Riding the Key Account Revolution: How to develop your Key Account Managers into Leaders of Change (Part 1)

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Summary

It is widely recognised that one of the single most important drivers of profitable and loyal customers is the Key Account Manager (KAM). A quick glance at the target revenues (and profits) that these KAMs are tasked with delivering makes them powerful determinants of the entire company's performance. But KAMs often complain of feeling isolated and unsupported by their company. They are vague about their role and responsibilities and too often feel under-trained and unable to cope with the dynamics of the marketplace and the demands placed upon them.

In this, the first of two articles, we will look at how to properly define the job of a Key Account Manager and someone's ability to do it. In the next article we will look at different ways of closing the skills gap. We will highlight good practice and identify the pitfalls that often cause KAMs to underperform and defect. A 10-Step Approach is used as a guide to the journey of which the first five steps are covered here.

Introduction

At a recent KAM conference[1] the audience of about 100 people were asked how effective they thought their Key Account Managers were. Only 15% felt they were "well selected, trained and effective." Developing their company's Key Account People was rated as one of the biggest challenges facing their organization.

Finding, developing and holding onto talent is a serious problem facing organizations who want to be at the leading-edge in the business-to-business market. The Key Accounts Director of a large international systems integrator stated recently "the biggest problem I have is with Finance. If I find a good Key Account Manager and they want more money I tend to give it to them. The cost of them leaving and joining the competition is just too high."

The Key Account Director of a large telecomms business went further, "People are critical to our Key Account programme. We are desperately seeking KAMs who are talent magnets, who are hugely influential, can zoom in and out, thrive on technology, who can move fast and who have a passion for success and service excellence."

The attraction, selection and retention of KAMs is as important as that for Key Accounts. Indeed, there may well be a distinct cause and effect between attracting and retaining good human talent and being able to attract and retain your key accounts.

For those companies that get the Key Account Management development process right the rewards are significant. In an earlier edition of this Journal we outlined how DHL had achieved significant profitable growth and retained competitive advantage from its KAM programme.

The Context of KAM People in Key Account Programmes

Of course, developing the People is just one aspect of an integrated KAM Programme (See Figure 1) However, we believe it is a central component. Key Account Management is about relationship management. Relationships are about people – even when they are the sum of many people relationships as in a corporate business-to-business relationship

The Key Account Manager is, of course, just one person within the whole delivery process. But again he or she is central to it and often seen by the customer as the conductor of the company orchestra. Many companies that are leaders in Key Account Management practices have seen the correlation between an effective key account team and an effective KAM.

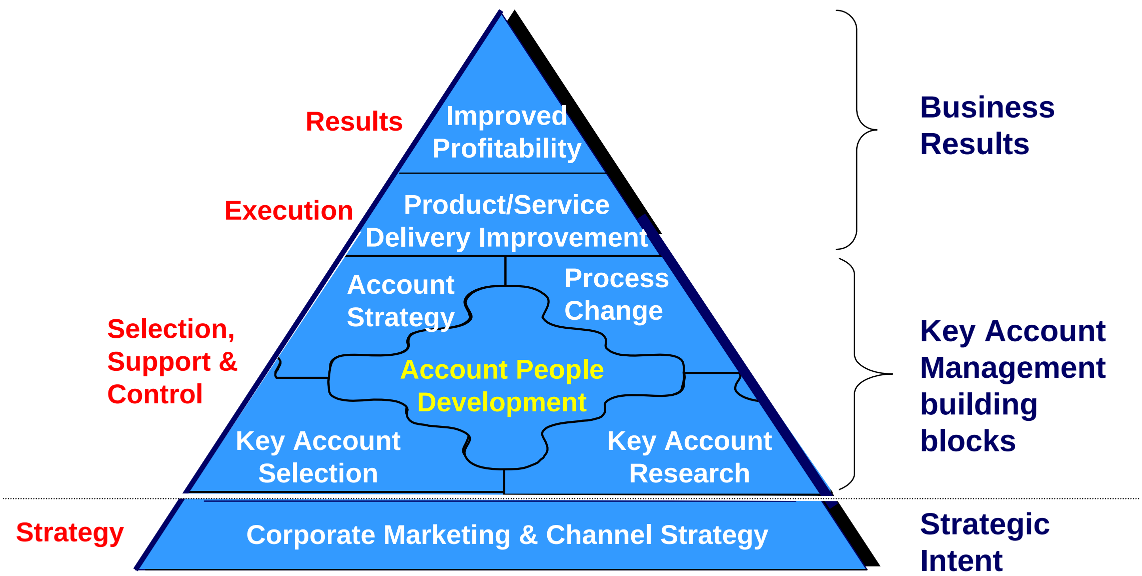

Figure 1: The KAM Framework

The 10 Step Model (Figure 2)

