Managing Key Business-to-Business Relationships

What Marketing Can Learn From Supply Chain Management

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Key account management (KAM) is a rapidly growing area of interest in business-to-business marketing. However, unnoticed by marketing, a quiet revolution has taken place in supply chain management (SCM), where the traditional emphasis on least-cost transactions has given way to a focus on long-term relationships with a few key suppliers. It is thus apparent that the two disciplines are converging. This article uses a cross-disciplinary approach to explore whether these developments from the field of SCM provide insights into key business-to-business relationships. A detailed case study of a long-term relationship between a business-to-business services provider and a key customer in the construction industry suggests there is a definable overlap. The supply chain model illuminates five important elements of KAM and offers a promising method for the evaluation of such relationships. As a result of the research, both supplier and customer companies implemented actions to improve and strengthen this important relationship.

Keywords: *business-to-business services; supply chain management; key account management; collaboration*

INTRODUCTION

A central notion in marketing is that its activities are directed toward establishing, developing, and maintaining successful exchange relationships (Fruchter and Sigué 2005; Morgan and Hunt 1994). Within marketing, the growing domain of key account management (KAM) examines major supply chain relationships, primarily from the supplier's perspective. A key account is a business-to-business customer identified by the supplier as being of strategic importance (McDonald, Millman, and Rogers 1997). KAM relationships are those that are both important

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and complex, often involving customizing products or services and sometimes pricing and distribution methods (Cardozo, Shipp, and Roering 1987; McDonald, Millman, and Rogers 1997) in the interests of developing collaborative long-term relationships. Such relationships involve costs (investing in customization) and risks (customer and/or supplier power or dependence) that make value capture problematic.

The importance of key accounts was emphasized by a recent survey of 207 companies. Twenty-eight firms reported that their key accounts were responsible for more than 50% of sales, and four firms said that 80% or more of their sales were to key accounts (Gosman and Kelly 2002). A subsequent survey by the same authors found still greater dependence on key accounts and also found that the service demands of key customers were increasing (Gosman and Kelly 2002).

The growing importance of key accounts, and the issue of how the benefits from collaboration are to be realized by both parties, indicates that the management of key account relationships is a vital area for further study.

One lens through which researchers could view KAM relationships is that of supply chain management (SCM), a well-established field with a tradition of cross-disciplinary research (Baker 2004). Largely unnoticed by marketing, there have been substantial developments within SCM such as strategic procurement (Ryals and Rogers 2006) and marketing logistics (Christopher 2005), which impinge on relationship management. Supply chain relationships are now defined as long-term relationships with a limited number of suppliers, on the basis of mutual confidence (Christopher 2005). At a time when many research constructs and best practices within marketing and SCM seem to be converging, especially in the area of business-to-business services, this article addresses the important and timely research problem of how recent developments in SCM might inform KAM.

The aim of this research is to provide insight into KAM relationships when viewed through a supply chain lens. The objectives are to examine KAM from a value exchange perspective and identify its key dimensions, to identify a supply chain model that could inform KAM thinking, and then to apply this model to a key interdependent dyadic customer-supplier relationship. The findings support the contention that SCM thinking informs KAM, identifies areas for further research, and provides useful insights for key account managers.

CONCEPTUAL BACKGROUND

In this section, we explore the growing field of KAM and the recent developments in the longer-established field of SCM.

Key Account Management

KAM is the study of long-term collaborative relationships between suppliers and buyers rather than transactional sales-based approaches to customer management (Millman and Wilson 1995). Although some early research examined major business-to-business relationship types (Burnett 1992; Dwyer, Schurr, and Oh 1987; Fiocca 1982; Shapiro et al. 1987), KAM really emerged as a separate field of research in the early to mid-1990s amid discussion about whether larger customers were more profitable (Cooper and Kaplan 1991; Kalwani and Narayandas 1995). The “size versus value” debate about the definition of a key account was widened by Millman and Wilson (1996) and McDonald, Millman, and Rogers (1997), who defined a key account as a customer of strategic importance to the supplier. Research shows that value capture in KAM is not automatic; powerful customers can choose to use their negotiating muscle to “negotiate away” benefits from the supplier (Kalwani and Narayandas 1995), resulting in unprofitable customers. Yet, evidence suggests that long-term relationships with larger customers can pay off for suppliers as well as buyers (Kalwani and Narayandas 1995; Narayandas and Rangan 2004), even where power asymmetries are considerable (Narayandas and Rangan 2004).

The reasons that suppliers engage in KAM relationships relate to the longer-term benefits from collaboration. Suppliers benefit from higher revenues and faster growth rates (Bolen and Davis 1997), whereas customers benefit from having their objectives met, continuity, cooperation, and faster response (Holmstrom 1998; Sengupta, Krapfel, and Puserati 1997). Both sides benefit in the longer-term from lower costs (Byrnes 2002; Sengupta et al. 1997), and the longer term performance of both parties is better (Galbreath 2002). Some key antecedents that have been identified as making these relationships work are trust, adaptability, and cooperation (Campbell 1997; Dyer 1997; Hausman 2001).

In many cases, the adoption of KAM practices by suppliers is driven by the demands of customers as they rationalize their supplier base and increase their demands on their remaining suppliers (Boles and Johnston 1999; Homburg, Workman, and Jensen 2002). As the capabilities of the preferred suppliers develop, the incentive for customers to build long-term relationships with them increases (McDonald et al. 1997). Because KAM relationships pay off, there is an incentive for suppliers to manage their customers as key accounts. The dimensions of KAM relationships will now be discussed.

