



## Organizational factors enhancing customer knowledge utilization in the management of key account relationships

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### ABSTRACT

Customer knowledge has become an important topic for both academicians and practitioners in recent years. However, there has been little academic research on the utilization of customer-specific knowledge. This study adds to our understanding in focusing on the relationships between various intra-organizational factors and customer knowledge utilization in the context of key account management. The results of the study show, that the use of teams, top management involvement, KAM formalization and CRM technology enhance the utilization of customer knowledge in the management of large industrial key account customers.

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### 1. Introduction

Several researchers argue that the ability of the firm to utilize customer-specific knowledge should be recognized as a potential source of competitive advantage (e.g., Campbell, 2003; García-Murillo & Annabi, 2002; Zahay, 2008). At the same time however, it has been found that, in general, firms tend to be better at acquiring customer knowledge than at utilizing it (e.g., Campbell, 2003). The studies carried out by Davenport, Harris, and Kohli (2001) and Salomann, Dous, Kolbe, and Brenner (2005) reported that most firms were still lacking systematic processes for managing and utilizing customer knowledge. According to Davenport et al. (2001), this knowledge tends to be fragmented across multiple systems and locations, and firms find it difficult to integrate it into consistent customer profiles. It appears, therefore, that utilization of customer knowledge is a 'stumbling block' for several firms. Despite the widespread adoption of CRM systems and other information platforms, previous studies indicate that firms seem to lack the capability to channel the knowledge and to design customer-specific strategies, sales processes, and changes in products and services (e.g., Rigby, Reicheld, & Schefter, 2002).

The utilization of customer-specific knowledge is especially important in the management of strategically influential key account customers (e.g., Abratt & Kelly, 2002; Arnold, Belz, & Senn, 2001; Birkinshaw, Toulan, & Arnold, 2001; Nätti, Halinen, & Hanttu, 2006;

Shi, Zou, White, McNally, & Cavusgil, 2005). Key accounts are powerful and extensive, and expect coordinated service and special treatment from their suppliers (Homburg, Workman, & Jensen, 2002). Key account relationships typically involve multiple contact points between the supplier and the account, and thus even a single relationship with a key account may constitute a complex web (Birkinshaw et al., 2001) – easily leading to the dispersion of customer knowledge inside the supplier firm. Such fragmentation may lead to multiple selling efforts and contradictory service offerings, for example, thus making activities at the customer frontline seem fragmented from the customer's view (e.g., Cespedes, 1992; Nätti & Ojasalo, 2006). Yet, firms should be able to maintain a coherent view of the account, and should know who is doing what with it on the organizational level in order to manage the relationship efficiently.

Although customer knowledge management has become a topic of growing interest in the literature during the last ten years (e.g., Campbell, 2003; García-Murillo & Annabi, 2002; Gebert, Geib, Kolbe, & Brenner, 2003; Gibbert, Leibold, & Probst, 2002; Salomann et al., 2005), it is not yet understood how firms utilize customer-specific knowledge, and in particular what intra-organizational factors promote its utilization. Moreover, the existing research on key account management (KAM) is primarily conceptual and descriptive in nature, and research on intra-organizational aspects of KAM in general remains limited (Gosselin & Bauwen, 2006; Piercy & Lane, 2006; Workman, Homburg, & Jensen, 2003). The contribution of this study therefore is two-fold. Firstly, the empirical examination increases our understanding of the intra-organizational factors that make some firms utilize customer knowledge more effectively than others in the management of their key account customers. Secondly, by highlighting customer knowledge utilization as a central activity in

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KAM, the study provides new insights into the determinants of effective KAM in the context of large industrial business-to-business firms.

The paper is organized as follows. First we describe key account management as a context of the study, discuss the role of customer knowledge utilization in KAM, and develop the hypotheses for our conceptual model. The following section focuses on the characteristics of the data and the methodological aspects of the analyses. Finally, we present the results of our hierarchical regression analysis and discuss the core contributions of the paper, the managerial implications, the limitations and directions for future research.