- The 10 Step model can be used in any industry
- It is also cyclical – e.g Research is not a once-in-a-lifetime exercise
- However, different companies may want to enter into the cycle at different entry points
- Some companies may feel they have some steps well covered but want to invest in strengthening earlier steps

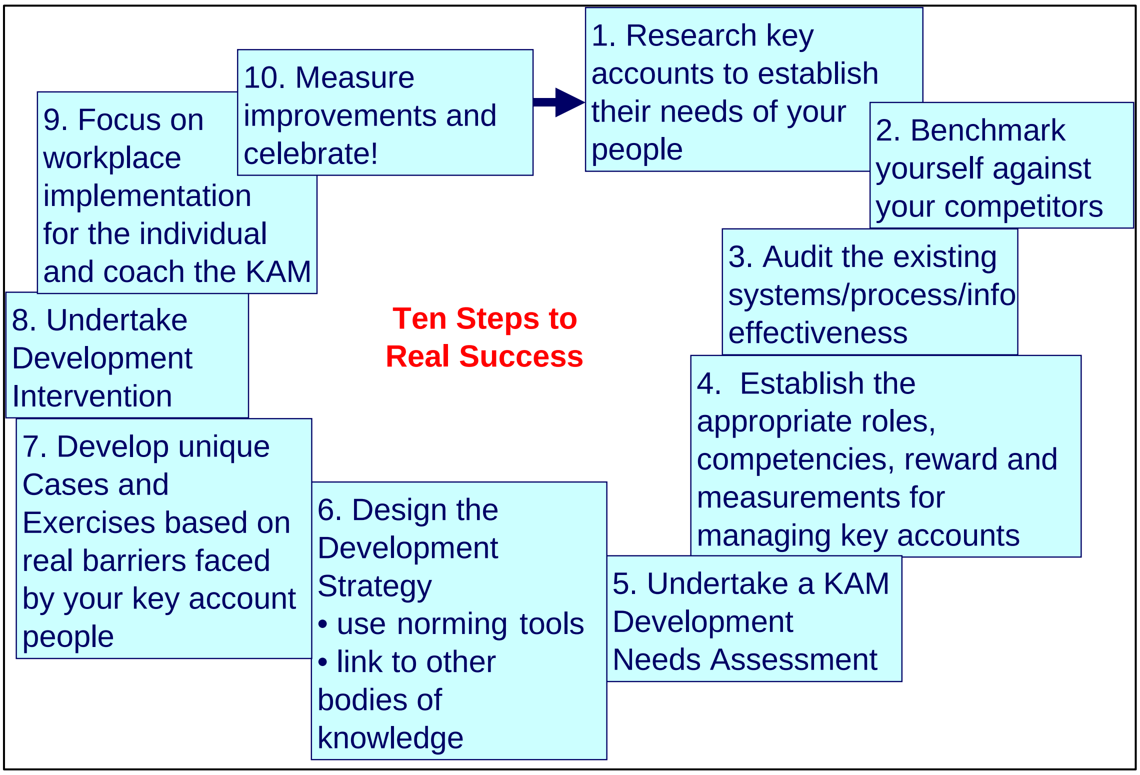

Figure 2

Step 1: Research the Key Accounts to Establish their needs from your KAMs

Most companies understand that the value proposition for their key accounts needs to be different. Moreover, many companies also recognise that the value proposition for each key account is likely to differ and therefore that the account strategies may differ. Indeed, the ability of key account managers to balance their account strategy with the overall corporate strategy is often an internal gauge of their effectiveness.

However, few companies ask their customers what value they seek from their key account managers. It is often assumed that the set of behaviours to be a successful KAM is the same across all the key accounts. KAMs are measured on a standard template of skills regardless of the subtle but important differences in each key account.

In essence, the question is "How do I add value as a KAM for this account?" There are typically four behaviours that customers value in a good KAM:

A) Operations Leader - Deliverer of Consistent High Quality Service Levels

- reduce service variation
- provide standard reporting
- align the priorities

B) Advisor - with a Deep Understanding of My Business

- their service impact on my business strategy
- my internal processes & schedules
- my changing needs over time

C) Facilitator/Co-ordinator - Able to develop broad Relationships

- build cross-border relationships
- command additional resources when required
- have authority/ability to get things done

D) Team Leader - Able to reduce my dependence on him/herself

- select and build effective teams
- coach the teams on my specific requirements
- share the knowledge

The above is by no means a complete list.