Dimensions of KAM Relationships

Previous research has identified many aspects of KAM relationships. Our objective in reviewing the existing literature is to establish some salient dimensions that can be used as the basis for exploring KAM relationships. We are describing complex relationships in terms of general variables, so some interrelationships between the variables cannot be ruled out. We will return to this problem later in our discussion.

Value. Value creation and value capture are major dimensions of study in KAM relationships. The relatively high financial outcomes that characterize KAM relationships (higher revenues, growth, and profitability) come about through supply chain efficiencies, lower costs to serve, learning curve effects, higher share of spend, and so on (Kalwani and Narayandas 1995; Ryals, Bruce, and McDonald 2005; Sengupta et al. 1997; Slywotzky 1995). Galbreath (2002) cites evidence of the positive financial effect of long-term strategic partnerships and of efficiently managed supply chains. However, poor management of the relationship on the part of the supplier can undermine value capture (Kalwani and Narayandas 1995; Reinartz and Kumar 2002).

Trust. An important underlying affective dimension of KAM relationships, in particular on the customer side, is trust. Trust leads to cost reduction (Sengupta et al. 1997) through process development and SCM (Byrnes 2002). Trust may also be an antecedent of investment in the relationship, another characteristic of KAM, which leads to process improvement and, hence, reliability and consistency (Holmstrom 1998). In turn, consistency is one of the characteristics of successful KAM relationships (Sengupta et al. 1997). Trust and consistency are also associated with customer retention (Hausman 2001; Kalwani and Narayandas 1995) and, for the supplier, a higher share of the customer's spend (Reichheld 1996). This indicates that trust is an interesting dynamic of a KAM relationship from which other benefits may flow. Sin et al. (2002) explored trust as a component of relationship orientation and found it unrelated to business performance; yet, trust is repeatedly cited by key customers as one of the most important elements in supplier selection (Woodburn and McDonald 2001).

Flexibility. A behavioral dimension of KAM relationships is flexibility and responsiveness to the customer. In the KAM context, this behavioral dimension can be witnessed in activities such as customization, consultancy, and complexity management (Campbell 1997; Neu and Brown 2005; Sengupta et al. 1997) plus process adaptation and investment in the relationship. Previous research indicates that successful KAM relationships demonstrate adaptability, cooperation and conflict management, social interaction, and the standardization of routine actions (Tikkanen and Alajoutsijarvi 2002). Flexibility is associated with faster response, which can benefit suppliers as well as customers. In recent research, suppliers noted faster results (faster implementation, for example) as benefits of their KAM relationships (Woodburn, Holt, and McDonald 2004).

Relationship stability. Another dimension of key relationships is duration (Hausman 2001). KAM relationships can exhibit considerable stability and duration, sometimes formalized into long-term contracts. Multiple contacts and shared systems and processes help the relationship to survive managerial changes (McDonald, Rogers, and Woodburn 2000). High switching costs, which benefit the incumbent supplier, develop in successful relationships (Sengupta et al. 1997). Longer relationship duration may also be associated with reduced coercion and conflict (Hausman 2001) and with a growing share of the customer's spend (Woodburn et al. 2004).

Communication. Communication is an important underlying dimension of KAM relationships (Hausman 2001; Sin et al. 2002). Communications in KAM relationships differ from non-KAM in that they are characterized by multiple communications links between the two organizations (McDonald and Rogers 1998). Better communication and more information may lead to improved forecasting through reduced uncertainty (Hausman 2001) and better problem solving. Other benefits of the extensive and close communications associated with KAM relationships include faster results because new initiatives can be implemented more quickly (Woodburn et al. 2004). This leads to an acceleration in new business with a key account and a positive effect on cash flow. Moreover, opportunities can be identified faster and more effectively than in non-KAM relationships because of the closeness of the relationship and the large number of contacts between the two companies (Woodburn and McDonald 2001).

Although not an exhaustive review, this analysis helps to indicate that there are some important general characteristics of KAM relationships that differentiate them from non-KAM relationships. Yet, the very characteristics that differentiate them are those that are typical of supply chain relationships. We will demonstrate this through a brief review of the literature relating to supply chain relationships.

The Relational Perspective of SCM

SCM has been defined as an integrative, proactive approach (Matthyssens and van den Bulte 1994) to managing the total flow of a distribution channel to the ultimate customer: "a well-balanced and well-practiced relay team" (Cooper and Ellram 1993). However, it has been recognized that a focus on process is insufficient to achieve success and that cooperation, trust, and proper relationship management can achieve results that are greater than the sum of the parts (Christopher 2005). Close long-term relationships between customers and suppliers have a beneficial effect on performance (Giannakis and Croom 2004). Customer and supplier commit to continuous improvement and shared benefits by exchanging information openly and resolve problems by working together (Sako, Lamming, and Helper 1994).

Historically, SCM research has adopted a variety of different approaches to measure interorganizational, operational, and interpersonal dynamics. Recently, Giannakis and Croom (2004) considered the *synthesis* of business resources and networks, the *synergy* between network actors, and the *synchronization* of operational decisions. The International Marketing and Purchasing (IMP) Group studied the dyadic interaction of companies (Kern and Willcocks 2002); supply chain integration was considered by Fawcett and Magnan (2002); and networks of relationships were considered by Harland et al. (2001) and Kemppainen and Vepsalainen (2003). All suggest that the management of supply chain relationships is complex and problematic but focuses on an operational (time, cost, quality, and processes) rather than a relationship management perspective (Christopher 1998).

