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68131 Mannheim

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**A Configurational Perspective on
Key Account Management**

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ABOUT THE AUTHORS

Dr. Christian Homburg is Professor of Business Administration and Marketing and Chair of the Marketing Department at the University of Mannheim in Germany. He received his Ph.D and masters degrees from the University of Karlsruhe and earned his habilitation at the University of Mainz. His research interests include organizational issues in marketing, customer orientation, industrial marketing and relationship marketing.

Dr. Homburg has consulted and delivered executive education programs for more than one hundred companies, including for example Daimler-Benz, Siemens, Deutsche Bank, Hoechst, RWE, Thyssen, Krupp-Hoesch and Sodexo.

John P. Workman, Jr. is an associate professor of marketing at Creighton University in Omaha, Nebraska. Before that, he was on the faculty at the University of North Carolina at Chapel Hill. Dr. Workman conducts research on the organization and role of marketing within the firm on new product development in high-tech- firms, and on the interpretive process of learning about the market. His research uses concepts from organization theory, strategy, and sociology to examine the interactions between marketing and other groups in the firm. Dr. Workman has a B.S. from N.C. State University, an MBA from the University of Virginia and a Ph.D, from M.I.T.

Dr. Ove Jensen is a partner and managing director at Prof. Homburg & Partner, a strategy consulting firm (www.homburg-and-partner.de). He studied business administration in Germany, France and the U.S. Her holds a masters degree from the WHU Koblenz (Otto Beisheim Graduate School of Management) and received his Ph.D from the University of Mannheim, both in Germany. His research interests encompass key account management, marketing organization, sales management, incentive systems, and pricing issues. Dr. Jensen has conducted many consulting projects, market research studies and management seminars in Germany, the U.S., France and Japan. Among his clients are Deutsche Bank, Dresdner Bank, Bayer, BASF, Lafarge and Saint-Gobain.

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ABSTRACT

Most firms struggle with the challenge of managing their key customer accounts. There is a significant gap between the importance of this organizational design problem in practice and the research attention paid to it. Sound academic research on key account management (KAM) is very limited and fragmented. Drawing on research on KAM and team selling, the authors develop an integrative conceptualization of KAM and define key constructs in four areas: (1) Activities, (2) Actors, (3) Resources, (4) Approach Formalization. Adopting a configurational perspective to organizational research, the authors then use numerical taxonomy to empirically identify eight prototypical KAM approaches based on a cross-industry, cross-national study. The results show significant performance differences between the approaches. Overall, the paper builds a bridge between marketing organization research and relationship marketing research.

1. Introduction

Many companies today are faced with powerful and more demanding customers. These powerful buyers have in many industries been shaped through corporate mergers and have been visible in many industry sectors such as retailing, automotive, computers, and pharmaceuticals. These large customers often rationalize their supply base to cooperate more closely with a limited number of preferred suppliers (e.g., Dorsch, Swanson and Kelley 1998; Stump 1995). They may demand special value-adding activities from their suppliers, such as joint product development, financing services, or consulting services (Cardozo, Shipp, and Roering 1992). Also, many buying firms have centralized their procurement and expect a similarly coordinated selling approach from their suppliers. For example, global industrial customers may demand uniform pricing terms, logistics, and service standards on a worldwide basis from their suppliers (Montgomery and Yip 2000).

These demands from important accounts raise an organizational design problem for many suppliers. As Kempeners and van der Hart (1999, p. 312) note, “Organizational structure is perhaps the most interesting and controversial part of account management.” Internal organizational structures often hamper a coordinated account management, such as when the same customer is served by decentralized product divisions or by highly independent local sales operations. In addition, the complex set of activities for complex customers cannot be handled by the sales function alone, but requires participation from other functional groups. These developments have induced many suppliers to rethink how they manage their most important customers and how they design their internal organization in order to be responsive to these key customers. In this context, firms are increasingly organizing around customers and are shifting resources from product divisions or regional divisions to customer-focused business units (Homburg, Workman, and Jensen 2000). Many firms are establishing specialized key account managers and are forming customer teams that are composed of people from sales, marketing, finance, logistics, quality and other functional groups (Millman 1996; Wotruba and Castleberry 1993).

The increasing emphasis on key account management (KAM) has been argued to be one of the most fundamental changes in marketing organization in a recent study by Homburg, Workman,

and Jensen (2000). Given the relevance of designing KAM in practice, sound academic research on this topic is still surprisingly limited. Millman (1996, p. 631) notes that “Key account management is under researched and its efficacy, therefore, is only partially understood.” While management approaches to the most important customers have received some research attention over the past 25 years (Shapiro and Moriarty 1984a; Weilbaker and Weeks 1997), the existing literature has a number of shortcomings. First, research has been fragmented and has not consolidated specific design aspects of KAM into a coherent framework. Second, conceptual and empirical work on KAM has primarily been based on observations of formalized key account programs in Fortune 500 companies and has hardly been extended to non-formalized KAM approaches. Third, broad-based empirical research on KAM is still scarce as noted by Kempeners and van der Hart 1999 (p. 311): “Although Stevenson (1980) noted almost 20 years ago that: ‘despite widespread industrial use, there has been little empirical research on national account marketing’, it seems that this is still true.” Where empirical work has been done in the past, it has essentially been descriptive. Finally, given that conceptual work has suggested a variety of design options (Shapiro and Moriarty 1984a), there is little empirical knowledge of which types of approaches to KAM actually occur in practice and how successful these are.

Given these gaps in knowledge about KAM, the overall objective of this article is to study the design of approaches to KAM. More specifically, we seek to:

1. derive the core design dimensions of KAM approaches from the KAM literature and from related research areas in order to develop an integrative conceptualization of key account management,
2. identify the key constructs within these design dimensions and develop instruments for measuring these constructs,
3. identify prototypical approaches to key account management in practice based on a cross-national, cross-industry taxonomy,
4. explore the outcomes of different KAM approaches.

Given that taxonomies are less frequently developed than conceptual models, a few comments on their value are in order. As Hunt (1991, p. 176) has noted, classification schemata, such as

typologies or taxonomies, “play fundamental roles in the development of a discipline since they are the primary means for organizing phenomena into classes or groups that are amenable to systematic investigation and theory development.” Given that the conceptual knowledge about the design of KAM is at an early stage and that our research endeavor is to expand its scope, a taxonomy is particularly useful in providing the field with new organization. By means of the taxonomy, we are studying the complex KAM phenomenon through *holistic patterns* of multiple variables rather than *isolated* variables and their bivariate relations. This research approach is consistent with the *configurational perspective* to organizational analysis that has been gaining increasing attention (Meyer, Tsui, and Hinings 1993). The basic premise of the configurational perspective is that “Organizational structures and management systems are best understood in terms of overall patterns rather than in terms of analyses of narrowly drawn sets of organizational properties” (Meyer, Tsui, and Hinings 1993, p. 1181). Thus, the configurational perspective complements the traditional contingency approach (Mahajan and Churchill 1990). Two alternatives of identifying configurations have been distinguished: *Typologies* represent classifications based on a priori conceptual distinctions, while *taxonomies* are empirically derived groupings (Hunt 1991; Rich 1992; Sanchez 1993). Given our goal of identifying approaches to KAM in practice, we are taking a taxonomical approach. Hunt (1991) notes that grouping phenomena through taxonomies as opposed to typologies requires substantially less a priori knowledge about which specific properties are likely to be powerful for classification, because taxonomical procedures are better equipped to handle large numbers of properties

The paper is organized as follows. First, we summarize the literature on KAM and evaluate contributions that the personal selling and sales management literature provide for KAM. Based on the literature review, we develop a multi-dimensional conceptualization of KAM and identify outcomes of KAM. We then describe a large-scale survey of KAM approaches and develop the taxonomy. This is followed by an exploration of how the different approaches perform. We conclude by discussing implications for theory and for managerial practice.

2. Literature Review

2.1. Key Account Management Research

We subsume under key account management all approaches to managing the most important customers that have been discussed under such diverse terms as key account management, key account selling, national account management, national account selling, strategic account management, major account management, or global account management. “National account” management has become a misnomer as business with important customers increasingly spans country borders (Colletti and Tubridy 1987). While some research has focused on global accounts (Montgomery and Yip 2000; Yip and Madsen 1996), the term *key account management* (KAM hereafter) appears to be the most accepted term in recent publications (Jolson 1997; McDonald, Millman, and Rogers 1997; Pardo 1997; Sharma 1997) and is the most widely used term in Europe.¹

Table 1 presents a summary of selected KAM research. We segment this research into articles focusing on: (A) individual key account managers, (B) dyadic relationships between suppliers and key accounts, and (C) the design of key account programs. Given our objective of understanding the design of KAM approaches, group (C) is most relevant to our paper.

¹ It is worth noting that some companies use different labels to denote varying degrees of an account’s importance within a key account program (Napolitano 1997; Shapiro and Moriarty 1982).