Crucially, customers place different emphasis on different aspects. One customer might be more interested in fixing service delivery issues, another in developing more innovative products whilst a third might be more concerned with building more sustainable teams.

We have also found that often customers want more continuity in their KAM. They often complain of KAM rotation. This is where the KAM is deliberately moved on as part of a broader development programme. In one FMCG case KAMs used to be people who typified the "Can Do" culture i.e young, well-educated compared to their buying counterparts and expected to move onwards and upward quickly. As a consequence, the individual rarely stayed involved with an account for more than 12 months. Hence, there was no time to build any relationship. Frequently, the account only saw an account manager once or twice before he was moved.

It was only after the customer complained that the company decided to change the recruitment policy for their KAMs. Greater emphasis was placed on older people (35 through 40) who had detailed knowledge of the sector and were not intended to be high flyers. Rather they were expected to stay in the same role for a number of years.

Once the needs of the KAM have been established this can then be translated into skills and competencies required of an effective KAM *for that customer*. It is also true that these needs change over time especially in project-related engagements or where there is other rapid change within the customer (e.g personnel changes). Many good KAMs are failing, not because they are poor KAMs, but because their behaviours are not in alignment with their current customer's needs.

Customer research is best left to independent specialists who are better able to objectively assess the customer needs and the ability of the current KAM to add value.

Steps 2 and 3: Benchmark and Audit Yourself

Good practice Key Account Management companies seeks to ensure a complete alignment of the enabling processes and the competencies of the KAMs who operate them.

Ineffective and inflexible processes will prevent efficient execution of the best account plans. Effective processes on the other hand will enable faster speed to market, better service delivery, superior customer loyalty and higher profitability through better resource utilisation.

Yet many companies do not have clearly defined processes, which are transparent to everyone in the organisation. Ways of working frequently evolve over time based on the 'custom & practice' activities of the individuals and functions involved.

The benchmarking process needs to identify those companies which have good practices in the alignment of processes and KAM competencies. For example, it should establish where we can find

- clear KAM processes (ie who does what, how information flows to enable the KAM process to operate, what inputs & outputs are needed at each stage)
- clear definitions of Roles, Accountabilities & Responsibility within the KAM process– these help to clarify who owns particular tasks, so that more effective measurements (Key Performance Indicators) can be put in place

Companies often overlook the importance of benchmarking outside their immediate industry. Even if the products differ it is quite surprising how often the KAM challenges are very close. Good benchmarking can short-circuit a lot of effort in designing the supporting infrastructure to getting high-performing KAMs in place.

Step 4: Establish the Roles, Competencies, Rewards and Measurements for KAMs

Each of the above are crucial components of success of an effective Key Account Managers. They are separate in one sense but they are also inextricably linked to each other. KAM role-ambiguity is a common disease in many companies giving the KAM little defence to regressing into transactional or commodity salesmanship. Smart KAMs are also switched on to real reward strategies. They can see when the reward system is not synchronised with their role and move on. Finding smart replacements in this situation is extremely difficult.

Role clarity and definition is vital to the success of the role, as are the setting up of measurement processes that are transparent and visible to both the Key Account Manager, their line manager and each respective Key Account. As in Goodyear, you might wish to extend the measurement of the effectiveness of the role to embrace the feedback of key account customers via 360 degree instruments. This forms part of Goodyear's Total Performance Review system.

Before progressing further we need to make some useful definitions (see Table 1)

Competencies:	These are the observed underlying sets of behaviours & skills required of a performing Key Account manager. Examples of such "dimensions" include Business Acumen and Knowledge of the Customer
Objectives:	The measurable targets on both commercial and relationship management including team performance (SMART). An example might be to increase customer satisfaction by 10 percentage points over the next six months
Accountabilities:	The owner of the result of the activity (e.g The Key Account Manager may delegate responsibility around his team in preparing a Key Account Plan but is accountable for the quality of the Plan itself)
Responsibilities:	The owner of an activity required to achieve the agreed the objectives (agreed with the Key Account Manager)
Indicators:	The visible measures of performance (success) on achieving the Objectives (e.g improvement in customer satisfaction)
Activities:	The collection of tasks required to deliver the Objectives (e.g build relationship with the new Finance Director)

Table 1

Measurement-using R-I-O's to define the job of a KAM.

Careful consideration needs to be given to the measurement system that is adopted. Good practice here is to adopt either a behaviour or competency-based approach specific to the KAM role.

Using a behavioural approach, a useful measurement system is to use R-I-O's (Responsibilities, Indicators & Objectives). Goodyear has a globalized system of R-I-Os that can be KAM role linked. (see Table 2 below)

Responsibilities of the Key Account Manager
1. Existing Business Escalation

Indicators/Objectives of Success
1. Identify two existing Key Account customers from the customer base and formulate plans and a parallel relationship strategy to bring about a clear escalation in mutually beneficial business.