Relationships as Spectrums of Interactions

In response to calls for a relationship perspective in SCM, Humphries and Wilding (2003, 2004) employed an interdisciplinary approach that integrated SCM, transaction cost economics, and relationship marketing concepts to understand the dynamics within a large sample of highly interdependent supply chain dyadic relationships. They used a combination of qualitative and quantitative methods to develop a model that enabled rich insights into SCM relationships. This model benefits from an interdisciplinary approach, the use of generalizable concepts that could be applied to KAM, and a relationship management perspective.

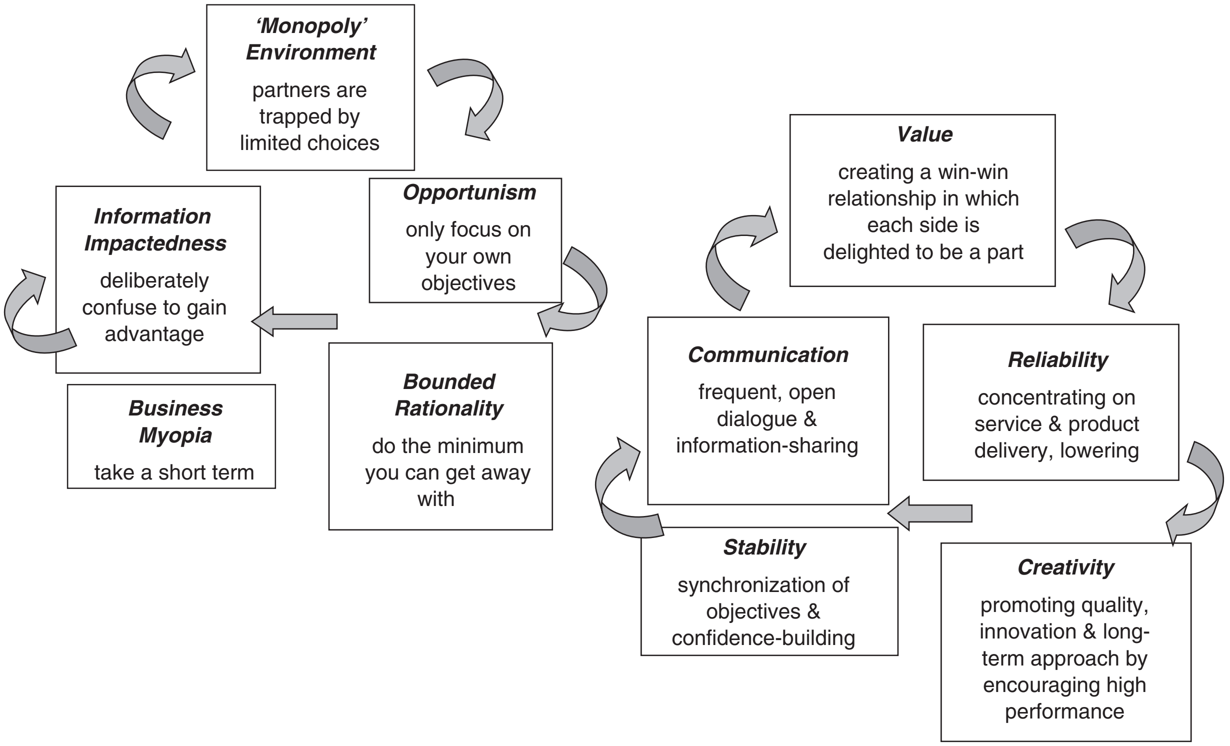
Humphries and Wilding (2003, 2004) used an adaptation of Williamson's (1975) Organizations Failure Framework, a descriptive rather than predictive representation, as their theoretical model to illustrate the relationship dynamics between highly collaborative businesses. Williamson's Failure Framework suggests that the increased costs and tensions of maintaining a close relationship between businesses may lead to higher management costs and "bad behaviors," resulting in reversion to open market transactions. Using the concept of a self-reinforcing feedback effect within collaborative relationships (Hambrick et al. 2001; Lambert, Emmelhainz, and Gardner 1996; Luo and Park 2004), Williamson's (1975) framework dimensions are shown in their negative and positive forms in Figure 1. These cycles represent the opposite ends of the spectrum that one might expect to encounter within a dyadic, interdependent supply chain relationship.

The Humphries and Wilding model used SCM literature and academic and practitioner focus groups to identify five main dimensions of collaborative supply chain relationships. These are, together with their Cronbach's alpha scores, Value (0.88), Reliability (0.76), Creativity (0.80), Stability (0.77), and Communication (0.76), demonstrating strong internal consistency in their research. The Humphries and Wilding model is attractive in this research context, in particular, because of the apparent fit between the KAM dimensions set out above and the key dimensions of SCM they identified.

Value. Supply chain value involves the development of win-win relationships that are efficient and stable, in particular when dealing with uncertainties relating to new product or service development (Tompkins 2000). Tensions between parties are balanced within a long-term, pragmatic working arrangement (Lamming 1993; Perks and Easton 2000). It is interesting that trust, friendliness, and other soft features of long-term cooperative relationships do not guarantee greater understanding and satisfaction. In fact, the greater the dependence in the relationship, the more important is performance measurement and monitoring (Harland 1995, 1996b, 1996c). The main obstacle to value enhancement seems to be motivating supply chain managers by communicating a clear vision of the benefits to be achieved in an environment of great complexity and uncertainty (Harland 1996a; Boddy, Macbeth, and Wagner 2000).