Author(s)	Year	Empirical Basis	Dimensions Discussed	Main Focus / Key Statements
Group (A): Research on Key Account Managers				
Boles, Barksdale, and Johnson	1996	73 national account decision makers from NAMA* list		<ul style="list-style-type: none"> Identifies salesperson activities, skills and attitudes that are appreciated by key account decision makers
Weeks and Stevens	1997	133 NAMA members		<ul style="list-style-type: none"> Key account managers are dissatisfied with sales training programs Descriptives on experience and skills of key account managers
Group (B): Research on Key Account Relationships				
Lambe and Spekman	1997	118 managers, mostly U.S. based		<ul style="list-style-type: none"> Explores differences between national account relationships and other types of strategic alliances
McDonald, Millman, and Rogers	1997	Interviews with 11 KA manager / purchasing manager dyads		<ul style="list-style-type: none"> Describes development of key account relationships from pre-KAM, transactional phase to collaborative relationship that goes along with increasing complexity of involvement
Pardo	1997	20 interviews with key accounts of electricity and telephone company		<ul style="list-style-type: none"> Suggests three types how key accounts perceive KAM: disenchantment, interest, and enthusiasm Moderators of KAM program perception by customers are: perceived product importance, centralization of purchase decisions
Sengupta and Krapfel and Pusateri	1997b	176 NAMA members in manufacturing and service companies		<ul style="list-style-type: none"> Switching costs in key account relationships
Sharma	1997	109 interviews with buyers of telephone equipment		<ul style="list-style-type: none"> Customers' preference for KAM programs depends on levels involved in purchasing, functions involved in purchasing and time taken for purchasing
Group (C): Research on Key Account Management Approaches				
Colletti and Tubridy	1987	105 NAMA members	Actors	<ul style="list-style-type: none"> Explores reporting level, time utilization, compensation, and required skills of account managers
Dishman and Nitse	1998	27 interviews with NAMA members whose key account program is older than 5 years	Actors	<ul style="list-style-type: none"> Implementation options of national account management are: cooperation with existing salesforce, company executives, or a separate salesforce Descriptives on number and size of customers in KAM program
Group (C): Research on Key Account Management Approaches (continued)				
Montgomery and Yip	2000	191 managers in 165 manufacturing and service companies	Activities, Actors, Outcomes of KAM	<ul style="list-style-type: none"> Use of global account management structures will increase Use of global account management structures is driven by customer demand Customer demands encompass coordination of resources, uniform terms of trade, consistency in service quality and performance

Napolitano	1997	NAMA study among Fortune 1000 companies, no sample size provided	Actors, Outcomes of KAM	<ul style="list-style-type: none"> Number of NA managers has tripled between 1992 and 1996 53% of companies report poor effectiveness of partnering with customers
Pardo and Salle and Spencer	1995	10 interviews within one telecom company	Activities, Actors, Resources	<ul style="list-style-type: none"> Case study of one key account program over 20 years
Pegram	1972	250 interviews with executives in manufacturing and service companies	Activities, Actors	<ul style="list-style-type: none"> Describes alternatives for assigning KAM responsibility on a part-time or on a full-time basis
Platzer	1984	130 interviews with national account executives	Activities, Actors, Resources, Outcomes of KAM	<ul style="list-style-type: none"> Describes activities for key accounts Describes types of national account units Describes success factors of national account programs
Sengupta and Krapfel and Pusateri	1997a	176 NAMA members in manufacturing and service companies	Actors, Outcomes of KAM	<ul style="list-style-type: none"> Descriptive statistics on growth of KAM approaches, and key account manager workload Identifies customer-based compensation as a success factor of KAM
Shapiro and Moriarty	1984a	100+ interviews in 19 manufacturing and service companies	Actors	<ul style="list-style-type: none"> Describes alternatives for integrating a KAM program into the structural organization Discusses issues concerning the internal structure of KAM units
Shapiro and Moriarty	1984b	100+ interviews in 19 manufacturing and service companies	Activities, Resources	<ul style="list-style-type: none"> Describes customer need for activities in such areas as pricing, products, service, and information Describes roles of various functional groups in the performance of activities for key accounts
Stevenson	1981	34 executives in 33 manufacturing companies	Actors, Outcomes of KAM	<ul style="list-style-type: none"> Explores payoffs from national account management
Wotruba and Castleberry	1993	107 NAMA members	Actors, Outcomes of KAM	<ul style="list-style-type: none"> Explores staffing procedures for KAM positions Performance of key account managers is affected by length of tenure, age of program, and time devoted to key accounts
Yip and Madsen	1996	Case studies of IBM, AT&T, HP	Actors, Resources	<ul style="list-style-type: none"> Develops framework for global account management Describes internal cooperation for key accounts in global companies

*: National Account Management Associations

Table 1: Selected Key Account Management Literature

Since Group (A) takes the individual key account manager as the unit of analysis, it is very close to personal selling research. Weeks and Stevens (1997) find considerable dissatisfaction of key account managers with their current training programs. Boles, Barksdale, and Johnson (1996) identify behaviors required of key account salespersons in order to build successful key account relationships.

Group (B) is closely related to relationship marketing research. Several authors describe an evolutionary path of key account relationships from lower to higher degrees of involvement and collaboration (Lambe and Spekman 1997; McDonald, Millman, and Rogers 1997). Sharma (1997) found that customers' preference for being served by key account programs is particularly high when their buying process is long and complex. Sengupta, Krapfel, and Pusateri (1997b) study switching costs in key account relationships.

Group (C) which focuses on overall management of key accounts is the largest group, which is consistent with Pardo's (1999, p. 286) conclusion that "Today, key account experts on both sides of the Atlantic agree on ... the problem of key account management as being an organizational one." While all studies in Group (C) deal with the design of key account programs, none of these integrates the main aspects of key account program design within one study.

Four main themes emerge from the literature on key account programs. First, key account programs encompass special (interorganizational) activities for key accounts that are not offered to average accounts. These special activities pertain to such areas as pricing, products, services, distribution, and information sharing (Cardozo, Shipp, and Roering 1992; Montgomery and Yip 2000; Shapiro and Moriarty 1984b). Second, key account programs frequently involve special (intraorganizational) actors who are dedicated to key accounts. These key account managers are typically responsible for a number of key accounts and report high in the organization (Colletti and Tubridy 1987; Dishman and Nitse 1998; Wotruba and Castleberry 1993). They may be placed in the supplier's headquarter, in the local sales organization of the key account's country, or even on the key account's facilities (Millman 1996; Yip and Madsen 1996). It is frequently stressed that key account managers need special compensation arrangements and skills, which has implications for their selection, training, and career paths (Colletti and Tubridy 1987; Tice 1997). Third, key account management is a multi-functional effort involving, beside marketing

and sales, functional groups such as manufacturing, R&D, and finance (Shapiro and Moriarty 1984b). Fourth, the formation of key account programs is influenced by characteristics of buyers and of the market environment such as purchasing centralization, purchasing complexity, demand concentration, and competitive intensity (Boles, Johnston, and Gardner 1999; Stevenson 1980).

We observe a number of shortcomings in prior research. First, the design issues above have mostly been studied in isolation and have not been consolidated into a coherent framework. Shapiro's and Moriarty's (1984a, p. 34) assessment that "the term national account management program is fraught with ambiguity" is still valid. Second, there is a general lack of quantitative empirical studies on the design issues above, particularly on the cross-functional linkages of KAM. Where quantitative research has been undertaken, it has essentially been descriptive and has not systematically developed and validated measures. Third, much of the empirical work that has been done (and has driven conceptual ideas) is based on observations in large, Fortune 500 companies with sophisticated, formalized key account programs. This excludes small and medium-sized companies that actively manage relationships with key accounts, but do not formalize the key account management approach. Quantitative empirical research has not taken up a comment by Shapiro and Moriarty (1984a, p. 5) in their early conceptual work that "the simplest structural option is no program at all." Fourth, given that conceptual work has mentioned a variety of structural options (Shapiro and Moriarty 1984a), there is no broad-based empirical work that allows generalizations about how KAM is done in practice. We now position KAM research in a wider research context and evaluate the contribution of related research to the open issues in the KAM literature.

2.2. Research Related to Key Account Management Research

KAM can be subsumed under the wider context of personal selling and sales management research. From a sales management perspective, KAM represents one element within a differentiated sales force that stands next to other elements such as telemarketing, demonstration centers, and traditional personal and face-to-face selling (Cardozo, Shipp, and Roering 1987; Marshall, Moncrief, and Lask 1999). According to Shapiro and Wyman (1981, p. 104), "National account management thus is an extension, improvement, and outgrowth of personal selling."

Most personal selling research has a different level of analysis than our work. Although this literature has examined relationship-building activities for important customers (Jolson 1997; Weitz and Bradford 1999; Wotruba 1991) and has produced empirical classifications based on activities (Moncrief 1986), its level of analysis is the *individual* salesperson. Hence, while potentially enhancing knowledge about individual key account managers, this research contributes little to understanding *organizational approaches* to KAM.

In recent years, however, there has been a shift in the level of analysis from the individual salesperson to the selling team (Weitz and Bradford 1999). There is growing recognition that functional groups other than sales play an important role in interactions with customers (Hutt, Johnston, and Ronchetto 1985; Spekman and Johnston 1986). The team-selling literature has distinguished between “core selling teams” that are permanently assigned to customer accounts and the wider “selling center” which consists of members of all functional groups who participate on an ad-hoc basis (Moon and Gupta 1997; Smith and Barclay 1990). Moon and Armstrong (1994, p. 19) explicitly link team selling literature to KAM by noting that “conceptually, national account teams can be viewed as selling teams ... that service large, complex customers.”

The team selling literature enhances our conceptual understanding of cross-functional cooperation for key accounts. One fundamental problem for sales managers is to obtain the cooperation of other organizational members without having formal authority over them (Spekman and Johnston 1986). Thus, the achievement of selling tasks is hypothesized to be dependent on the selling center participants’ commitment to the selling team and its goals (Smith and Barclay 1993) and on their connection through communication flows (Moon and Gupta 1997). However, empirical research on team selling is just as scarce as empirical research on cross-functional cooperation in KAM.

At this point, it is important to clarify how our research perspective differs from the vast body of research on relationship marketing and market orientation. *Relationship marketing* research focuses more on *interorganizational* issues between suppliers and their customers, such as how marketing relationships are built and maintained and what benefits accrue (Morgan and Hunt 1999). These are mostly assessed from the customer’s perspective. On the contrary, our focus is more on how firms organize and cooperate *internally*. Additionally, our level of analysis is the

KAM approach (which encompasses relationships with a number of important customers), while the unit of analysis in most of the relationship marketing literature is a given dyadic relationship with an individual customer. Since most firms have the challenge to array their organizational resources at a set of strategically important customers rather than just one, ours is an important perspective for study. *Market orientation* research, in turn, does study both intraorganizational and interorganizational cooperation to create superior value for buyers. However, this research studies constructs on a rather high level of abstraction. Another key difference to KAM is that market orientation literature treats the customer base as a whole and does not differentiate between important customers and average customers.