Behaviours
1.1.1 Captures a full understanding of their business through appropriate questioning and active listening.
1.1.2 Looks for the alignment of service levels to business pattern changes
1.1.4 Recognises when to modify personal behaviour in meetings from"Influential to Collaborative"
1.1.5 Communicates fully and openly –trust & open book
1.1.6 Shares business understanding
1.1.7 Knows when to consider longer term integrative issues- people/processes/systems
1.1.8 Responds positively to regular client feedback

Table 2

The second option is to measure by competencies. Here, the role of a Key Account Manager is sufficiently unique and strategically empowered such as to have its own set of competencies. Indeed, it may well be highly appropriate for the Key Account Director to embrace some of the overall Generic Competency sets of the company, particularly in the areas of Team Management and Developing Others. Figure 3 is an example of good practice of one such competency set containing three levels of Anchored Rating Scales for one competency, Strategic Thinking.

Competencies need to be highly indicative and descriptive of the KAM role and capable of being revitalised. It is important to guard against the use of generic competencies fitted around the KAM role. An extension of this concept is the tendency of some to identify certain core skills & attributes which suddenly (as if by magic) become Dimension headings for a main competency. Resilience/Handling stress/Drive & Energy deployment are classic skills and attributes which should really be embedded within descriptions of an overall key competency.

Level 3. Fully clarifies own company strategic direction; able to articulate it internally. Gains a detailed understanding of the business direction of customers over the Long/Medium & Short term. Commits to and plans a clear course of action that fulfills both customer and own company business objectives. Scopes the environment and remains alert to customer business pressures and their competitor strategies. Looks for integrative opportunities-People/Systems/Processes

Level 2 Anticipates customer needs over the short/medium term. Commits well, forming relationships based on sound internal consultancy skills. Has customer focus but not external focus to their competitors' activity. Own company strategic direction interpretation is missing (the "what" but not the "why"). Doesn't easily spot a mutually beneficial proposal.

Level 1 Tends to anticipate customer needs over the short term. Some attempts to produce a clear course of action skewed more to the benefit of own company than the customer. Commits to action but lacks the resolve to deliver and resource through one's own organisation. Has only a rudimentary understanding of own company direction (book read)

Figure 3: KAM Strategic Thinking

Reward Systems and KAM

The fact that this topic features last in this particular section should not give the reader the impression it is the least important determinant for KAM success. Nor can it in any way be considered out of context to all the other determinants for success.

Competency based pay is far removed from the much-maligned Payment by Results systems. The challenge is to get the banding of pay structures sufficiently broad enough to allow KAM's pay flexibility. This will ensure their additional competencies are given additional reward. In this way, KAMs can break out of traditional pay structures (e.g "Sales Engineer") and be rewarded for putting time into supporting corporate goals.

Step 5: Undertake a KAM Development Needs Assessment

Now that the job of a KAM has been properly defined we can consider how to develop the raw talent of the individual into that revolutionary role.

The KAM Breakthrough Centre (BTC) Approach

Unlike traditional Assessment Centres, which normally evaluate an individual's competencies with a view to recruitment or appointment to a job, the Breakthrough Centre (BTC) evaluates the individual's competencies with a view to further developing skills for the KAM role.

A number of sequential stages should be followed to ensure success including KAM buy-in (see Figure 4)