Reliability. Reliability within the supply chain requires concentrating on service and product delivery, reducing joint costs and risks, and building trust. The evolution of lean supply, with its emphasis on reliability, replaces traditional, wasteful, inefficient, and adversarial contracting practices (Lamming 1993). This is the key to unlocking the goodwill in the interdependent relationship (Lamming et al. 2001) and creating a flow of value-enhancing activities (Lamming 1993). The aim is to use radical techniques to do things differently and to reduce waste (Lamming et al. 2001), although doing so requires enhanced management skills to manage relational contracts (Cox and Lamming 1997). Although process efficiency is at the heart of reliability in the supply chain (Harland 1995), attitudinal reorientation and soft issues such as trust and commitment are essential to achieve the necessary step change (Lamming 1993).

FIGURE 1
Dyadic Relationship Success and Failure Cycles



Creativity. To enhance creativity within the supply chain, it has long been recognized that a reduction in supplier numbers is needed because maintaining close, intense relationships is expensive in management effort (Cavinato 1992; Langley and Holcomb 1992). The intention is to work more closely, effectively, and over the longer term (Peck and Jüttner 2000; Scott and Westbrook 1991) with those supply chain partners who have the most critical effect on the overall operation (Cooper, Lambert, and Pagh 1997). Rather than diluting each company's efforts through conflicting goals, deeper interorganizational alliances/partnerships that focus on the whole supply chain can evolve (Anscombe and Kearney 1994). In fact, Bechtel and Jayaram (1997) and Perks and Easton (2000) extend this concept further to suggest that SCM provides a business environment in which firms cooperate closely, rather than compete, to achieve mutual goals and are incentivized to join in collaborative innovation (Harland 1996b). With fewer strategic partners, it is possible to share confidential demand information that reduces uncertainty, safety stocks, and costs and order cycle time (Bechtel and Jayaram 1997; Cooper and Ellram 1993; Lamming 1993). It is widely accepted that the financial benefits of SCM can outweigh the additional management costs by upwards of 20% (Christopher 2005).

Stability. Stability requires confidence building and the synchronization of objectives. Empirical evidence suggests that close long-term relationships between customers and suppliers have a beneficial effect on performance. Customer and supplier commit to continuous improvement and shared benefits by exchanging information openly and resolving problems by working together (Sako et al. 1994). Lamming et al. (2001) propose that, by harnessing the unique capabilities of partnership, it is possible to shield partners from system-level forces. However, partnership is a complex concept whose success depends on duration to build trust (Sako et al. 1994). When mistrust is entrenched, a shift from adversarial to cooperative relationship styles is extremely difficult.

Communication. Effective communication (frequent, open dialogue and information sharing) is essential to supply chain success. In many cases, even where the need to cooperate is recognized, tensions over the need to retain control over costs, intellectual property rights, and price remain (Cox and Lamming 1997). Better communication often entails joint pooling/sharing of risk. However, risk management is not commonly found within the skill sets of the purchasing people who usually manage business-to-business supply chain relationships (Lamming et al.

2001). Moreover, there are companies who view SCM as a process rather than as relationship management. Here, conflict can occur when the customer unilaterally requires the supplier to reveal sensitive data. This can result in "information impactedness": risk-hedging by providing distorted or corrupt information (Humphries and Wilding 2004). Extensive, open, honest communication is a vital dimension not only because it acts as the oil to lubricate the working of the partnering process; it also supplies the feedback that sustains and improves the relationship.

Having examined the literature in the fields of KAM and SCM to identify the distinguishing relationship dimensions, we conclude that the SCM model developed by Humphries and Wilding may give useful insights if applied to a KAM relationship. The theoretical framework and research methodology in the following section describe how this model was applied to a key interdependent customer-supplier relationship.

METHOD

The research approach was dyadic and the methodology was qualitative, using semistructured interviews based on an adaptation of the Humphries and Wilding tool to the KAM context.

Dyadic Research Approach

The growing focus on business-to-business relationship management increasingly requires research at the dyadic level, in which the unit of analysis is the interface between a customer and a supplier. Dyadic research is difficult because it requires deep access to both sides of a relationship, uses substantial researcher time, and is sensitive in terms of the data revealed. However, dyadic research is a methodology that can provide important insights into the detailed functioning of a business-to-business relationship. Both KAM and SCM suffer from a lack of dyadic research (Christopher 1997; Cooper et al. 1997).

Exploring KAM Using the SCM Dimensions

Humphries and Wilding developed a qualitative (semistructured interview) data collection instrument, which was translated into the KAM context by academic experts for this research. Then, the instrument was validated both by a focus group of KAM practitioners drawn from four international blue chip companies and by a panel of academics. Minor changes to the language, but not to the meaning, of the open semistructured interview questions were made at both stages.

Unit of Analysis

The dyadic unit of analysis was the relationship between two large civil engineering companies: the customer (C), which designs, delivers, and supports infrastructure from local technical services to international landmark projects; and the supplier (S), which specializes in planning, design, and management services on projects worldwide. This relationship was selected for analysis because of its size, importance to both parties, duration, and relationship type and because there was a shared discussion about how the relationship could be improved and a willingness to explore key issues on both sides. The annual value of their relationship was approximately $100m. The relationship was of the interdependent[1] type and had been at this stage for slightly less than 4 years. This relationship was complex and multilevel and was very important to both parties but was not exclusive. However, both parties wanted to put the relationship on a new footing. They had built up considerable experience of working together but wanted to enact relationship management practices that would allow them to bid jointly for new international contracts.