3. An Integrative Conceptualization of KAM

3.1. Approach to the Conceptualization

In this section, we will blend the insights from prior literature into an integrative conceptualization of KAM. Our conceptualization is composed of *fundamental dimensions* of KAM, each of which comprises several *key constructs*. As these constructs will be used to develop a taxonomy of KAM approaches later in the paper, great care has to be given to their selection. As Bailey (1994, p. 2) notes “One basic secret to successful classification, then, is the ability to ascertain the key or fundamental characteristics on which the classification is to be based.” The literature suggests several differing, partly contradictive guidelines for the selection of input variables to a classification (see Rich 1992 for a review). There is consensus that the input variables should be derived from theory and should be meaningful for the subject under study. Hence, given our integrative perspective on KAM, we will derive theory-based constructs from the literature that are comparable across a range of industries.

The degree of admissible interdependencies between the cluster variables is more debated. While Sneath and Sokal (1973) advocate to exclude variables that are logically or empirically correlated, Arabie and Hubert (1994, p. 166) note that “it is difficult to imagine empirical data arising in the behavioral sciences that would have all columns mutually independent.” In addition, from a methodological vantage point, there is no assumption of uncorrelated variables

in most cluster methods (Milligan 1996, p. 347). We concur with the latter viewpoint in that we accept some conceptual overlap and correlation between the constructs. However, we will ensure *discriminant validity in measuring* these constructs.

Another debate refers to the balance between completeness and parsimony of the input variables. Whereas McKelvey (1975) recommends to “define as many organizational attributes as possible,” Mayr (1969) notes that there is little point in using more dimensions than are necessary to build a sound taxonomy. From a methodological angle, the presence of spurious dimensions (i.e. dimensions that do not differentiate between clusters) has been shown to have a detrimental effect on the performance of clustering methods. Punj and Stewart (1983, p. 143) caution “to avoid ‘shotgun’ approaches where everything known about the observations is used as the basis for clustering.” Therefore, we will distinguish between two types of variables in developing our taxonomy. First, we will identify a parsimonious set of theory-based key constructs that serve as “active” input variables for the cluster algorithm. Second, we will complement these with a number of “passive”, non-theoretical, descriptive variables which will be used to further characterize the clusters.

3.2. Fundamental Dimensions of KAM

We begin our conceptualization of KAM by identifying the fundamental dimensions of the KAM phenomenon. Prior research on dimensions of KAM can be summarized in terms of three basic questions: (1) What is done?, (2) Who does it?, (3) With whom is it done? However, as we have elaborated in the literature review, the scope of prior research has been limited to *formalized* key account *programs* with designated key account managers in place. We claim that to formalize or not to formalize the key account approach represents a decision dimension of its own. Therefore, we add a fourth question to KAM research: (4) How formalized is it? This leads us to conceptualize four dimensions of KAM. Drawing on research on the management of collaborative relationships that has distinguished between activities, actors, and resources (Anderson, Hakansson, and Johanson 1994; Narus and Anderson 1995), we refer to the four dimensions as (1) Activities, (2) Actors, (3) Resources, and (4) Formalization. The first dimension refers to interorganizational issues while the other three refer to intraorganizational

issues in KAM. Figure 1 visualizes our conceptualization of KAM.

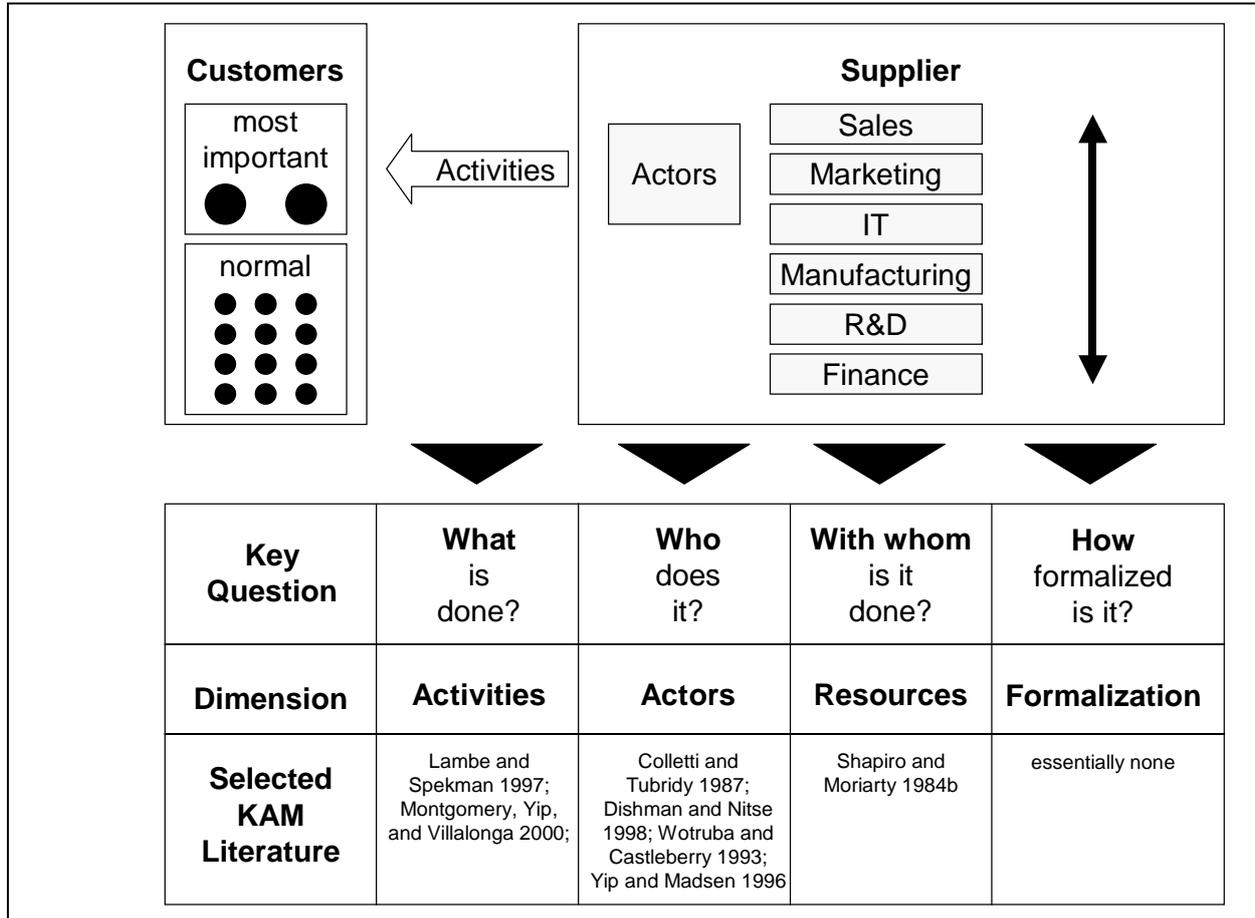


Figure 1: Conceptualization of Key Account Management

Previous definitions of KAM have tended to focus on specific dimensions of KAM. Some authors focus on special *activities* for key accounts. As an example, Barrett (1986, p. 64) states that “National account management simply means targeting the largest and most important customers by providing them with special treatment in the areas of marketing, administration, and service.” Others emphasize the dedication of special *actors* to key accounts. Yip and Madsen (1996, p. 24), for example, note that “National account management approaches include having one executive or team take overall responsibility for all aspects of a customer’s business.” Our conceptualization is more integrative because it encompasses both activities and actors, and additionally resources and formalization.

We will now go through each of the four fundamental dimensions of KAM to identify a parsimonious set of theoretically-based key constructs. Those will be used as (active) input variables for the cluster algorithm leading up to the taxonomy. We will then identify additional descriptive (passive) variables that will help to enrich our descriptions of the clusters.

3.2.1. Activities

As we have shown, both the KAM literature (e.g., Lambe and Spekman 1997; Montgomery and Yip 2000; Napolitano 1997; Shapiro and Moriarty 1984b) and the relationship marketing literature suggest inventories of activities that suppliers can do for their key accounts. Among these are special pricing, customization of products, provision of special services, customization of services, joint coordination of the workflow, information sharing as well as taking over business processes that the customers outsources. The first question that arises with respect to organizational activities is how intensely they should be pursued. Shapiro and Moriarty (1980, p. 5) argue: “A key issue here is: How will or does the servicing of national accounts differ from that of other accounts?” Therefore, *we define activity intensity as the extent to which the supplier does more for key accounts than for average accounts.*

Beside the level of intensity on an activity, another important conceptual issue is the origin of that intensity. Given that powerful customers are often forcing their suppliers into special activities, the question arises whether the supplier or the key account proposes a special activity. Millman (1999, p. 2) observes that “some ... programs are seller-initiated, some are buyer-initiated.” Empirical results by Sharma (1997) and by Montgomery and Yip (2000) indicate that supplier firms indeed use KAM in response to customer demand for it. According to Arnold, Birkinshaw, and Toulan (1999, p. 15) “the proactive-reactive dimension matters a great deal.” Hence, *we define activity proactiveness as the extent to which activities are initiated by the supplier.*

3.2.2. Actors

Probably the most frequently discussed topic in key account program research is which special actors participate in key account activities. These specialized actors can be viewed as a personal coordination mode in KAM. The participation of special actors has a *horizontal* and a *vertical*

component. The KAM literature suggests that there are many possibilities for horizontally placing KAM actors, ranging from a line manager who devotes part of his time to managing key accounts to teams who are fully dedicated to key accounts (Shapiro and Moriarty 1984a). Similarly, Olson, Walker, and Ruekert (1995) present a range of coordination mechanisms with a permanent team at one end of their continuum. Marshall, Moncrief, and Lassk (1999, p. 96) note “that team work is a fairly new concept in managing accounts and that salespeople are working in a team format much more today than in the past.” Cespedes, Doyle, and Freedman (1989) even argue that “selling is no longer an individual activity but rather a coordinated team effort.” It has been suggested the use of teams is a reaction to the use of purchasing teams on the buyer side (Hutt, Johnston, and Ronchetto 1985). *We define the use of teams as the extent to which teams are formed to coordinate activities for key accounts.*

While teams refer to the *horizontal* participation in KAM, another fundamental issue pertains to *vertical* participation. KAM actors may be placed at the headquarters, at the division level, or at the regional level (Shapiro and Moriarty 1984a). The importance of senior executive involvement in KAM has frequently been underscored in the KAM literature. As Millman and Wilson (1999, p. 330) note, “Key account management is a strategic issue and the process should therefore be initiated and overseen by senior management.” Napolitano (1997) points out that “Top management must also play the lead role in securing business unit management support for the program.” This is supported by writers on strategy implementation who argue that the organization is a reflection of its top managers (Hambrick and Mason 1984). Empirical support for the importance of top management has been provided by Jaworski and Kohli (1993) who have found market orientation to be positively related to top management emphasis on it. Therefore, *we define top management involvement as the extent to which senior management participates in KAM.* Hence, the top management involvement construct adopted from the literature on strategy implementation and on market orientation, is conceptually close to the centralization construct used in organization theory, which refers to the extent of decision authority being concentrated on higher hierarchical levels.

