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A conceptual framework of global account management capabilities and firm performance

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Abstract

Global account management (GAM), a collaborative process between a multinational customer and a multinational supplier by which the worldwide buying–selling activities are centrally coordinated between the two organizations, has become a critical task for many multinational corporations. A framework for determining GAM dyadic strategic performance and joint profits is introduced. In this framework, three GAM-related capabilities determine GAM performance. These capabilities are *Collaborative Orientation, GAM Strategic Fit*, and *GAM Configuration*. In an attempt to establish a research agenda on GAM issues, we develop propositions for each construct. This conceptual framework should help improve understanding of GAM as a dyadic phenomenon and provide a platform on which future empirical study can be conducted. At a practical level, this framework serves as the basis for formulating GAM strategies.
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1. Introduction

There is a growing recognition that globalization has driven customer–supplier activities to expand across national markets in order to create dyadic competitive

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advantage and superior financial performance. Multinational corporations (MNCs) have now developed global account management (GAM) relationships that are highly complex, coordination-intensive, and especially powerful strategies to achieve above-normal profits (Toulan, Birkinshaw, & Arnold, 2002). GAM relationship is defined here as a collaborative process between a multinational customer and its multinational supplier where the worldwide buying–selling activities are coordinated centrally by specialized managers within these two organizations (Montgomery & Yip, 2000). GAM is especially powerful in that the two partners involved in GAM are often influential organizations with a prevailing impact on their own industries (Wilson, Speare, & Reese, 2002). The success of a GAM relationship is contingent on a myriad of idiosyncratic investments from two organizations, worldwide coordination efforts by specialized people within these firms, and the enormous efficiency therefore generated.

The emerging significance of GAM in business practice accentuates the need for deeper knowledge about how to formulate effective GAM relationships. Yet, research in this field has been scarce and GAM knowledge remains limited. In particular, the theoretical work that can help explain the success of GAM is scant, which undermines the development of GAM practices. Thus, there is an urgent need for research that would spur significant theoretical development and practical applications. The current research is intended to address the theoretical shortcomings of the literature, and is motivated primarily by the real-world phenomenon that some GAM relationships perform better than others.

There are successful GAM relationships and many failed ones in the marketplace. As an example, a one-year close collaboration between Xerox and BMW created a personalized ''print-on-demand'' owner's manual solution. The new user manual is 80% thinner than the traditional one, with which BMW was able to eliminate storage and shipping cost and increase its customer satisfaction rate (Jeannet & Hennessey, 2003). There are also examples of unsuccessful GAM relationships, as such relationships may bear significant risks of failure. In fact, few dyads have mastered the necessary capabilities that can enable GAM collaboration to produce increased profits for each party (Arnold, Birkinshaw, & Toulan, 2001; Day, 1994). For example, Computer Corporations, a US-based manufacturer, saw its global agreement with a major global account in the financial services sector fall apart, because other subsidiaries of this customer learned that the German subsidiary had obtained a price below the minimum specified in the global agreement with Computer Corporations. To make matters worse, the German subsidiary eventually purchased much less from Computer Corporations than promised. Meanwhile, a number of the purchased units were suspected to be exported to Eastern Europe by a gray marketing channel (Arnold et al., 2001). These examples raise an important question of why some organizations are much better than others at managing a GAM relationship. More importantly, what GAM-related capabilities lead to its success?

The conceptual foundation for the current research is derived from the resource-based view (RBV) that claims the competitive advantage of an organization is obtained from its heterogeneous resources that are valuable, inimitable, non-

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