Research Participants and Protocol

The research took a cross-sectional perspective of the relationship dyad using respondents from different levels and roles drawn from both companies to ensure comparability. We used an expert sample approach to the identification of research participants in which we asked the companies to choose those staff who were knowledgeable about the relationship, that is, in frequent, detailed contact with the other company and in post for at least 6 months. We collected data from 15 respondents from each company, using an interviewer and a separate analyst.

The research protocol used semistructured interviews employing the following prompts to give some structure to the discussions:

Creativity—promoting quality, innovation, flexibility, opportunity-seeking problem solving, a long-term approach, encouraging high performance
- Success: What factors stimulate the achievement of creativity in the relationship?
- Failure: What factors prevent the achievement of creativity in the relationship?

Stability—strategic understanding, synchronization of objectives, investment in relationship-building assets (e.g., people, infrastructure, IT, training)
- Success: What factors provide a stable business framework in this relationship?
- Failure: What factors inhibit a stable business framework in this relationship?

TABLE 1
Descriptive Statistics

		Customer Firm Quotes		Supplier Firm Quotes	
Dimension	*Number of Quotes*	*+ve*	*−ve*	*+ve*	*−ve*
Value exchange	33	8	4	11	10
Trust and reliability	57	13	16	10	18
Flexibility	29	5	5	17	2
Relationship stability	35	13	6	10	6
Communication	46	10	23	4	9
Total	200	49	54	52	45

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. -ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

Communication—promoting high-quality, open, frequent, trustworthy information sharing

Success: Describe areas where communications in this relationship are good.

Failure: Describe areas where communications in this relationship are poor.

Reliability—establishing and managing reliable, adaptable, continuously improving service and product delivery, lowering joint costs

Success: What factors support the effectiveness and efficiency of operational outputs?

Failure: What factors impede the effectiveness and efficiency of operational outputs?

Value—incentivizing joint working and a win-win relationship, sharing benefits, commitment to investment and business development

Success: Why do you feel this relationship is valuable to you?

Failure: What factors specifically undermine the value of the relationship?

Data Collection and Analysis

From the structured interviews, 160 key quotations—short, direct statements that made telling points—were selected by the researchers, stored in a database, and organized for analysis by theoretical dimension and relationship. The content was analyzed in two stages by the researchers working independently. The interjudge reliability was evaluated using a percentage of agreement measure (Zimmer and Golden 1988) and, where inconsistencies were found, amendments were discussed and agreed.

Next, each of the 160 quotations was carefully examined and tagged according to the KAM dimensions described in the literature review. Considerable effort was made to ensure that, where more than one aspect was present in a quotation, it was categorized primarily in the dominant dimension (i.e., where the strength of feeling was greatest). Nevertheless, applying multiple tags to each quotation where necessary provided the opportunity in the analysis to examine subsidiary nuances of meaning. We also took careful account of the language used, to ensure that strength of feeling as well as frequency of remark types were noted. Finally, to test the completeness of the dimensions, the quotations were reviewed across all the dimensions to see whether there were any additional issues or themes that emerged.

The results provide a detailed description of each of the five dimensions and enable the identification of some research propositions reported in the Discussion section. Cross-analysis of the results across the dimensions enabled the generation of further research propositions.

Special attention was devoted to providing feedback to the research participants (while rigorously preserving individual anonymity) by means of a detailed report, presentation, and feedback session following the completion of the research. The production of independent, frank relationship information was highly valued by both companies and a number of internal and joint actions decided on which target the issues raised.

RESULTS

In this section, we examine the research results by KAM dimension. The descriptive statistics for this exercise are shown in Table 1, where the quotations are additionally categorized as relationship party (supplier or customer) and tone (positive or critical). Some quotations related to more than one dimension, so that the totals sum to more than 160.

Table 1 shows that the topic of trust generated the most discussion, followed by communication. Flexibility was the least discussed dimension. Generally, both parties spoke positively about value exchange and relationship stability, although both parties were relatively critical about trust and communication. The supplier thought

TABLE 2
Value Exchange

Aspect	*# of Quotes*	*Customer Firm*		*Supplier Firm*	
		+ve	*−ve*	*+ve*	*−ve*
Revenues	1	1	—	—	—
Growth	—	—	—	—	—
Profitability	—	—	—	—	—
Satisfaction/relationship quality	20	6	3	7	4
Power balance	10	1	1	3	5
Consultancy	—	—	—	—	—
Continuity in relationship	2	—	—	1	1
Total	33	8	4	11	10

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. -ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

more about flexibility, but the customer was considerably more vociferous on the subject of communication.

Further analysis of the results and comparison with the literature enabled an identification of detailed aspects of each dimension. For each dimension, we show the detailed aspects, the number of mentions of each aspect, whether they were made by the supplier or the customer side, and whether they were positive or negative in tone. In addition, we provide illustrative quotations from the extensive data set to explicate key points. For each quotation, we indicate whether it originated from the supplier firm (S) or the customer firm (C).

Value Exchange

Table 2 analyzes the various aspects of value exchange.