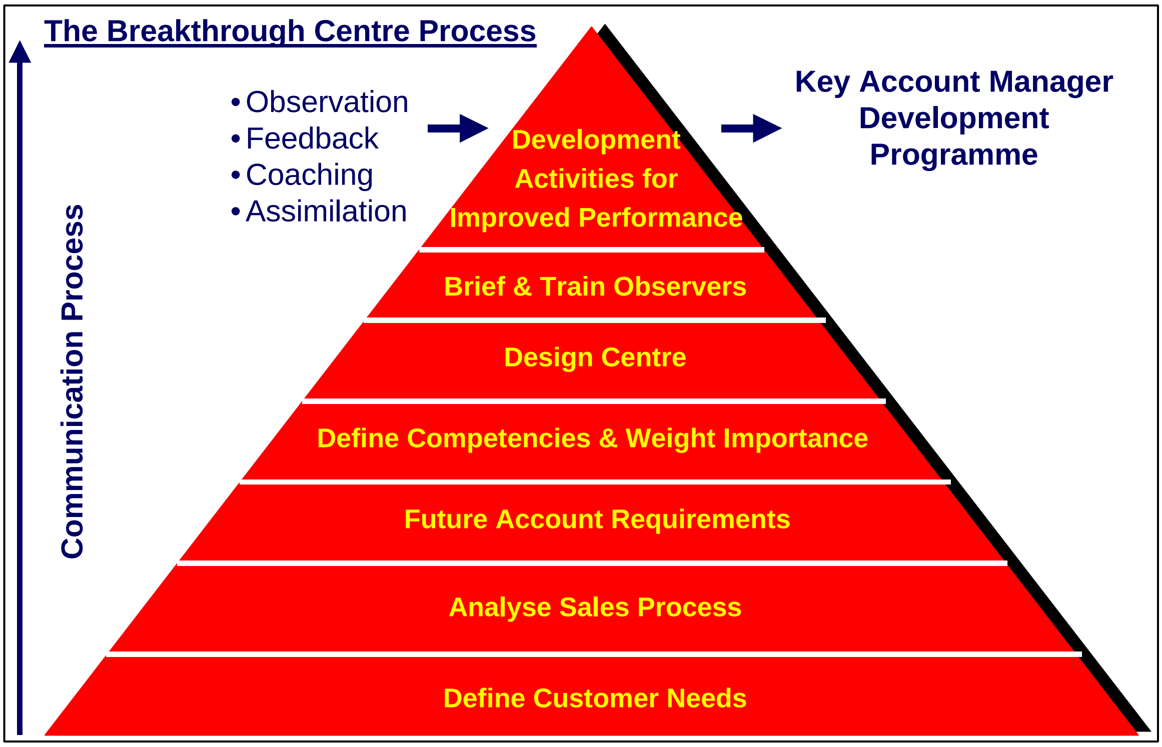

Figure 4: KAM Breakthrough Centre Approach

Briefly, these steps are:

1. Define clearly the Key Accounts' needs and requirements of a KAM
2. Examine the company's sales processes and amend them, if necessary, to fit the Key Accounts' needs and priorities
3. Explore the future account requirements
4. Define the required KAM competencies against this information and weight the competencies according to their relative importance
5. Only then design the structure and content of the BTC:
    - Activities need to be designed that evaluate aptitude and ability against the core competencies of the KAM job
    - Some activities should be externally normed, some against industry-norms, others less specifically, with a blend of tailored material (eg case-studies) and off-the-shelf activities
    - All participants should be given feedback on the day itself, particularly where tests have been used. A more detailed de-brief should be given after the event.
    - Evaluation of the BTC results will provide data for the development of the training and development plans for both key account team members and individual KAMs
6. Brief and train the observers (a number of whom will be required)
7. Plan the detailed logistics and run the Breakthrough Centre. A typical BTC has 6-8 participants per day over 1 or 2 days with Observation, Feedback, Coaching and Assimilation for each activity.

The Goodyear view is that there are three levels of BTC.

Level 1. This tends to be a process of using generic exercises primarily observing/ recording/feeding back behaviours rather than competency levels. It probably supports the "relationship" continuum that confronts a KAM but does not assess the ability to deal with the rigours of the whole KAM process.

Level 2. This is a more robust competency-led assessment process, focusing on coaching at intervals between development exercises. The process is targeted at both relationship positioning exercises and on understanding the application of KAM principles. Self-awareness through psychometric feedback (e.g 16PF –form A and MPQ or OPQ) is also a strong element.

Level 3. This is the mature state of assessment and involves using the training itself as the BTC. To achieve this involves individuals who have experienced high role flexibility in the past as opposed to role rigidity. Service levels will be high; labour turnover in the sales force low, and future success is linked to a whole series of indicators and behaviours such as past track record, flexibility to adapt to roles and personal demonstration of commitment.

Conclusions

Key Account Managers have a significant role to play in the achievement of corporate growth targets. It is logical therefore, that companies would want to recruit, develop and retain the very best KAM talent there is. However, the fault often lies not in the capacity of the KAMs to succeed but in the vagueness of the objectives, tasks and competencies of a good KAM. These may indeed be different for different customers and should have a strong element of customer and benchmark input.

Once we have a clear understanding of what we want our KAMs to do, how they should think and how they should behave we can then look at their development needs against that template. Good practice in this area is to use Breakthrough Centres. These have specific exercises designed to gauge the ability of KAMs to demonstrate the desired competencies and form the basis for the subsequent KAM Development Programme. Critical to the success of this Programme is a set of clear measures of job performance. These will be used to gauge the skills gap today and monitor improvement.

The next article will look at how effective Development Programmes are executed.

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References

[1] Cranfield University KAM Conference, 1999