3.2.3. Resources

As Shapiro and Moriarty (1984a, p. 2) have noted, “Much of the NAM concept as both a sales

and a management technique revolves around the coordination of all elements involved in dealing with the customer.” The KAM literature and the team selling literature have pointed out that support is needed for key account activities from such diverse functional groups as marketing and sales, logistics, manufacturing, IT, and finance and accounting (Moon and Armstrong 1994; Shapiro and Moriarty 1984b). “The key question, then, is: ...how can a salesperson obtain needed resources?” (Moon and Gupta 1997, p. 32). Obtaining resources has a *pull* and a *push* component.

In some cases, key account managers have special organizational power to ensure full cooperation from other organizational members. In other instances, key account managers have to rely on their informal powers and interpersonal skills (Spekman and Johnston 1986, p. 522). As the key account manager is typically part of the sales function (Shapiro and Moriarty 1984a), this lack of authority is most obvious for functional resources outside marketing and sales. *We define access to non-marketing and sales resources as the extent to which a key account manager can obtain needed contributions to KAM from non-marketing and sales groups.*

However, even within the marketing and sales function a key account manager may face difficulty in receiving support for his tasks (Homburg, Workman, and Krohmer 1999; Platzer 1984). One common problem is the lack of authority over regional sales executives who handle the local business with global key accounts (Arnold, Birkinshaw, and Toulan 1999). For example, regional sales entities often resist company-wide agreements on prices or service standards. Therefore, *we define access to marketing and sales resources as the extent to which a key account manager can obtain needed contributions to KAM from marketing and sales groups.*

While access to resources refers to *pulling* on resources, research on team selling has frequently emphasized that the achievement of cross-functional integration in the selling center is facilitated if the participating functions themselves *push* cooperation (Smith and Barclay 1993). Day (2000, p. 24) notes that in order to develop strong relationships with customers, “a relationship orientation must pervade the mind-sets, values, and norms of the organization.” Jaworski and Kohli (1993) refer to this concept of interdepartmental culture as *esprit de corps*. Culture is often viewed as a resource: “Organizational resources are the assets the firm possesses that arise from the organization itself, chief among these are the corporate culture and climate” (Morgan and

Hunt 1999, p. 284). Fisher, Maltz, and Jaworski (1997) note that esprit de corps fosters the exchange of customer and market information. Therefore, *we define the Esprit de Corps of the selling center as the extent to which selling center participants feel obliged to common goals and to each other.*

3.2.4. Formalization

As Shapiro and Moriarty (1984a) note, one of the “major organizational decisions that must be made as a company approaches a NAM program” is: “Should there be a NAM program or no program?” We believe that the distinction between more or less programmed approaches is highly relevant. As we have shown in our literature review, KAM approaches that do not have a key account program in place are under-researched.

Characteristics of KAM programs are the definition of reporting lines and formal linkages between departments, the establishment of formal expense budgets, the documentation of processes, and the development of formal guidelines how to handle the accounts (Boles, Pilling, and Goodwyn 1994). Thus, in essence, the design decision of installing a key account program revolves around the question to what extent KAM should be *formalized*. Consistent with writers on marketing organization (Olson, Walker, and Ruekert 1995; Workman, Homburg, and Gruner 1998), *we define the formalization of a KAM approach as the extent to which the treatment of the most important customers is governed by formal rules and standard procedures.* Hence, formalization can be viewed as an impersonal coordination mode as opposed to top management involvement and use of teams, which represent personal coordination modes in KAM.

3.3. Additional Descriptive Variables

In addition to the theoretical constructs developed above, the KAM literature also suggests a number of descriptive variables to characterize KAM approaches. These variables refer to very concrete, mostly demographic features of KAM approaches, such as the positions of key account managers. Because these variables are not theory-based, we will not use them as input to the cluster procedure. However, given that these variables have frequently been discussed in KAM publications, we will use them to enrich our interpretation of different KAM approaches later in the paper.

In many companies, KAM teams are lead by a key account manager. We define the key account coordinator as the person who is mainly responsible for coordinating activities related to key accounts. The first descriptive variable refers to the *position of the key account coordinators*. One possibility is to establish dedicated full-time positions for the coordination of key accounts (Pegram 1972). A fundamental question in this context is whether key account coordinators are placed in the supplier's headquarters or locally in the country or geographic region of the key account's headquarters. An alternative to the full-time option is a part-time responsibility. As Shapiro and Moriarty (1984a, p. 5) note, "the task is often taken on by top-level managers ... In other companies top marketing and sales managers and/or field sales managers take the responsibility." The second descriptive variable connects directly to this question of part-time vs. full-time responsibility. We define the *key account coordinator's dedication to key accounts as the percentage of their time they spend with managing key accounts vs. average accounts*. Another question concerning the allocation of time is how much time is spent with customers compared to the time devoted to internal coordination. Colletti and Tubridy (1987) report that 40% of a major account sales rep's time is administration work. We define the *internal orientation of key account coordinators as the percentage of their time they spend with internal coordination vs. externally with customers*. A final descriptive question that has frequently been raised in KAM studies is how many accounts key account coordinators are typically looking after (Dishman and Nitse 1998; Sengupta, Krapfel, and Pusateri 1997a; Wotruba 1993). We define the *span of accounts as the number of accounts for which key account coordinators are responsible*.

3.4. Outcomes

One of our objectives is to go beyond the conceptualization of KAM approaches and the taxonomy to explore the performance effects of design decisions. We distinguish between outcomes with respect to key accounts and outcomes on the level of the overall organization. Given that KAM involves investing in special activities and actors for key accounts which are not available for average accounts, *we define KAM effectiveness as the extent to which an organization achieves better relationship outcomes for its key accounts than for its average accounts*. While the benefits of KAM have often been claimed in the KAM literature, empirical evidence on the outcomes of KAM is rare and methodologically limited to t-tests or correlations

of single item ratings of performance (Platzer 1984; Sengupta, Krapfel, and Pusateri 1997a; Stevenson 1981). A much better understanding of the outcomes of collaborative relationships has been developed by relationship marketing research (e.g., Kumar, Scheer and Steenkamp 1995). This literature suggests that firms, through building relationships, pursue such outcomes as long-term orientation and continuity (e.g., Anderson and Weitz 1989; Ganesan 1994), commitment (e.g., Anderson and Weitz 1992; Geyskens et al. 1996; Gundlach, Achrol, and Mentzer 1995), trust (e.g., Geyskens, Steenkamp, and Kumar 1998; Moorman, Deshpandé, and Zaltman 1993; Rindfleisch 2000), and conflict reduction (e.g., Frazier, Gill, and Kale 1989).

Some authors indicate that KAM has not only have outcomes with respect to key accounts, but also organization-level outcomes. As Cespedes (1993, p. 47) notes, “Another benefit is the impact on business planning. Salespeople at major accounts are often first in the organization to recognize emerging market problems and opportunities.” Of course, organization level outcomes are also affected by average accounts. Following the terminology of Ruekert, Walker, and Roering (1985), we distinguish between adaptiveness, effectiveness, and efficiency. We define

- *adaptiveness as the ability of the organization to change marketing activities to fit different market situations better than its competitors,*
- *performance in the market as the extent to which the organization achieves better market outcomes than competitors, and*
- *profitability as the organization’s average return on sales before taxes over the last three years.*

4. Methodology

4.1. Data Collection and Sample

Given our research objective of identifying prototypical approaches to KAM, we collected data using a mail survey in five business-to-business sectors in the United States and Germany. The questionnaire was initially designed in English based on an extensive literature review and on field interviews with 25 managers, consultants and academics in Germany and 25 in the U.S.

from an earlier qualitative research study on major trends in marketing organization. To ensure equivalent questionnaires in the two countries, the English version of the questionnaire was first translated into German by one expert translator and then retranslated into English by a second, each of whom was bilingual. The two expert translators reconciled differences. The resulting two versions of the questionnaire were pretested and modified in the U.S. and Germany on the basis of comments from eight marketing and sales managers who completed the entire survey.

An important question in designing our empirical study is the appropriate informant(s). We recall that the object of our research is the overall organizational approach toward the entire portfolio of key customers. A first implication of this is that, for the intraorganizational issues, the number of potential informants is limited to higher-level managers who have an overview over the marketing and sales organization. A second implication is that, regarding the outcomes of KAM, ideally the dyadic perceptions of all key accounts would have to be combined. In light of the obvious selection problems to obtain multiple, knowledgeable high-level respondents as well as participation from several key accounts, we opted for a key informant approach. Though the single-respondent design curbs the generalizability of the results, the findings of John and Reve (1982, p. 522) “indicate that careful selection of informants in conjunction with the use of internally consistent multi-item scales can provide reliable and valid data.” Based on the field interviews, we determined that the most appropriate respondent is the head of the sales organization. We strived to minimize the limitation imposed by the single informant design by determining the competence of the respondent to answer the survey. Answers from lower-level respondents and from respondents with less than two years experience in the selling organization were excluded from the analysis. As the description of our sample will show, our respondents are high-level managers.

