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Environmental factors influencing the management of key accounts in an Arab Middle Eastern context

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ABSTRACT

Within the sales and marketing literature, it is recognised that a range of external factors can influence how companies in the business-to-business field manage business relationships within national and across international borders. However, there have been very few studies that explore the influence of the external environment on key account relationships, especially within the context of emerging economies. This study draws on the network approach and contingency theory to identify and highlight the influence of external environmental factors on the management of inter-organisational relationships with key customers in emerging economies in the Arab Middle East region. It is based on an extensive qualitative enquiry that utilises 50 in-depth semi-structured interviews conducted in Jordan with endogenous and Western firms. It concludes that key account practices within an Arab context are shaped by a number of contingencies that are embedded in broader institutional contexts and the business environment, which may challenge the adoption of company-wide universal key account management policies across borders.

1. Introduction

Since the mid-1980s, customer relationship management has been significantly affected by a number of significant changes in the business environment. Intensified levels of competition in most markets and subsequent selling costs for suppliers; growing customer concentration arising from increased mergers and acquisitions; increased centralised purchasing; customer demands for more services and better communication; the increased desire to develop partnerships; wide geographic dispersion of buyers for the same company; increased sophistication of buyers; maturity of business markets in most developed countries; improvements in information and communication technologies; and the adoption of active strategies by large buyers to reduce the supplier base to cut costs have forced companies to adopt and develop key account management strategies to increase their competitive advantage (Davies & Ryals, 2009; Ivens & Pardo, 2007; McDonald, Millman, & Rogers, 1997; Ozegovic & Sarac, 2012; Sharma, 2006; Tzempelikos & Gounaris, 2013; Weilbaker & Weeks, 1997).

Consequently, Key Account Management (KAM) has become a strategic and popular process of selling, in business-to-business marketing that has gained increased importance for suppliers worldwide (Gosselin & Bauwen, 2006; Guenzi, Johnson, & Castaldo, 2009; Guenzi, Pardo, & Georges, 2007; Homburg, Workman, & Jensen, 2002; Pardo, Henneberg, Mouzas, & Naudé, 2006; Salojarvi, Sainio, & Tarkiainen, 2010; Sharma, 2006; Wengler, Ehret, & Saab, 2006; Wong, 1998; Wotruba & Castleberry, 1993; Zupancic, 2008). More specifically, KAM can be understood as a relationship-oriented marketing management approach which focuses on dealing with major customers in the business-to-business market (Ojasalo, 2001). KAM can also be thought of as a strategy to retain and develop closer relationships with the firm's most valued and important customers (Davies & Ryals, 2009; Georges & Eggert, 2003; Gosselin & Heene, 2000; Natti & Palo, 2011). Key accounts or key customers are the most important customers for supplier organisations, and are usually given special consideration. McDonald et al. (1995, p. 9) define a key account as '…a customer deemed to be of strategic importance by the selling company'.

The literature indicates that the nature of KAM and the formation of key account programmes are not only influenced by a number of internal/organisational factors, but also by external/environmental factors (Homburg et al., 2002). The external environment may be referred to as the forces that are beyond the selling firms' capacity to control, and which influence the formation of the key account programme and strategies (Jones, Dixon, Chonko, & Cannon, 2005). These include competitors and the market environment such as characteristics of customers, demand concentration, purchasing centralisation and purchasing complexity, the nature of the product and product complexity, technological, ethical and regulatory forces (Brehmer & Rehme, 2009; Wengler et al., 2006; Workman, Homburg, & Jensen, 2003). However, relatively little attention has been paid to the influence of these environmental/exogenous factors on KAM dimensions and relationships (Fletcher &

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Fang, 2006; Homburg et al., 2002). Furthermore, there is relatively little research on KAM in emerging and developing economies (LDCs) and, in particular in the Middle East region and the Arab World, as opposed to the developed economies (Al-Husan & Brennan, 2009). These gaps in the literature are problematic, for it is clear that multinational corporations (MNCs) are increasingly expanding their operations in emerging and developing countries (UN, 1993, 1997). Secondly, the region is strategically important, given its central geographic location, market size and large oil reserves (Budhwar & Mellahi, 2007). The aim of this paper is to fill these gaps by exploring the environmental contingencies that influence the design and implementation of KAM in an Arab context.

This paper is divided into five main sections. In the first section, a brief review is provided on the debate concerning key account management. The second goes on to consider how KAM relationships are contingent upon the embeddedness of firms within the broader environment and institutional context. The third section outlines the research methods utilised. The fourth section reports the key findings obtained from the interviews. Finally, a concluding section draws together the key points emerging from the study and considers their implications for the existing debate relating to the management of key accounts.

2. Theoretical background

2.1. Key account management

Key account management (KAM) has its roots in relationship marketing (RM), and is perceived as the newest paradigm in customer relationship management approaches (Davies & Ryals, 2009; Durif, Benedicte, & Graf, 2013; Gounaris & Tzempelikos, 2013a; Hughes, Foss, Stone, & Cheverton, 2004; McDonald et al., 1997; Ozegovic & Sarac, 2012; Wahyuni & Titus, 2013; Wengler, 2006, 2007).

