they face a variety of challenges in maintaining customer loyalty and in protecting their client accounts, both from existing predatory competitors and from new market entrants.

This paper is not designed to explain how to identify Key Accounts, nor is it designed to discuss macro and micro strategy development. Instead, this report looks beyond these issues in order specifically to examine how organisations and their people need to change and respond so as to meet the challenges and very different commercial environments and cultures that best practice Key Account Management (KAM) presents. The research is based on our over 25 years of work with clients and also on our independent secondary industry research.

We look at how clients have evolved their people and organisational capabilities to reflect the paradigm shift in skills, work practices and behaviours essential to successfully implement KAM and thus gain the much needed competitive advantage it offers.



Introduction

Key Account Management (KAM) is designed to lever an organisation's most strategically important customers through achieving greater synergies between customer and supplier. In the modern business environment, where the cost associated with winning business from a new customer is likely to be between 5 and 25 times greater than winning the same business from an existing customer, new ways of growing 'bottom line' performance have needed to be sought.

There is a growing awareness amongst companies that have close client relationships with their customers that traditional 'sales methodologies' do not work. The reality is that customers don't want just to 'buy' from their suppliers; they want excellence in service; they want ongoing professional advice, and they want to deal with 'Trusted Partners' who can add real value. In a globalised economy the barriers to market have shrunk and therefore new ways of achieving competitive advantage have to be sought. The truth is that relatively few organisations maximise their revenues from their customers. As we shall see below, KAM is specifically designed to address this issue.

What is Key Account Management?

“A systematic approach to managing and growing a named set of an organisation's most important customers to maximise mutual value and achieve mutually beneficial goals.”

The definition above may seem complex, perhaps even overly academic, to many but in reality it is not.

The key words are 'mutual' and "value".

"Mutual" because it brings customer and supplier together in a way that traditional sales methodologies are simply incapable of achieving and "Value" because it requires a more strategic, more sophisticated conversation with customers in order to maximise the value for money they receive and thus create a 'win win' situation for all concerned.

Figure 1

Figure 1 is a simplified diagram of the key components for a successful KAM process & culture derived from our work with clients over a 25-year period. The diagram shows how many business processes and cultural inputs need to be derived out of the KAM initiative. For example, truly successful KAM requires alignment of new product development with the customer.