A random sample of 1000 U.S. and 1000 German firms in the five business-to-business sectors were obtained from commercial list providers and an initial survey was sent to the head of the sales organization. The cover letter and directions on the survey indicated that the survey should be answered by a “VP or Director of Sales” or should be forwarded to someone familiar with how the firm’s most important set of customers are managed. As prior research has shown that managerial practice has different labels to denote important customers, respondents were asked to

fill out the survey with respect to their most important set of business customers, regardless of the label they use for these customers. A reminder postcard was sent one week after the initial mailing to encourage response. Follow-up phone calls starting two weeks later were made to verify the contact name, to verify the appropriateness of the firm for participation in the study, and to encourage response. A second mailing of the survey to all people was done approximately four weeks after the initial mailing. Based on the phone calls and undeliverable mail, we determined that 174 of the U.S. firms and 171 of the German firms were inappropriate for the study. We received responses from 264 German firms and 121 U.S. firms for effective response rates of 31.8% and 14.6% and an overall response rate of 23.3%. These response rates are in the range reported by other surveys sent to senior level sales and marketing managers (Harzing 1997) and are comparable to the response rates of other data collections for taxonomic purposes (Bunn 1993; Cannon and Perreault 1999).

a) Position of Respondents		Total (n=385)		
Managing Director, CEO, VP of Region, Head of Bus. Unit		19%		
VP Marketing, VP Sales, VP Sales & Marketing		49%		
Head of KAM, KA Manager		9%		
Sales Manager, Product Manager		19%		
Other		3%		

b) Demographics of the Firms		Germany (n=264)	U.S. (n=121)	Total (n=385)
Industry*	Chemical & Pharmaceutical	24%	18%	22%
	Machinery	22%	30%	25%
	Computer & Electronics	17%	14%	16%
	Banks & Insurances	17%	11%	15%
	Food & Packaged Goods	20%	27%	22%
Annual Revenues*	< \$15 Million	5%	10%	6%
	\$15-30 Million	14%	11%	13%
	\$30-60 Million	20%	15%	18%
	\$60-150 Million	17%	24%	19%
	\$150-300 Million	13%	11%	13%
	\$300-600 Million	11%	13%	12%
	\$600-1500 Million	5%	10%	6%
>\$1500 Million	14%	11%	13%	

* Equal structure of subsamples based on $p(\chi^2) > .05$

Table 2: Sample Composition

We controlled for a possible non-response bias in three ways. First, we divided the data into thirds in each country based on the number of days from initial mailing to response (Armstrong and Overton 1977). T-tests within each country between early and late respondents indicated no statistically significant differences ($p < .05$) between mean responses of early and late respondents. Second, we compared the German and the U.S. subsample. The distributions in the subsamples do not differ statistically by revenue and by industry based on Chi-square tests ($p > .05$). Third, we compared the resulting KAM types to approaches identified in prior literature. As we will elaborate in the results section, we found that our taxonomy reflects all approaches to KAM that have been discussed heretofore. This supports the external validity of our taxonomy. Actually we even detect a number of less formalized approaches that have not been described before.

4.2. Measure Development Procedures

General measurement approach. Given the scarcity of prior empirical research, most scales for

the study were newly generated. Three types of measures were used in the survey: single-item measures, reflective multi-item measures, and formative multi-item measures. A *single-item* measure used in the survey was profitability. If observed variables (and their variances and covariances) were manifestations of underlying constructs, we used a *reflective* measurement model (Bagozzi and Baumgartner 1994). In that case, the scales' psychometric properties can be assessed by means of criteria based on confirmatory factor analysis (Anderson and Gerbing 1988; Fornell and Larcker 1981). If necessary, the item pools were purified. Confirmatory factor analysis is considered to be superior to more traditional criteria (such as Cronbach's alpha) in the context of scale validation because of its less restrictive assumptions (Bagozzi, Yi, and Phillips 1991; Gerbing and Anderson 1988). We applied reflective measures if not otherwise indicated.

If a construct was a summary index of observed variables, a *formative* measurement model (Bagozzi and Baumgartner 1994) is more appropriate. In that case, observed variables cover different facets of the construct and cannot be expected to have significant intercorrelations. We used a formative scale to measure the proactiveness of activities for key accounts because, unlike intensity, the proactiveness on one activity item is not intercorrelated with the proactiveness on another. As an example, intense coordination of manufacturing schedules (high intensity) often requires highly coordinated logistics (high intensity). However, if a key account demands from his supplier to coordinate manufacturing processes (low proactiveness), it may be the supplier who comes up with the suggestion to coordinate logistics as well in order to accomplish coordinated manufacturing (high proactiveness). Thus, while high intensity on one activity goes along with high intensity on another, this cannot be expected for proactiveness. The proactiveness construct has to be understood in terms of a proactiveness index across the partial activities.

Control Variables. In examining the performance effects of KAM, we have controlled for the effects of two environmental variables. Uncertainty has been identified as a determinant of performance in much of the research on organization theory and strategy. Specifically, we control for market dynamism. If customer structure and customers needs change rapidly, it becomes more difficult for suppliers to be responsive to their needs. We also control for competitive intensity, which has been argued by many strategy researchers to be one of the most important

determinants of performance (e.g., Porter 1980). Both control variables have frequently been employed by the related literature on market orientation (e.g., Jaworski and Kohli 1993; Pelham 1999).

Scale Assessment. The appendix provides our scale items and scale properties. Measure reliability and validity were assessed using confirmatory factor analysis. Composite reliability represents the shared variance among a set of observed variables measuring an underlying construct (Fornell and Larcker 1981). Each construct manifests a composite reliability of at least .6 (Bagozzi and Yi 1988, p. 82). Additionally, coefficient alpha values suggest a reasonable degree of internal consistency between the corresponding indicators. Nunnally (1978) recommends a threshold alpha value of 0.70, but suggests himself (1967, p. 226) that a level of 0.6 is acceptable for exploratory research subjects (see also Murphy and Davidshofer 1988). For each of the KAM dimensions, outcomes, and control variables, discriminant validity was assessed based on the criterion suggested by Fornell and Larcker (1981) which is recognized as more rigorous than the alternative chi-square difference test.

In order to assure measurement invariance across countries, we followed the procedure suggested by Steenkamp and Baumgartner (1998). Given the objective of our paper to test dependence relationships between variables, configurational invariance and metric invariance need to be fulfilled. Configurational invariance implies that the factorial structure underlying a set of observed measures is the same across the two countries. Metric invariance is a stricter criterion that assesses whether the units of measurement (i.e., the scale intervals) are equivalent in the German and the U.S. subsample. Using multiple-group confirmatory factor analysis, we found full configurational invariance and at least partial metric invariance (at least two items were metric invariant) for our constructs. Thus, merging the two national subsamples is valid.

4.3. Taxonomic Procedures

In the previous sections, we have identified fundamental dimensions of KAM approaches and have established rigorous measures of key constructs. Now, we will give a brief summary how we technically proceeded in identifying configurations of KAM on the basis of these key constructs. Given our objective of identifying *prototypical* approaches, our first decisions were to

use non-overlapping clustering and to use a distance measure. We followed the procedure used by Bunn (1993) and by Cannon and Perreault (1999) and took a multi-stage clustering approach. The two central issues in clustering are determining the appropriate number of clusters and assigning the observations to clusters.

We used the hierarchical clustering algorithm developed by Ward (1963) in combination with Sarle's (1983) cubic clustering criterion in order to determine the appropriate number of clusters. The cubic clustering criterion has been among the top-performing criteria in Milligan and Cooper's (1985) comparative study of thirty methods for estimating the number of population clusters. Ward's algorithm seeks at each step to form mutually heterogeneous and internally homogenous clusters in the sense of the least error sum of squares. Given the method's sensitivity to outliers, we standardized the clustering variables through dividing each variable by its range. Clustering 10 randomly selected subsamples from our data, each containing two-thirds of the sample, we found strong support for an 8-cluster solution.² We also evaluated the stability of the result after eliminating outliers.

We then clustered the complete sample by means of a hybrid approach combining Ward's method with the k-means approach (Punj and Stewart 1983). Simulation studies on the performance of clustering algorithms demonstrate that partitioning methods (e.g., k-means) yield excellent results if given a reasonable starting solution (see Milligan and Cooper 1987 for an overview). Using Ward's method to compute a starting solution for k-means has been shown to be a powerful combination (Helsen and Green 1991) and has been recommended by Punj and Stewart (1983). Arabie and Hubert (1994, p. 169) note that "Nearly a decade later, that recommendation still seems like a good one." Finally, we cross-validated the stability of the cluster assignment using the procedure recommended by Cannon (1992).³

² Seven subsamples manifested eight clusters, one manifested seven clusters, and two manifested no cluster structure according to the cubic clustering criterion for a range of one to ten clusters.

³ We split the sample into three equally large subsamples (A, B, C) and ran through the hybrid approach twice for $\{A \cup B\}$ and for $\{B \cup C\}$. We then evaluated whether observations in subsample B had been assigned to the same cluster in both runs.

5. Results

5.1. Taxonomy of Approaches to KAM

Given that the clusters were obtained based on a purely technical procedure, it has to be ensured that different clusters are not the consequence of different understandings what an important account is. Therefore, we controlled for the importance of criteria based on which companies define and select their most important customers. For all clusters, the current and the potential sales volume clearly dominate other criteria, such as learning about key technologies, international scope of the account, possibility of using the account as a reference, demand for special treatment by the account or internal coordination problems in catering to the account. In conclusion, our statistical tests show that the clusters are comparable.

The last step to the taxonomy is to validate the recognizability of the clusters, which is to verify whether they have meaningful interpretations (Rich 1992). Table 3 shows the cluster means for each of the eight cluster variables. Following the interpretation steps suggested by Bunn (1993), we first compared the clusters based on Duncan's multiple range test and then transferred the resulting bands into verbal descriptions of a cluster's position with respect to the cluster variables (see Table 4). Results for the additional, descriptive variables are shown in tables 3 and 5.