Responses around value exchange focused on satisfaction and relationship quality. The overall balance of comments between the two was similar, although attitudes were mixed, perhaps because of the important role of interpersonal dynamics:

> The quality of the corporate relationship depends very much on the quality and commitment of the individuals concerned. One bad apple can easily undo the outcome. (C)

The supplier respondents exhibited greater concern about power balance:

> On previous projects we have worked well as a team . . . however, there is still an element of being a sub-contractor rather than a true partner. (S)

We used non-value-laden open-interview questions to prompt respondents, although an unexpected outcome of this approach when exploring value exchange was the almost complete absence of discussion about the financial aspects of the relationship. Although our sample did not include any finance managers, it did include a commercial manager and two senior directors who would presumably all be interested in the financial outcomes. It is likely that the financial value of the relationship was assumed; certainly, the relationship attracted considerable high-level commitment on both sides.

It is interesting that high-level commitment to the relationship was not always reflected at the operational managerial level. There was a distinct gradient in this relationship. The commitment of the top people in both organizations to the relationship had not always filtered down to the people on the ground:

> There was definitely a spark; especially amongst the higher levels. . . . It was much less so, lower down. (S)
> There is a genuine . . . desire to develop the relationship, but this doesn't necessarily permeate throughout the whole of the organization. (C)

Trust and Reliability

Trust concerns were the most frequently mentioned and strongly voiced issues in this KAM relationship. The findings on trust led us to redefine this dimension as Trust and Reliability because so many of the comments concerned reliability, dependability, consistency, and keeping promises (see Table 3).

Process issues and matters relating to project and SCM received the main attention here, often in negative terms:

> The lack of a single project management system meant a lot of time and money was spent unnecessarily and it might have caused project delays and firefighting. (S)

TABLE 3
Trust and Reliability

		Customer Firm		Supplier Firm	
Aspect	*# of Quotes*	*+ve*	*−ve*	*+ve*	*−ve*
Process development and supply chain management	16	3	6	—	7
Lower costs	9	1	3	1	4
Increased cooperation	9	4	1	2	2
Risk reduction	10	3	—	5	2
Increased share of customer spend	2	—	—	1	1
Speed of results	6	2	2	1	1
Missing skills	5	—	4	—	1
Total	57	13	16	10	18

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. -ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

TABLE 4
Flexibility

		Customer Firm		Supplier Firm	
Aspect	*# of Quotes*	*+ve*	*−ve*	*+ve*	*−ve*
Faster response	4	—	2	2	—
Adaptability	8	2	2	3	1
Performance	3	—	1	2	—
Shared expertise	6	—	—	5	1
Geographical advantage	0				
Customization	3	3	—	—	—
Working together as a team	5	—	—	5	—
Total	29	5	5	17	2

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. -ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

Several other aspects of trust and reliability were mentioned. The balance of comments tended toward the negative, interesting in such a close relationship, although both sides agreed in commenting generally favorably on risk reduction:

> There was nervousness rather than lack of trust. I always have to remember that, however good the relationship, one day the tiger may turn and bite my hand off. (S)

An additional aspect, missing skills, was raised, although this seemed to be specific to a particular concern that had arisen recently in this relationship following the departure of a key individual.

Flexibility

With the exception of geographical advantage and with the addition of team working, the flexibility dimension was well supported overall by clear and intense respondent sentiments (see Table 4).

The supplier was particularly positive about flexibility, indicating that it saw itself as highly flexible. The customer responses were more equally balanced between positive and negative. It was the supplier that took the lead in developing closer ties:

> Everyone is keen to work together on the next job, having learned previous lessons. (S)
> We worked well together, with a free flow of ideas between the parties. (S)

An interesting finding relating to flexibility was that sometimes one side did not feel appreciated for what it did. Moreover, it was possible to be too fast in anticipating customer needs:

> They are sometimes too helpful in trying to anticipate our needs without talking things through. Delays have been caused. (C)

TABLE 5
Relationship Stability

		Customer Firm		Supplier Firm	
Aspect	*# of Quotes*	*+ve*	*−ve*	*+ve*	*−ve*
Reduced risk	6	2	1	1	2
Consistency	3	2	—	—	1
Reduced coercion	2	1	1	—	—
Reduced conflict	5	3	1	—	1
Long-term relationship	9	6	—	3	—
Share of spend	3	1	—	1	1
Joint planning and alignment	2	1	—	1	—
Sharing of responsibility	5	2	2	—	1
Total	35	18	5	6	6

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. −ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

TABLE 6
Communication

		Customer Firm		Supplier Firm	
Aspect	*# of Quotes*	*+ve*	*−ve*	*+ve*	*−ve*
Risk reduction	4	2	2	—	—
Cooperation and coordination	10	2	5	1	2
Predictability	7	—	6	1	—
Forecasting	3	—	3	—	—
Lower costs	5	1	3	—	1
Faster results	8	4	4	—	—
Internal communications	6	—	4	—	2
Open and honest culture	3	2	—	—	1
Total	46	11	27	2	6

NOTE: +ve indicates quotations that express a positive view about, or support for, an aspect of the relationship. −ve indicates quotations that express a negative view about, or criticism of, an aspect of the relationship.

Relationship Stability

The notion of relationship stability surfaced a number of issues (see Table 5). There was a series of comments about the long-term relationship that was, without exception, positive on both sides.

Overall, the customer side expressed considerably stronger positive comments about relationship stability, suggesting differential benefits from this dimension of the relationship.

However, respondents expressed some major concerns about risk in the relationship. Risk, here, related to possible relationship breakers, as opposed to the psychological risks identified under the Trust and Reliability dimension. The customer's view was that the supplier's internal program and budget management were not good:

> The way we jointly handle risk has changed. . . . This is still a difficult issue and subject to continuing debate over burden-sharing, but we are making progress. (C)

In turn, the supplier blamed the customer for making changes to projects that entailed more work and, hence, program and budget problems.