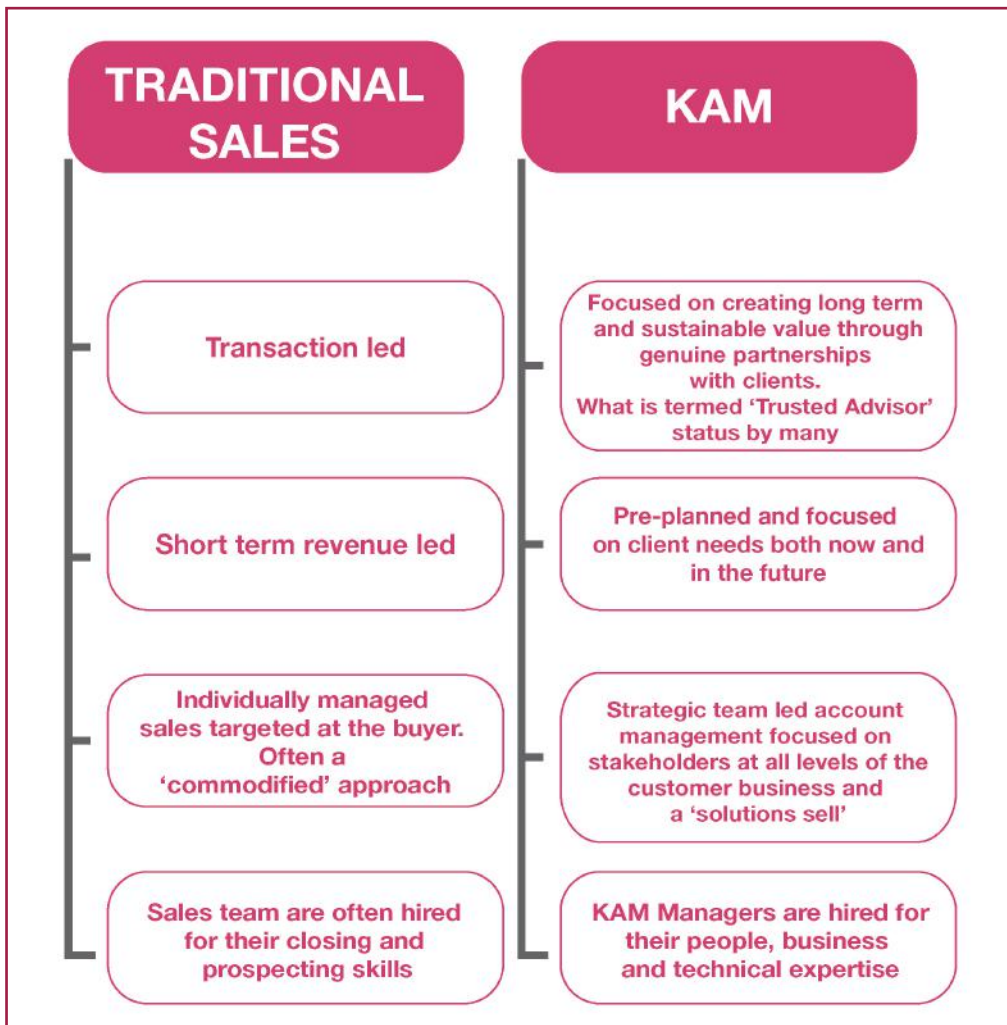
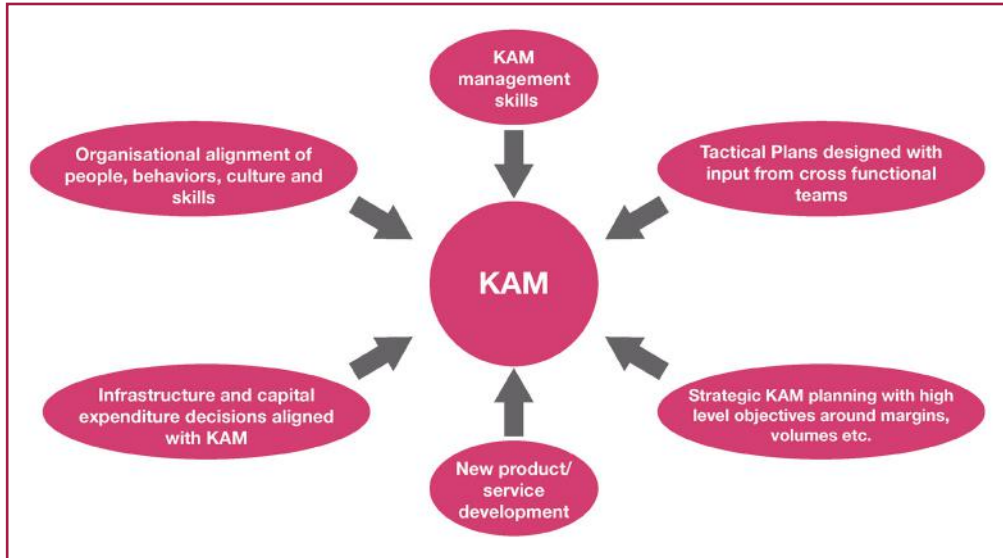


Figure 2

Figure 2 gives you an illustration of how a paradigm shift in behaviours, culture, processes and working methodologies is needed to achieve an effective KAM programme. Note that effective KAM requires a cross functional approach to client management, and will involve every department and most functions in the client's business. Any differences in the alignment of people across the two businesses are almost inevitably damaging.

What is unique about KAM

Based on our extensive experience of helping organisations implement effective KAM, we have identified the following key 'organisational capabilities' that KAM managers must have:

1. *Leading & Developing customer relationships*

This can be summarised as a 'Business Manager' approach, proven 'Trusted Advisory' status and a demonstrable 'partnership' approach.

2. *Understanding the client's products and their market*

Develop strong product, regulatory, political, and market knowledge. Share with others and contribute to organisational learning and thought leadership. Similarly, 'considered' stakeholder management is essential. The recurring theme here is 'developing a value proposition' for the client.

3. *Planning & Organising*

This is around account planning, financial and resource planning, relationship planning, prioritisation and alignment between the organisational and the customer strategy. The underlying themes here are 'long term strategic thinking' and joined up 'internal collaboration'.

4. *Initiating, responding to and managing change*

This category includes agility, knowledge management, instigation, design, implementation and management of change. In some sectors it also includes knowledge of the client's product life cycle.

5. *Leading People*

This is around internal leadership and includes areas such as empowerment of teams, collaborative cross functional working, stakeholder management, creating a winning and happy team and so forth.

6. *Building a responsive organisation*

L&D, performance management, sharing expertise, knowledge management, effective OD and strategic alignment. The themes here might include 'The Learning Organisation' and 'entrepreneurship'. Could also include effective KAM processes design.