We will now interpret the clusters in turn and will assign labels to the approaches. Although there are risks of oversimplification in using such labels, they serve the didactical purpose of highlighting empirically distinct aspects of different approaches and facilitate the discussion of the results.

Dimension	Variable	Cluster								Total n=375
		Top- Manage- ment KAM n=37	Middle- Manag- ement KAM n=76	Operati- ng level KAM n=57	Cross- functio- nal, domi- nant KAM n=44	Unstru- ctured KAM n=38	Isolate d KAM n=40	Countr- y Club KAM n=37	No KAM n=46	
Activities	Activity Intensity	5.08 ^{bc}	4.99 ^b	5.15 ^{bc}	5.44 ^c	4.75 ^b	5.00 ^b	4.19 ^a	4.11 ^a	4.86
	Activity Proactiveness	4.15 ^{bc}	4.13 ^{bc}	4.27 ^{ab}	4.60 ^d	3.83 ^{ab}	4.16 ^{bc}	3.54 ^a	3.79 ^{ab}	4.08
Formalization	Approach Formalization	5.48 ^f	5.05 ^e	4.58 ^d	5.64 ^f	2.81 ^b	3.64 ^c	2.12 ^a	2.72 ^b	4.15
Actors	Top Management Involvement	5.66 ^e	3.98 ^c	3.19 ^b	4.48 ^d	2.52 ^a	4.23 ^{cd}	4.59 ^d	3.19 ^b	3.93
	Use of Teams	5.05 ^d	3.08 ^b	5.32 ^{de}	5.62 ^e	3.16 ^b	4.49 ^c	2.18 ^a	2.53 ^a	3.93
Resources	Selling Center Esprit de Corps	5.57 ^c	5.28 ^b	5.52 ^c	6.14 ^d	5.97 ^d	3.93 ^a	4.69 ^b	3.82 ^a	5.14
	Access to Marketing and sales Resources	5.34 ^{bc}	5.82 ^{de}	5.11 ^b	6.51 ^f	5.95 ^d	5.50 ^{cd}	6.44 ^f	4.48 ^a	5.62
	Access to Non-Marketing and sales Resources	4.37 ^a	5.18 ^b	4.42 ^a	6.05 ^c	5.51 ^b	4.29 ^a	5.40 ^b	4.13 ^a	4.92
Additional, Descriptive Variables	Dedication to Key Accounts	73% ^c	66% ^{abc}	70% ^{bc}	73% ^c	57% ^a	66% ^{abc}	62% ^{abc}	57% ^{ab}	66%
	Internal Orientation	50% ^{ab}	49% ^{ab}	49% ^{ab}	46% ^a	62% ^c	51% ^{ab}	49% ^{ab}	58% ^{bc}	51%
	Span of Accounts (Median)	5	5	5	5	5	5	8	10	5

Reported values are mean values if not otherwise noted. In each row, cluster means that have the same superscript are not significantly different ($p < .05$) on the basis of Duncan's multiple-range test. Means in the lowest band are assigned ^a, means in the next highest band ^b etc. Means in the highest band are printed in bold, means in the lowest band in italics.

Table 3: Cluster Description

Variable	Key Account Management Approach								Total n=375
	Top- Manage- ment KAM n=37	Middle- Manage- ment KAM n=76	Operati- ng level KAM n=57	Cross- function- al, domi- nant KAM n=44	Unstruc- tured KAM n=38	Isolated KAM n=40	Country Club KAM n=37	No KAM n=46	
Activity Intensity	mediu m-high	medium	mediu m-high	high	medium	medium	<i>low</i>	<i>low</i>	
Activity Proactiveness	medium	medium	<i>low- medium</i>	high	<i>low- medium</i>	medium	<i>low</i>	<i>low- medium</i>	
Approach Formalization	very high	high	rather high	very high	low	Rather low	<i>very low</i>	low	
Top Management Involvement	very high	medium	low	high	<i>very low</i>	medium- high	high	low	
Use of Teams	much	little	much- very much	very much	little	medium	<i>very little</i>	<i>very little</i>	
Selling Center Esprit de Corps	rather strong	rather weak	rather strong	strong	strong	<i>weak</i>	rather weak	<i>weak</i>	
Access to Marketing and sales Resources	rather low	high	low	very high	rather high	medium	very high	<i>very low</i>	
Access to Non-Marketing and sales Resources	<i>low</i>	medium	<i>low</i>	high	medium	<i>low</i>	medium	<i>low</i>	

Table 4: Verbal Cluster Description

Position of Key Account Coordinator	Key Account Management Approach																Total n=375
	Top-Management KAM n=37		Middle-Management KAM n=76		Operating level KAM n=57		Cross-functional, dominant KAM n=44		Unstructured KAM n=38		Isolated KAM n=40		Country Club KAM n=37		No KAM n=46		
	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	Head-quarter	Local	
Normal Sales Manager	3.4%		5.8%	3.8%	2.4%	7.3%	6.3%		14.8%	3.7%	7.4%	11.1%	19.0%	14.3%	8.3%	8.3%	
Dedicated Sales Manager	48.3%	13.8%	44.2%	17.3%	53.7%	17.1%	40.6%	25.0%	44.4%	7.4%	18.5%	33.3%		4.8%	22.2%	5.6%	
VP of Sales	24.1%		17.3%	5.8%	9.8%		15.6%		11.1%	3.7%	14.8%		28.6%	9.5%	30.6%	5.6%	
VP of Marketing	3.4%						3.1%		3.7%		3.7%		9.5%		8.3%		
General Manager			1.9%	1.9%	4.9%				11.1%		3.7%		9.5%		8.3%		
Other	6.9%		1.9%		4.9%		9.4%				7.4%		4.8%		2.8%		
Total	86.1%	13.8%	71.1%	28.8%	75.7%	24.4%	75.0%	25.0%	85.1%	14.8%	55.5%	44.4%	71.4%	28.6%	80.5%	19.5%	

Table 5: Position of Key Account Coordinators

Top-Management KAM. This approach truly deserves the name “program.” These companies highly formalize the management of their key accounts. Over 60% of companies in this cluster have dedicated sales managers coordinate activities for key accounts which is consistent with the finding of 73% of key account coordinator time being devoted to key accounts. Top-Management manifests the highest degree of top management involvement in KAM. Hence, it is not surprising that this approach is managed out of the company headquarters (86.1% of key account coordinators are based in the suppliers’ headquarters). In addition to heavy top management involvement, these companies make intensive use of teams. Activities for key accounts are intense and are proactively initiated. An interesting finding is that selling center esprit de corps is high, whereas access to both marketing and sales and over non-marketing and sales resources is low. This may suggest that access to resources is barely needed. Top management might negotiate umbrella contracts, which are carried out by operative teams based on highly standardized procedures.

Middle-Management KAM. This approach manifests a high level of formalization, but, in contrast to the first approach, top management involvement is medium. Intensity and proactiveness with respect to activities are also on a medium level. These results may suggest that these companies have installed a formal key account program, but on a middle management level. Our interpretation is supported by the finding that 28.8% of key account coordinators are locally-based in this approach, compared to 13.8% in Top-Management KAM. The fact that key account managers are often locally based may also explain the high access to marketing and sales resources. On the contrary, selling center esprit de corps and access to non-marketing and sales resources are low, which leads to the overall impression that KAM in these companies is mainly driven by (local) middle management in the marketing and sales function.

Operating-Level KAM. These companies are doing a lot for their key accounts and have considerably standardized procedures. In these aspects, this approach is comparable to Top Management KAM and Middle Management KAM. However, top management involvement is lower than in these other approaches. Not surprisingly, access to functional resources is low. While the VP of sales or marketing is the key account coordinator in 27.4% of Top-Management KAM companies and 23.1% of Middle-Management KAM companies, this is only the case for

9.8% of companies in this cluster. The low degree of top management involvement together with fairly developed activities and teams may suggest that this KAM approach is mainly borne by the operating level. None of the other approaches has such a high percentage of companies with dedicated sales managers for key accounts (70.8%), 17.1% of which are locally-based.

Cross-functional, Dominant KAM. This cluster has the highest values for nearly all variables. First, activities are very intense and are proactively created. Second, formal procedures and team structures are fully developed. Top management is strongly involved. Third, selling center esprit de corps and access to functional resources are high. 65.6% of Cross-functional KAM companies have dedicated sales managers as key account coordinators. Their share of time spent externally with the customer is the highest of all approaches, as reflected by the 46% on internal orientation. The overall picture suggests that these companies are completely focused on their key accounts. It seems that, in these companies, customer management is virtually identical with key account management.

Unstructured KAM. As shown by the low values on formalization, top-management involvement, and use of teams, these companies have not created special organizational structures for key accounts and do not have a program in place. This is consistent with the observation that activities are more a reaction than a proactive initiative, as indicated by the 3.83 mean on proactiveness. KAM comes mainly out of the headquarters and key account coordinators are often normal sales managers (18.5% compared 6.3% in Cross-Functional KAM). An interesting observation is that 62% of key account coordinator time is spent on internal coordination, the highest percentage of all clusters. This may account for the fact that selling center members have an extremely high esprit de corps for KAM and that it is no problem to obtain contributions from neither marketing and sales nor other functional resources. The overall impression is that these companies are pursuing KAM on an ad-hoc basis, mobilizing internal resources only when the key accounts ask for it. Interestingly, 11.1% of these companies name the general manager to be the key account coordinator, although top management involvement is the lowest of all approaches. This suggests that the general management's responsibility exists on paper only.

Isolated KAM. Intensity and proactiveness of activities as well as formalization and use of

teams manifest mid-range values in this cluster. This seems to imply that these companies are trying to do something for key accounts, which is supported by the finding that top management is fairly involved. The most striking feature about this cluster is that in 44.4% of companies in this cluster, key account coordinators are locally-based. This may explain why this cluster has very low values on selling center esprit de corps and on access to non-marketing and sales resources. Hence, the overall picture is that KAM is a rather isolated, local sales effort in these companies which, despite some effort from the side of the top management, struggles for cooperation from the central business units.