KAM is also conceptualised as the practical implementation of RM (Godson, 2009; Gosselin & Bauwen, 2006; Gounaris & Tzempelikos, 2013b; Gummesson, 2012; Harwood, Garry, & Broderick, 2008; Sheth & Shah, 2003; Tzempelikos & Gounaris, 2013). More specifically, KAM is based on the relationship marketing theory in terms of how to manage key customers and how to develop and maintain strategic relationships with the customers and channel partners, while integrating with other internal functions of the organisation like service, logistics and information management (Gupta & Melevar, 2002). Thus, KAM and relationship marketing emphasises long-term ongoing relationships (Kim, Han, & Lee, 2001; Little & Marandi, 2003), that aim to build long-term, committed, trusting and co-operative relationships, which are defined by openness, genuineness, customer suggestions, fair dealing, and a willingness to sacrifice short-term profit for long-term profits and advantages (Benette, 1996).

KAM, as currently portrayed in the relationship marketing literature, is a significant approach to creating value, by implementing specific processes targeting most important customers (Wengler et al., 2006). Since the provision of special treatment and specific processes to the most important customers are beyond the capabilities of any one individual and require a coordinated effort across product divisions, sales regions and functional groups at different levels, organisations have resorted to the adoption of KAM approaches (Workman et al., 2003). Hence, KAM is often represented as managing both internal and external networks (Holt & McDonald, 2000; Pardo, 1994).

Accordingly, it is argued that among the three relationship marketing schools of thought which can provide a useful framework for analysing KAM, namely: The Nordic School of Relationship Marketing, The Anglo-Australian School of Relationship Marketing, and The Industrial Marketing and Purchasing (IMP) Group (Baines, Fill, & Page, 2008; Egan, 2008; Palmer, Lindgreen, & Vanhamme, 2005), the IMP networks approach to relationship marketing can be seen as most relevant and useful in understanding the KAM approach. A number of studies on KAM have mainly analysed KAM using the Industrial Network Approach (e.g. Homburg et al., 2002; Hutt & Walker, 2006; Ming-Huei & Wen-Chiung, 2011; Pardo, Salle, & Spencer, 1995; Spencer, 1999; Workman et al., 2003).

This study is based on the Arab World, which is founded on a clan-network society that nurtures networked business relationships. Consequently, applying the networks approach in this analysis seemed to be most appropriate for understanding and analysing KAM in the Arab context. The IMP2 industrial network approach exceeds the analysis of dyads (as in the interaction approach) to networks (Axelsson & Easton, 1992), since 'dyadic relationships are embedded in a larger set of exchange relations called a network' (Hutt & Walker, 2006, p. 468). A network is a set of actors or social entities that are connected by a set of ties or relationships (Borgatti & Foster, 2003; Hutt & Walker, 2006). Ford, Gadde, Håkansson, and Snehota (2003) define networks as "companies and their relationships between them" (p. 5). More specifically, according to the industrial network approach, the evolution and development of business relationships take place in terms of changes in three dimensions: actor bonds, activity links and resource ties (Araujo & Easton, 1996; Axelsson & Easton, 1992; Ford, 1997; Håkansson & Johanson, 1992; Håkansson & Snehota, 1995; Veludo, 2009). These represent the substance of the business relationship, and may be seen to capture the 'formal'/'organisational' aspects of KAM (Shaw, 2003). These dimensions are explained in more detail below:

- *Activities*: Activities describe what is done in the network. Håkansson and Johanson (1992, p. 30) state that 'an activity occurs when one or several actors combine, develop, exchange, or create resources by utilising other resources'. The activities include goods and services/manufacturing, administrative, technical and commercial issues that can be connected and exchanged among companies and organisations sharing a business relationship.
- *Resource ties*: Performing activities requires resources. Resource ties connect elements of companies together. Actors are the ones who bring resources and all resources are controlled by actors, either by single actors or by many actors who combine their resources to create a shared resource (Håkansson & Johanson, 1992). The resources include technological, human, marketing and other resources which interacting organisations share and decisions about which can become dependent upon another's resources.
- *Actors*: Actors are defined as those who perform activities and/or control resources. Organisations and individuals contribute to business relationships, including key account managers, senior managers and sales teams.

These three interrelated factors are combined in a conceptual framework to operationalize KAM (Fig. 1).

Scholars argue that changes in these relationships are reflected in the relationship's attributes — the informal/relational dimensions such as trust, commitment, satisfaction and bonds (Biggemann & Buttle, 2009; Huang & Wilkinson, 2006). This is supported by other research findings which indicate that in addition to substance, 'interaction' between the organisations is paramount to the establishment and development of relationships. These interactions not only include all activities essential to establish business relationships such as making visits and phone calls and attending meetings, but also include 'social interactions and the types of activities typical of a friendship relationship' (Shaw, 2003, p. 153). Consequently, it is argued that when considering what drives the success of KAM, researchers need to focus on both the formal organisational aspects of KAM and on the informal/relational aspects of KAM (Ivens & Pardo, 2007; Tzempelikos & Gounaris, 2011).

Furthermore, the IMP network approach emphasises the connectivity of companies in that individual companies are part of a larger setting, indicating that the environment of firms needs to be acknowledged when analysing a company's activities and strategic decisions (Håkansson, 1982; Håkansson & Snehota, 1989). Consequently, to

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