7. *Acting with Trust & Integrity*

Acting with respect, ability to self-reflect, ability to be trusted by and to trust others, commitment to personal development as well as accountability for one's own work.

8. *Developing a winning culture*

Entrepreneurial, opportunistic and commercial thinking. Encourage calculated risk taking and learning from mistakes as well as demonstrating a 'can do' mentality.

9. *Becoming an 'Opinion Leader'*

Being acknowledged as the knowledge expert, the "go to" contact, a strategic influencer and a respected opinion former etc.

10. *Coaching & Mentoring*

Support team development, coach and mentor direct reports and so on.

11. *Installing a customer culture*

Putting customers first, being proactive to meet their needs, listening to their concerns, remembering the importance of the end users and so forth.

12. *Promoting Innovation & Excellence*

An ability to articulate customer needs into future products, to create a vision and proposition for all stakeholders to "buy into". This will often form the basis for the KAM plan and is aligned also with customer and organisational strategy.

How KAM plans rely on complex interdependencies

Figure 3

Figure 3 shows how KAM has a number of complex interdependencies which impact on effective KAM planning.



1.

Vertical Alignment

Is the mission and values of the business aligned with the customer? Are high level people, business and financial strategies achievable? Are the right people in place to realise the vision? Do they behave effectively and help ensure success of the strategy? Are high level objectives and key performance indicators clearly articulated to stakeholders? Strategic questions need to be asked and answered as part of the planning and review process.

2.

Horizontal Alignment

Do internal teams and subject matter experts work in a consistent, collaborative and coherent way with the KAM team to help achieve results? Where are the bottlenecks in the business? Are there 'silos' in need of breaking down? Does internal communications work? In short, does the organisation focus as a team or as a collection of individuals, and does everyone "buy into" the way the company operates?

3.

Operational Alignment

Are the operational targets clear and articulated? How are they measured? Who is accountable for implementing the KAM plan? Are the resources in place to implement it?

4.

Knowledge Management

Is data widely shared around the business? Is it accessible? Who owns it? Who manages organisational learning?

5.

Stakeholder Management

Do you know who your stakeholders are? Have you planned around their needs? By what mechanism is feedback received and given?

6.

The relationship management process is, of course, key as we can see from Figure 1. Achieving the coveted 'Trusted Advisor' status is critical if your organisation is to be the first port of call for clients. Remember merely meeting customer expectations means that you may or may not be used again; delighting the customer ensures you are used again and again.

7.

Strong leadership input from senior staff is critical to building a 'guiding coalition' which embraces the change needed for KAM to flourish and to set appropriate strategic objectives. Without this senior level 'buy in' the change needed may not be successful or happen at all.

8.

As discussed, KAM requires engagement with all stakeholders at the highest level. Are you perceived as being a subject matter expert? Do people come to you for advice? Are you perceived as being a salesperson?



The Building Blocks required of KAM Managers

Figure 4

Taking each of these Building Blocks (Figure 4) in turn, we examine what is needed from our extensive research into KAM over the last 25 years.



KAM Managers, or directors in some cases, usually lead the customer relationship. They have vastly different skill sets from traditional sales people as Figure 2 suggests. So what does a good KAM Manager look like from a skills perspective?

i.

Advanced Cognitive Abilities

Successful KAM Managers have an ability to easily spot and solve problems, they have strong verbal and numerical abilities and are savvy working with ambiguity and incomplete business data. You would be surprised how often we hear clients having problems at the forecasting and supply chain planning stages which leads to customer upset! As worryingly, we often assess candidates who, at hiring and development stage, fail basic ability tests such as numerical reasoning.

ii.

Strong Influencing and Relationship Skills

In recent years we have assessed (using psychometrics and interviews) many hundreds of candidates for KAM roles and found that many lack the high level competencies needed for KAM leadership roles. This includes interpersonal sensitivity, being outspoken, having good emotional control and consultative skills, and well developed influencing capabilities amongst others.

iii.

Leadership Capability

A common mantra amongst organisational development specialists but nevertheless valid. If stakeholders (both internal and external) are not “buying into” the process, then barriers to success may be almost insurmountable unless changes are made.

How often do you see KAM and senior people generally being promoted only on the basis of ‘craft skills’? How many people has your organisation developed in term of leadership capability? Typical skills include an ability to build trust, high levels of emotional control, emotional intelligence (EI), some outspoken tendencies, ability to accept two-way feedback and an ability to balance consultative with decision making skills and so on.

iv.