Country Club KAM. The striking characteristic of this cluster is a high degree of top management involvement that goes along with low values on most other variables. The management of key accounts in these companies is not guided by formal procedures and teams are hardly ever formed. Special activities are performed less intensely and less proactively than under the other approaches. Most importantly, there are basically no dedicated key account coordinators. KAM coordinators are often the VP of sales, a general manager, even the VP of marketing. The comparatively low level of activities combined with high top-management involvement and high access to sales may suggest that, in these companies, KAM is little more than representation by senior managers. In 33.3% of these firms, key accounts are simply handled by normal sales managers. With the exception of the top-management involvement, this approach is fairly close to the “No KAM” cluster.

No KAM. This cluster has the lowest values on nearly all variables: comparatively little activity is performed, but not proactively. Formalization is low, just as cross-functional cooperation and esprit de corps. It is interesting that mainly VPs of marketing and sales or general managers are named as key account coordinators, though top management involvement in this cluster is low. This suggests that the VPs have responsibility on paper, but do not actually perform that role. The interpretation of this approach is straightforward: these companies do not *manage* their key accounts. Or some companies may only have started to manage their key accounts, given that they profess to have dedicated key account coordinators.

5.2. Comparison with Existing Research

While prior research has never classified KAM approaches empirically, there is some discussion

of options companies have in implementing KAM. McDonald, Millman, and Rogers (1997) suggest ideal types of KAM, assuming KAM approaches to line up along a continuum from pre-KAM to synergistic KAM. Along the continuum, the activity intensity, use of teams and top management involvement are implied to rise, which actually implies a correlation among these design variables. Our results do not support this ideal continuum nor the correlation. As we have shown, high degrees of top management involvement occur in combination with both high and low degrees of activity intensity and in combination with both high and low degrees of use of teams.

A second typology of KAM programs has been proposed by Shapiro and Moriarty (1984a) based on qualitative interviews in 19 large manufacturing and service companies (see also the supplementary comments by Kempeners and van der Hart 1999). These researchers distinguish between six types of KAM programs which resemble the KAM approaches we identified. More specifically, their national account division resembles “Cross-functional KAM”, their corporate level program is similar to “Top-Management KAM,” their operating unit program at group-level is similar to “Middle-Management KAM,” their operating unit program at division level parallels “Operating-level KAM,” their part-time program resembles the “Country Club KAM,” and their no program option is close to the “No KAM” approach. However, our work goes beyond the prior work by identifying the design variables behind the approaches, by providing richer descriptions of the approaches, and by supplementing the descriptions with quantitative data. We also detected two additional KAM approaches, the “Unstructured KAM” and the “Isolated KAM.” These two carry out a considerable amount of activities for key accounts while not formalizing the approach. In conclusion, our findings seem to indicate that we have not overlooked KAM approaches that occur in practice. This speaks for the validity of our taxonomy and for the absence of a non-response bias.

5.3. Outcomes

We now turn to the success of the various KAM approaches. In interpreting the results in Table 6, one has to pay attention to whether the outcome variable is on the level of the key accounts or on the level of the organization as a whole. KAM effectiveness can be assumed to be strongly influenced by how key accounts are managed and is thus our main outcome variable of interest.

On the contrary, variance in organization-level outcomes, such as performance in the market, adaptiveness, and profitability, can be explained by many factors other than KAM. In fact, a firm may be driving its performance, for better or worse, through the average as opposed to the key accounts.⁴

On both the KAM-level and the organization-level, the “No KAM” and the “Isolated KAM” approaches perform the worst. On the organization-level outcomes, “Cross-functional KAM” companies stand out with respect to both performance in the market and adaptiveness. As far as profitability is concerned, “Top Management KAM” companies perform best. The fact that the most effective approaches are not the most profitable ones may be explained by the fact that some approaches, besides generating higher revenues, also involve higher costs.

A second observation in Table 6 is that several KAM approaches are equally successful. This finding is consistent with the concept of “equifinality” emphasized by the configurational approach (Meyer, Tsui, and Hinings 1993). However, given our key informant design, it raises the issue whether a common method bias is present in the data. Two facts from our data speak against the presence of a bias. First, a possible key informant bias should affect the subjective performance measures (e.g., KAM effectiveness), but not the objective performance measure (i.e., profitability). The fact that several configurations also manifest the same level of objective performance supports the validity of our findings on the subjective measures. Second, even in very active approaches (e.g., Top Management KAM), there is a lot of variance across the respondents concerning the performance variables. Indeed, the lack of significant differences between some approaches is due to the high variance rather than a tendency of all key informants to rate their own approach high.

⁴ We owe this idea to an anonymous reviewer.

Level	Variable	Key Account Management Approach								Total n=375
		Top- Manage- ment KAM n=37	Middle- Manage- ment KAM n=76	Operating level KAM n=57	Cross- functional, dominant KAM n=44	Unstructur ed KAM n=38	Isolated KAM n=40	Country Club KAM n=37	No KAM n=46	
KAM	KAM Effectiveness	5.39^b	5.39^b	5.53^b	5.63^b	5.46^b	<i>5.01^a</i>	5.41^b	<i>5.04^a</i>	5.37
	Performance in the Market	5.03 ^{bc}	5.23^{cd}	5.04 ^{bc}	5.51^d	5.19^{cd}	<i>4.72^{ab}</i>	5.16^{cd}	<i>4.54^a</i>	5.07
Overall Organization	Adaptiveness	4.75 ^{bc}	4.87 ^b	<i>4.46^{ab}</i>	5.43^d	4.85 ^{bc}	<i>4.25^a</i>	<i>4.50^{abc}</i>	<i>4.23^a</i>	4.68
	Profitability	6.38^b	<i>4.98^a</i>	<i>4.98^a</i>	5.64^{ab}	5.84^{ab}	5.23^{ab}	<i>4.82^a</i>	<i>4.80^a</i>	5.27

Reported values are mean values if not otherwise noted. In each row, cluster means that have the same superscript are not significantly different (p<.05) on the basis of Duncan's multiple-range test. Means in the lowest band are assigned ^a, means in the next highest band ^b etc. Means in the highest band are printed in bold, means in the lowest band in italics.

Table 6: Performance Outcomes

It is necessary to verify whether the performance differences hold true even when considering environmental variables. Market dynamism and competitive intensity have been shown to influence performance in a market orientation context (Jaworski and Kohli 1993). In order to control for these effects, we made use of ANCOVA. Cluster membership was the (nominal) factor and the control variables served as covariates. Table 7 shows that although market dynamism has a significant effect on performance in the market and competitive intensity has an effect on profitability, the effects of cluster membership on all performance outcomes are still significant.

Dependent Variable Model 1 through 4	ANCOVA Results							
	TOTAL MODEL		Approach		Covariates			
					Market Dynamism		Competitive Intensity	
	Mean of Squares	F (p)	Mean of Squares (df: 7)	F (p)	Mean of Squares (df: 1)	F (p)	Mean of Squares (df: 1)	F (p)
1. KAM-Effectiveness	1.76 (df: 9;370)	3.72 ($<.01$)	2.20	4.65 ($<.01$)	$<.01$	$<.01$ (.96)	.81	1.72 (.19)
2. Performance in the Market	3.63 (df: 9;370)	5.58 ($<.01$)	4.15	6.37 ($<.01$)	2.27	3.48 (.06)	.85 (.25)	1.31 (.25)
3. Adaptiveness	5.72 (df: 9;369)	7.81 ($<.01$)	6.54	8.93 ($<.01$)	1.93	2.64 (.11)	.47	.64 (.42)
4. Profitability	22.81 (df: 9;322)	3.99 ($<.01$)	12.19	2.13 (.04)	.90	.16 (.69)	125.97	22.05 ($<.01$)

Table 7: Results of ANCOVA

6. Discussion

6.1. Research Contribution

Despite the immense importance of KAM in managerial practice, prior research in this area has been very fragmented and sound empirical studies have been scarce. The contributions of this paper come from both the conceptualization and the taxonomy.

The first contribution of this paper is to provide conceptual clarity to KAM design decisions and

to lay the basis for future research. Besides synthesizing the existing literature, this paper extends the conceptual scope of KAM research by drawing attention to the fact that previous research has not gone beyond the boundaries of formalized KAM programs to study non-formalized KAM approaches. We derive an integrative conceptualization of KAM identifying four key dimensions: (1) Activities, (2) Actors, (3) Resources, and (4) Formalization (see Figure 1). We also develop scales for key constructs related to KAM.

A second contribution of our work consists in being the first study to empirically classify designs of organizational approaches to selling. While taxonomies exist for the buyer side (Bunn 1993) and for the relationship between buyer and seller (Cannon and Perreault 1999), there has been no taxonomy on the organization of the seller side. Moncrief (1986) has created a taxonomy of *individual* sales position designs, but the level of analysis in selling research has shifted to the selling *team* in the decade that followed (Weitz and Bradford 1999). As Marshall, Moncrief, and Lassk (1999, p. 88) state, “Clearly, the operative set of sales activities representing a sales job in the mid-1980s is deficient to accurately understand and portray sales jobs of today.” Hence, our taxonomy closes a gap in empirical knowledge about organizational approaches to selling.

A third major contribution is refining of existing KAM typologies. We confirmed the types of KAM postulated by Shapiro and Moriarty (1984a), supplemented them with empirical detail, and detected two additional approaches. These two carry out a considerable amount of activities for key accounts while not formalizing the approach.

An additional contribution of our taxonomical research is to provide deeper insights into the performance aspects of KAM approaches. On a general level, it is important to note that the same level of performance can be accomplished through different approaches. This is consistent with the concept of equifinality emphasized by the configurational approach (Meyer, Tsui, and Hinings 1993). Yet, some approaches perform significantly worse than others. The finding that “No KAM” companies are behind on all performance dimensions represents the most comprehensive empirical demonstration so far that suppliers benefit from managing their key accounts. The similarly mediocre performance of “Isolated KAM” indicates that half-breed approaches to KAM are likely to fail. These results suggest that failure to achieve access to and commitment of cross-functional resources seems to play a critical role for the success of KAM programs. This reinforces recent research on marketing organization that recognizes the cross-

functional dispersion of marketing activities (Workman, Homburg, and Gruner 1998).