Communication

It is perhaps surprising in this close relationship that there were far more negative than positive comments about communication, in particular from customer side respondents (see Table 6).

It is possible that the very closeness of the relationship made the trust and communications issues more visible:

> We had to provide status information throughout but received very little back. (S)
> We could not agree on a shared web-based system to handle data. The resultant information system was cumbersome and caused delays; things got lost, were incomplete, and lacked tracking and feedback. (C)

TABLE 7
Mapping the Overlap Between Supply Chain and Key Account Management (KAM) Relationship Dimensions

Supply Chain Perspective	*Aspects*	*KAM Perspective*	*Aspects*
Value	Creating a win-win relationship in which each side is delighted to be a part and where highly rewarding gains are equally shared	Value exchange	Higher revenues; faster growth; profitability; satisfaction with the relationship; value created despite power imbalances; consultancy
Reliability	Concentrating on product and service delivery, lowering joint costs and risks, building up trust	Trust and reliability	Process development and SCM; lower costs; increased cooperation; risk reduction; increased share of customer spend; speed of results
Creativity	Promoting quality, innovation, and long-term approach by encouraging high performance	Flexibility and responsiveness	Faster response; adaptability to uncertainty; performance; shared expertise; customization; team working
Stability	Synchronization of objectives and confidence-building measures such as joint investment and harmonized processes	Relationship stability	Reduced risk and coercion; reduced conflict; consistency; long-term relationship; increased share of spend; joint planning; organizational alignment; sharing responsibility
Communication	Frequent, open dialogue, information-sharing, and objective, joint performance measures	Communication	Risk reduction; cooperation and coordination; predictability leads to better forecasting and lower procurement and stock costs; faster results; internal communications; openness

Notably, the customer viewed internal communications within the supplier, rather than communications between the two firms, as a major problem. The customer stated that problems had been caused by the supplier's failure to coordinate its different departments and teams:

> We have a criticism of poor communication between their design teams, which are spread over four different locations. (C)

Whereas previous research has stressed the multiple interorganizational communications links characteristic of KAM (Hausman 2001; McDonald and Rogers 1998; Woodburn and McDonald 2001), little attention has been paid to *intra*organizational communication issues. Interdependent KAM relationships are so close that failure to coordinate internal communications will be noticed by the customer and may affect the relationship.

A possible explanation for the differential communication that we observed is a differential level of commitment to the relationship:

> There is definitely a difference between the appreciation shown by managers, and the lower levels (where the perception was you're there to serve them and you do what they tell you to do—you are not a partner). (S)
> The management teams have bought into the culture change but it has not been communicated down effectively. (C)

Overall, these research results provide an in-depth perspective of an interdependent KAM relationship. In the next section, the results are discussed and implications for theory and for key account managers are derived.

DISCUSSION

The results of the research have implications for the theory and practice of KAM. The implications for theory relate to the application of a supply chain model to KAM, the identification and testing of KAM relationship dimensions, and the generation of research propositions for further research in this area. The implications of our research for key account managers relate to the analysis and management of the KAM relationship.

Implications for Theory

A contribution of our research is to confirm the overlap between SCM and KAM and to demonstrate the extent of that overlap. Table 7 illustrates the extent of the overlap, showing the supply chain dimensions and their aspects identified by Humphries and Wilding and the KAM dimensions and aspects identified by this research.

By establishing a linkage between the supply chain relationship dimensions and those of KAM, this research has provided new insights into the dynamics of KAM relationships and their management. Our work suggests some dimensions that may be of importance to both customers and suppliers in making such relationships work, although the clarification of these dimensions, their interrelationships, and their complexity require further study. Our dimensional and cross-dimensional analysis of the research results has enabled the generation of seven research propositions.

The first five research propositions were generated by the dimensional analysis. The first dimension we identified was that of value exchange. Managers' lack of emphasis on the financial value of the relationship in this research challenges the previous close focus of KAM research on financial value. This financial focus can be traced back to Kalwani and Narayandas (1995), who observed that suppliers benefited from such relationships but that customers attempted to "bargain away" the benefits and that value capture by the supplier was not automatic. Our research suggests that financial value is assumed in a close KAM relationship and that other types of value become important. Thus,

Proposition 1: In close KAM relationships, positive financial value creation is assumed. In these circumstances, value exchange is viewed in terms of satisfaction, relationship quality, and power balance.

The second important dimension of KAM established by this research was trust and reliability. Previous research has resulted in substantial anecdotal references to the importance of trust but has struggled to establish a link with business performance. Contrary to Sin et al. (2002), this research found that trust was related to business performance in a number of areas:

Proposition 2: Trust and reliability in KAM relationships is positively related to process development and risk reduction. High levels of trust and reliability result in lower costs, increased cooperation, and greater speed of results.

The third dimension was flexibility and responsiveness. Previous research has identified the general benefits of flexibility and responsiveness in KAM relationships (e.g., Woodburn et al. 2004). Our research indicates that there is a differential requirement for flexibility that impinges on the supplier to a greater extent than the customer:

Proposition 3: The supplier in a KAM relationship will feel the need to be more flexible and more proactive than the customer.

Our fourth dimension is relationship stability. The benefits from long-term relationships for both suppliers and customers are well-established. This research suggests that these benefits accrue more strongly to customers than to suppliers:

Proposition 4: Customers in a close KAM relationship benefit more from relationship stability than suppliers in such relationships do.