Entrepreneurial Capability (EC)

We argue that EC is a dynamic capability in that it refers to a person's or organisation's (or both) ability to perform a task in accordance with the business's mission and strategy. It involves sensing and shaping opportunities. In short, it involves coordination of mind-sets and action orientation to ensure that responsive to change KAM is implemented. Skills such as innovation, data rationality and ability to instigate and implement change are examples.

v.

Strategic & Operational Skills

Another area KAM Managers need to perform well is related to Entrepreneurial Capability but extends to long term thinking, detail consciousness, planning and operational capabilities. Understanding the macro and micro economic and business environments (eco-systems) is critical.

vi.

Deep Industry & Subject Matter

Expertise is often a key differentiator especially in service industries which are knowledge based. Most sectors rely on specialisation these days whether it is service/product specialisation or sector expertise. However, how many people have really got a deep understanding of the industry, technology and competitive environment?
Can you call any of your KAM or sales people sector /subject matter experts?

Are they organisationally and cross functionally aware enough to understand deeply customer issues? Do they keep up with industry and professional developments? Do they share knowledge and seek out marketing data? In short, can they be called 'Trusted Advisors'?

vii.

Ability to Network

Silo mentality, fixation with "my customers" to the detriment of all else and a production first culture all hurt KAM. Networking is about effective stakeholder management, understanding business environments, regulatory frameworks and customer expectations both now and in the future. It's about being visible and having a higher profile which means you are closer to your customers and will build credibility through gaining better knowledge and trust. It is also about being able to network internally and having high credibility by being, inter alia, high profile.

Conclusions

KAM cannot be implemented by merely changing the processes or eco-system. KAM is about taking a holistic approach. This paper does not seek to discuss how to make strategic decisions around who your Key Accounts are, nor does it seek to outline the strategic process to identify them. Instead we focus on the organisational and people challenges presented by KAM and show you how this fits into the eco-system in which your organisation operates.

Our work with clients has identified some key people practices which we have implemented for clients:

a.

A well-defined behavioural/competency framework which links behaviours from a KAM and leadership perspective together. Our work in differing sectors highlights the common need to change mind-sets not just in the commercial 'communities of practice' but also organisation-wide. Understanding what looks good behaviourally helps to build self-awareness (a critical development tool) and to identify more formal learning needs. This in turn helps promote cross functional working and sets standards for behaviour which are both consistent and appropriate.

b.

Job profiles and accountabilities need to be designed around the areas of alignment we described earlier. Clarity is essential if staff are to meet expectations. This clarity should extend to objective and target setting.

c.

Staff selection and, as importantly, learning and development strategies need to reflect the needs of a KAM culture. Both pre-hire and as part of a capability appraisal/development initiative, we recommend a thorough assessment of potential using both assessment and attainment evidence.

d.

Look at your existing team and ask yourself, are they right for KAM? We often work with clients to assess capability and potential only to find that they are not! In some cases, having a mismatch of skills and competencies can de-rail effective performance.



e.

Coaching and mentoring needs to focus on personal development planning and 'soft skills' as well as the technical aspects of KAM. They go together and just because you already train staff in KAM, this does not necessarily mean you are implementing KAM effectively.

f.

Ask strategic questions like the ones in this paper and use well known business models such as SWOT, PESTLE and Porter's 5 Forces in order to understand the internal and external factors which effect the business. Challenge your executive KAM teams to come up with answers and to design and implement corrective actions through Gap analysis.

These activities can also form part of organisation wide - high performance work bundles which help build high performance in the workplace from an HR perspective but, above all, they are the building blocks of successful KAM strategies.



About the author

Matthew Davis is an experienced OD, Talent Management and Business Psychology Consultant who is Masters-qualified in Performance Management & Workplace Learning from Leicester University. He is also ICSA-trained in Corporate Governance and is a Chartered Fellow of both The Chartered Institute of Personnel & Development and The Chartered Institute of Marketing.

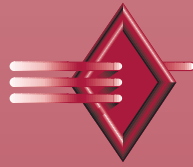
He regularly advises clients on all aspects of people and change and has particular expertise in assessment, leadership and performance management as well as change management.



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Celebrating 25 years in 2016, Ramsey Hall is a pre-eminent strategic advisory boutique with particular expertise in talent management, leadership and performance management as well as our core business psychology and executive search practices. Our work with some leading names globally has helped transform performance and improve costs through step change to cultures, behaviours, leadership and work practices.





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