On a general level, our work has shown that there is value in blending relationship marketing concepts and marketing organization concepts. Within our conceptual model, the actor, resources, and formalization dimensions are inspired by marketing organization research, while the activity and the outcome dimensions draw on relationship marketing research.

6.2. Avenues for Future Research

Future research should continue building the bridge between relationship marketing concepts and marketing organization concepts. One possible avenue could be to empirically link the KAM approaches identified in this paper to relationship types (Cannon and Perreault 1999). In designing these empirical studies, the existence of non-formalized KAM approaches should be carefully considered.

Future empirical designs should also seek to overcome some of the limitations of this paper. One limitation stems from the static design of our study. As research by Pardo, Salle, and Spencer (1995) has shown, key account approaches evolve over time. Future research should also capture the dynamic performance effects of KAM. As Kalwani and Narayandas (1995) have shown, the beneficial outcomes of customer-oriented activities appear with a certain delay. Another limitation of our paper is the use of a single informant design focusing on one side of the seller-buyer dyad. Future studies should also take the key accounts' perspective into consideration. This is particularly important when analyzing the outcomes of key account management. One way to extend our examination of outcomes would be to differentiate the performance impacts of individual KAM dimensions. In this context, the effect of KAM level outcomes on organization level outcomes should be explored as well.

Another open issue is the effect of the environment on KAM dimensions. The literature has claimed that the formation of key account programs is influenced by characteristics of buyers and of the market environment, such as purchasing centralization, purchasing complexity, demand concentration, and competitive intensity (Boles, Johnston, and Gardner 1999; Stevenson 1980). Yet rigorous empirical research linking multiple environmental dimensions to multiple KAM dimensions is still lacking.

6.3. Managerial Implications

One of the most fundamental managerial tasks is designing the internal organization. These design decisions are typically taken on the level of the organization rather than the level of individual accounts. Thus, the organizational perspective adopted in this research has particular appeal to top executives.

The key message to managers is not to take a “laissez-faire approach” to KAM. Given that the “No KAM” option is markedly less successful than other approaches, our results clearly call managers to actively manage key accounts. The fact that there are significant performance differences between the more actively managed approaches demonstrates that it is important to think consciously about how to design the approach in detail. Our work also shows that KAM requires support from the whole organization. Therefore, top managers should not leave the design of the KAM approach to the sales organization.

The conceptualization of KAM developed in this paper provides managers with a systematic way to think through designing the KAM approach. As Day and Montgomery (1999, p. 12) note, “conceptual frameworks, typologies, and metaphors that are the precursors to actual theory building” provide valuable guidelines for managers. Managers should work through four questions: (1) What should be done for key accounts?, (2) Who should do it?, (3) With whom is cooperation in the organization needed?, (4) How formalized should the KAM approach be? We particularly emphasize that managing key accounts does not necessarily require setting up a formal key account program.

The taxonomy developed in this paper further supports managers in designing their KAM. Managers can categorize their own company’s approach based on the prototypical implementation forms identified. Based on the taxonomy, they can discover neglected design areas and develop alternative designs.

7. Conclusion

KAM is a highly relevant issue for marketing and sales managers. In addition, it is a highly interesting area for academic research, as it builds a bridge between marketing organization and relationship marketing. Thus, the lack of sound academic research in this area is surprising. This

paper provides the basis for future research through contributing an integrative conceptualization of KAM. It also fills a gap in knowledge about how firms actually design their approach to key accounts. Finally, it shows that actively managing key accounts leads to significantly better performance than neglecting them.

8. Appendix

Scale Items for Theoretical Measures

Construct	Items	Composite Reliability / Coefficient Alpha
<i>Activity Intensity</i> (reflective scale, scored on 7-point scale with anchors 1=not more than for average accounts and 7=far more than for average)	Compared to average accounts, to what extent do you do MORE in these areas for key accounts? <ul style="list-style-type: none"> • Product-related activities (e.g., product adaptation, new product development, technology exchange) • Service-related activities (e.g., training, advice, trouble shooting, guarantees) • Price-related activities (e.g., special pricing terms, corporate-wide price terms, offering of financing solutions, revelation of own cost structure) • Distribution and logistics activities (e.g., logistics and production processes, quality programs, placement of own employees in account's facilities, taking over business processes from customer) • Information sharing (e.g., sharing of strategy and market research, joint production plans, adaptation of information systems, access to top management) • Promotion activities to final customers (e.g., joint advertising and promotion programs to help the account sell your products) 	.75 / .71
<i>Activity Proactiveness</i> (formative scale, scored on 7-point scale with anchors 1 = not more than for average changes and 7 = far more than for average)	Do the activities in these areas derive more from customer initiative or more from your own initiative? (<i>items equivalent to activity intensity</i>)	
<i>Top Management Involvement</i> (reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)	Within our organization... <ul style="list-style-type: none"> • ... even small matters related to key accounts have to be referred to someone higher up for a final decision. • ... very few decisions related to key accounts are made without the involvement of senior managers. • ... top management often deals with key account management. 	.64 / .62
<i>Use of Teams</i> (reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)	Within our organization... <ul style="list-style-type: none"> • ... when there is a problem related to our key account relationships, a group is brought in to solve it. • ... key account related decisions are made by teams. • ... we have teams that plan and coordinate activities for key accounts. 	.85 / .82
<i>Selling Center Esprit de Corps</i> (adapted from Jaworski and Kohli 1993; reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)	People involved in the management of a key account... <ul style="list-style-type: none"> • ... are genuinely concerned about the needs and problems of each other. • ... have a team spirit which pervades all ranks involved. • ... feel like they are part of a big family. • ... feel they are "in it together." • (... lack an "esprit de corps." R) • (... view themselves as independent individuals who have to tolerate others around them. R) 	.92 / .90
<i>Access to Marketing and sales Resources</i> (reflective scale, scored on 7-point scale with anchors 1=very difficult and 7=very easy)	How easy is it for the key account coordinator to obtain needed contributions for key accounts from these groups? <ul style="list-style-type: none"> • Field sales • Customer service • Product management 	.75 / .69

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<p><i>Access to Non-Marketing and sales Resources</i> (reflective scale, scored on 7-point scale with anchors 1=very difficult and 7=very easy)</p>	<p>How easy is it for the key account coordinator to obtain needed contributions for key accounts from these groups?</p> <ul style="list-style-type: none"> • Research & development • Manufacturing • Logistics • Finance/accounting • Information technology • General management 	.85 / .81
<p><i>Approach Formalization</i> (reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)</p>	<p>Please indicate the extent to which you agree with the following statements.</p> <ul style="list-style-type: none"> • We have established criteria for selecting key accounts. • Within our organization, formal internal communication channels are followed when working on key accounts. • To coordinate the parts of our organization working with key accounts, standard operating procedures have been established. • We have put a lot of thought into developing guidelines for working with our key accounts. 	.87 / .84
<p><i>KAM-Effectiveness</i> (reflective scale, scored on 7-point scale with anchors 1=very poor, 4=about the same, and 7=excellent)</p>	<p>Compared to your average accounts, how does your organization perform with key accounts with respect to...</p> <ul style="list-style-type: none"> • ... achieving mutual trust. • ... achieving information sharing. • ... achieving a reputation of fairness. • ... achieving investments into the relationship. • ... maintaining long-term relationships. • ... reducing conflicts. • ... meeting sales targets and objectives. • (... making sales of those products with the highest margins.) • (... making sales from multiple product divisions.) 	.88 / .85
<p><i>Performance in the Market</i> (reflective scale, scored on 7-point scale with anchors 1=very poor, 4=about the same, and 7=excellent)</p>	<p>Relative to your competitors, how has your organization, over the last three years, performed with respect to...</p> <ul style="list-style-type: none"> • achieving customer satisfaction • providing value for customers • attaining desired growth • securing desired market share • successfully introducing new products • keeping current customers • attracting new customers 	.88 / .85
<p><i>Adaptiveness</i> (reflective scale, scored on 7-point scale with anchors 1=not more than for average accounts and 7=far more than for average)</p>	<p>Relative to your competitors, how has your organization, over the last three years, performed with respect to...</p> <ul style="list-style-type: none"> • adapting to changes in the business environment of your company • adapting to changes in competitors' marketing strategies • adapting your products quickly to the changing needs of customers • reacting quickly to new market threats • exploiting quickly new market opportunities 	.86 / .84
<p><i>Profitability</i> (interval item with 10 levels of variable provided)</p>	<p>What was your company's average pre-tax profit margin over the last three years? 1=negative; 2=0-2%, 3=2-4%, 4=4-6%, 5=6-8%, 6=8-10%, 7=10-12%, 8=12-16%, 9=16-20%, 10=more than 20%</p>	
<p><i>Competitive Intensity</i> (adapted from Jaworski and Kohli 1993; reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)</p>	<p>Please indicate the extent to which you agree with the following statements.</p> <ul style="list-style-type: none"> • Competition in our industry is cutthroat. • There are many "promotion wars" in our industry. • Anything that one competitor can offer, others can match readily. • Price competition is a hallmark of our industry. • One hears of a new competitive move almost every day. • (Our competitors are relatively weak. R) 	.82 / .81
<p><i>Market Dynamism</i> (adapted from Jaworski and Kohli 1993; reflective scale, scored on 7-point scale with anchors 1=strongly disagree and 7=strongly agree)</p>	<p>Please indicate the extent to which you agree with the following statements.</p> <ul style="list-style-type: none"> • In our kind of business, customers' product preferences change quite a bit over time. • Our customers tend to look for new products all the time. • We are witnessing demand for our products and services from customers who never bought them before. • New customers tend to have product-related needs that are different from those of our existing customers. • (We cater to many of the same customers that we used to in the past. R) 	.65 / .61

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