## 2. Theoretical background

### 2.1. KAM as a research context

Key account management (KAM) is not a new concept in business-to-business marketing: its popularity among business managers has risen since its introduction in the early 1960s (Weilbaker & Weeks, 1997). Key accounts are customers that the selling companies in the business-to-business market regard as strategically important (McDonald, Millman, & Rogers, 1997; Zupancic, 2008). Because firms cannot afford to lose these important customers, the relationships need to be managed in a special manner in order to serve them better and to develop long-term relationships with them (Boles, Johnston, & Gardner, 1999). In practise this may mean offering the key accounts tailored treatment in terms of customized products and services (McDonald et al., 1997), performing additional activities that are not necessarily done for other customers and/or designating special personnel to manage the relationship with the key account (Workman et al., 2003). KAM is often defined as an implementation of a relational selling strategy for large business customers (e.g. Cannon & Narayandas, 2000; Guenzi, Pardo, & Georges, 2007), but its role goes beyond traditional selling activities (Homburg et al., 2002). It involves a “systematic selection, analysis and management of the most important current and potential customers of a company” (Zupancic, 2008, 323). It also involves major changes in organizational aspects such as structures and processes for supporting the creation and development of key account relationships (Homburg, Workman, & Jensen, 2000; Workman et al., 2003). Today KAM is increasingly seen as a proactive development towards a customer-focused organization (Gosselin & Bauwen, 2006) and it has been claimed as the most fundamental change in marketing organizations of the past decades (Homburg et al., 2000; Wengler, Ehret, & Saab, 2006).

### 2.2. Defining customer knowledge

Emerging research on customer knowledge management (CKM) emphasizes that firms should generate information not only about their customers but also from them (e.g. García-Murillo & Annabi, 2002; Gibbert et al., 2002; Rowley, 2002). Knowledge about the customer refers to cumulated knowledge about customer needs and purchasing history of the customer, whereas knowledge from the customer refers to the customer's knowledge about products, services and the market place in general (García-Murillo & Annabi, 2002; Gibbert et al., 2002; Rowley, 2002). This knowledge is highly valuable as it enables tapping the knowledge pool of the customer and therefore sheds light on the reasons behind customers' buying decisions (García-Murillo & Annabi, 2002). Together, these two types of customer knowledge form an organization-wide base of customer-specific knowledge, which originates from transforming customer data to customer information, integrating the information across the organization and assimilating the new knowledge into the prior customer-specific knowledge base of the organization (Campbell, 2003; Cohen & Levinthal, 1990; Jayachandran, Hewett, & Kaufman, 2004). This view builds on the continuum between data, information and knowledge. Data is regarded

as a constellation of observations or facts that are not context-bound. When data is processed, organized, placed within a meaningful context and given a specific meaning, it becomes information. (Glazer, 1991) Also, knowledge bears meaning to humans but it is different from information, as it is information that has been anchored to and interpreted based on personal experiences, skills and competencies (Simon, 1991). Thus, while customer data and information may be processed with computers, customer knowledge is always related to human activity.

## 3. Customer knowledge utilization in KAM

Knowledge management comprises a set of three distinct processes, namely “knowledge acquisition, knowledge dissemination and the use or responsiveness to knowledge” (Darroch, 2003). Knowledge utilization may be the most crucial aspect, since all the benefits of the earlier phases (i.e. acquisition and dissemination) should accumulate in the utilization process and provide tangible benefits for the firm. Customer knowledge utilization reflects the capability of the firm to utilize existing knowledge about and from the customer in order to enhance the customer relationship. More precisely, according to Jayachandran, Sharma, Kaufman, and Raman (2005) this means utilizing the knowledge both to learn about customer needs and behavior (knowledge-enhancing utilization), and in the development of customer-specific products and services (action-oriented utilization). Thus, knowledge-enhancing utilization results in changes in the existing knowledge base and in the understanding of the knowledge users, whereas action-oriented use leads to more concrete changes in activities (Menon & Varadarajan, 1992).

Customer knowledge utilization could be considered as the driving force of key account management in that it lays the foundation for all strategic decision-making concerning the key account relationship. Customer knowledge is needed, for example, in order to construct customer profiles, design account-specific organizational structures and selling processes, identify new opportunities for customer value creation, and make changes in products and services. Given the high volumes typical in key account relationships and the dependency of suppliers on their key accounts (Ivens & Pardo, 2008), suppliers cannot afford to lose them. On the contrary, they need to learn to know them better and proactively to aim at identifying new opportunities for customer value creation, thereby enhancing the relationship further. This requires a thorough understanding of the key account's business, and active utilization of key-account-related knowledge (Abratt & Kelly, 2002). Key-account relationships are strategic in nature and therefore the need for knowledge in their management is high. For example, according to McDonald, Rogers, and Woodburn (2003), key accounts expect their suppliers not only to have technical knowledge about the products and their applications, but also to be sufficiently knowledgeable about the industry and market in which they operate.

## 4. Hypotheses

In the field of organizational research knowledge utilization has traditionally been regarded as a function of various organizational systems or processes, in addition to the activities of individual managers (Moorman, 1995). In this study these factors refer to the dimensions of KAM identified by Homburg et al. (2002) – namely activities, actors, resources and formalization. By highlighting customer knowledge utilization as a central activity in key account management, this study examines the effect of the other KAM dimensions – actors, resources and formalization – on customer knowledge utilization. Building on the work by Homburg et al. (2002) actors in the present study consist of top management involvement and use of teams, resources refer to customer relationship orientation and CRM technology and finally formalization denotes the extent to which formal

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