The fifth dimension is communication. The existing literature on KAM communication has focused on interfirm communication. Our research has indicated the importance of intrafirm communication to success:

Proposition 5a: The better the intrafirm communication within the two parties to a KAM relationship, the higher the perceived (interfirm) relationship success.

Although communication has already been identified as an important underlying dimension for KAM (Hausman 2001; Sin et al. 2002), our research highlights differences in attitude between different organizational levels:

Proposition 5b: Senior managers have higher degrees of commitment to KAM relationships than do managers at operational organizational levels.

Proposition 5c: Operational-level managers exhibit greater suspicion and more traditional attitudes toward the KAM relationship than more senior managers do.

A cross-dimensional analysis of the results produced two interrelated themes—risk and benefits from the relationship—and two additional sets of research propositions.

Risk was a recurring theme across the dimensions. This reveals a gap in the literature. For example, Tikkanen and Alajoutsijarvi (2002) demonstrate the benefits of flexibility, and McDonald and Rogers (1998) indicate the benefits of improved communication. However, our research suggests the need for control of process flexibility and information flows. Despite the risk, in this relationship, controls were deliberately relaxed to accelerate project delivery. This exposed each partner to lack of cost control within the other and resulted in budget overruns. Thus,

Proposition 6a: The interdependence in KAM relationships exposes each party to additional risk caused by changes within the partner company.

As a result, the relationship became strained. This enabled us to observe that the control and management of communication suffered as the relationship worsened:

Proposition 6b: Increased strain in a relationship results in poorer interfirm communication.

Overruns of cost or time were mentioned in the context of Trust and Reliability, Flexibility, Relationship Stability, and Communication. It is interesting that cost overruns seemed to place more strain on the relationship than did time overruns. Time overruns caused irritation, but cost overruns caused major problems:

> When costs increased significantly, this put great pressure on the relationship process. (C)

Thus,

Proposition 6c: Cost overruns are more damaging to KAM relationships than are time overruns.

The cross-dimensional contexts in which respondents discussed risk were frequently related to issues about the benefits of the relationship. The link between trust and business performance is unproven (Sin et al. 2002), but there may be an association between trust, risk, and control. Both sides talked about new "hard, back-to-back" ways that had developed within the relationship to handle risk, and the importance of positive management of benefits:

> The benefits of our relationship diminished because they were not managed. (C)

This leads us to propose three benefit management and risk mitigation propositions:

Proposition 7a: Benefits sharing arrangements between the two parties to a KAM relationship reduce the risks involved to both parties.
Proposition 7b: Benefits sharing arrangements help align the objectives of the two parties to a KAM relationship.
Proposition 7c: Benefits sharing arrangements increase the benefits of a KAM relationship to both parties.

Implications for Key Account Managers

In this case study, the research tool was used to support relationship managers in a substantial customer/supplier relationship and, when the results were presented to representatives of both the companies in a workshop session, they provided positive feedback characterized by the following quotations:

> The assessment exercise made us consider aspects of the supplier's position from his viewpoint. (C)
> The process gave us a clear perspective of how to manage (or not!) a highly complex relationship. In the past we have just concentrated on detailed project objectives. (S)

Both firms indicated that they intended to repeat the research process in the future to see how their relationship management was developing.

There have subsequently been substantial developments in the participating companies that illustrate the usefulness of this tool to key account managers in a business-to-business service industry setting. The supplier was able to use the research to justify retaining and even strengthening its KAM program in the face of skepticism from a new senior manager, thus defending the relationship against short-term pressures. The customer discovered that its different divisions had different approaches to their relationship with this key supplier and has initiated a program to standardize its approach across the company. A director has been given the responsibility of coordinating the relationship. Furthermore, the customer has engaged in further research to explore whether it should itself adopt KAM.

Our research has several implications for practitioners. First, relationship management (beyond traditional project management) is important if the potential value in the relationship is to be realized. Second, relationships can be improved through a formal evaluation. Third, trust and reliability is the most important issue in interdependent KAM relationships, and the key account manager should focus on process development and supply chain issues, in particular, to help develop trust between the two parties. Fourth, communication is a vitally important role that the key account manager can take on, not just between but also within his or her firm. The closer the KAM relationship, the more likely it is that the client will notice shortcomings in internal communications within its key suppliers. Fifth, effective KAM requires not only high-level support but also operational buy-in from people lower down the organization. Finally, risk and benefits need positive management within the relationship, perhaps involving processes such as joint planning and the alignment of objectives to enable both sides to capture value from a relationship.

CONCLUSION

This article is the first to explore the increasing overlap between KAM and SCM along some key relational dimensions. Value exchange, trust and reliability, flexibility, relationship stability, and communication are descriptors of both business-to-business supply chain relationships and key account management.

However, the results must be viewed in the context of a single business services relationship where the customer did not have an established KAM structure. It is recognized that, in a single case, there is a danger that extraneous influences may affect collection and interpretation of the data. Although there appeared to be support for the dimension mapping approach, further testing is needed to refine it. For example, the KAM dimensions identified may not be exhaustive. Moreover, the dimensions were treated as discrete and independent. It is clear that KAM relationships are complex, and the characterization using five separate variables may be an oversimplification. Further research is required to explore whether the dimensions are independent or related variables. Nevertheless, the research has demonstrated both theoretical and managerial contributions in the important field of relationship management.

NOTE

1. Interdependent relationships are long-term, stable relationships where the seller is the preferred supplier to a key customer, and that customer regards the supplier as a strategic external resource (McDonald, Rogers, and Woodburn 2000).

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