

## IS GLOBAL ACCOUNT MANAGEMENT REALLY NECESSARY?



*“Global Account Management? That’s just Key Account Management with time zones...”*

Yes, I’ve heard it said, and if you’ve heard it said in your company, particularly if it was at the top, then watch out for trouble.

By Peter Cheverton

Not only is this so very clearly the comment of someone who has never tried it, but as an underestimation of the task ahead it ranks alongside the notion that flying is just walking, with wings.

While based on similar processes and tools, the challenges of Global Account Management (GAM) go far beyond those of nationally based Key Account Management (KAM). Figure 1 indicates some of those additional challenges.

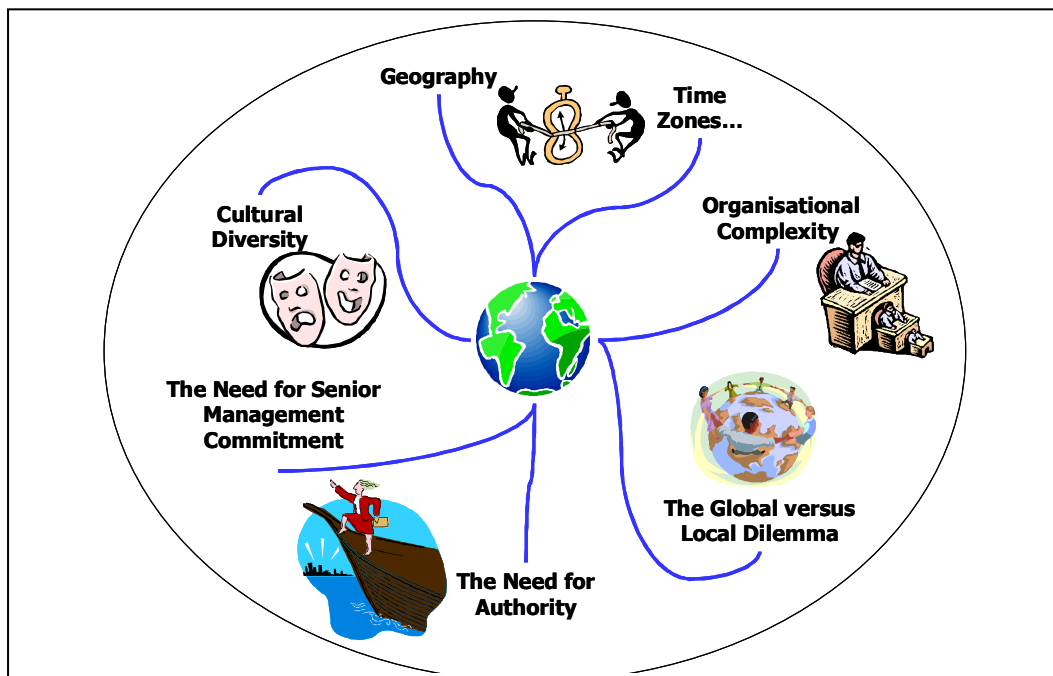


Figure 1 The challenge of Global Account Management

Geography and time zones apart, there is the organisational and structural complexity of GAM. The suppliers nationally based organisations are very likely built the way they are for very good reason: meeting local needs, not global ones.

Following on from that, the behaviour forming performance measures and rewards are also based on national structures, and for the same good local reasons.

You may wish to get it right for the customer globally, but what if that compromises the strengths and advantages of the local relationship? This is the classic ‘global versus local’ dilemma.

The GA Manager will need a significant level of authority to work across functions, businesses and territories; a level of authority that senior management may not be willing to grant.

Without commitment from senior management all but the simplest ambitions for GAM will come to nothing, but this isn’t just one senior management team, this involves the alignment of multiple (and sometimes competing) senior management teams.

On top of all of this comes the inevitable complexities of cultural diversity – the supplier’s and the customer’s. While in the end, harnessing such diversity can prove to be strength, it rarely seems that way at the outset.

It becomes clear why taking on the global challenge may prove to be one of the most testing things that your business undertakes; it will certainly occupy large amounts of your time, and it may cost you more than you had ever imagined. This is not something to be entered into lightly.

So why do it?

We hear so much talk of the shrinking world, and of the global village in which we are said to live, that to talk of global customers seems an obvious development. To suggest that in fact they are a very rare phenomena may sound like a kind of heresy against the ideas of modern business practice, but such is the case. Worse than this, too many businesses put themselves through an unnecessary change process (wasting more time and money than on any other venture) simply because they have misjudged the global nature of their customers.

If the customer is genuinely global then GAM is a must, but let’s get one thing clear; simply because a customer operates in more than one country is no evidence of their global credentials. Nor is it the number of countries that determines their globality.

So what is the proper definition of ‘global’ in this sense? Getting this right could save you and your business a great deal of time, money, and frustration.

## TRULY GLOBAL, OR JUST PLAIN INTERNATIONAL?

Let’s begin with a simpler definition: the ‘international’ customer. International simply means that they operate in more than one country; it is about geographical presence. You will doubtless have plenty of customers that fit that bill, and big ones into the bargain. Described as such, there is no burning reason why you should aim to manage these customer relationships in any way other than nationally. Perhaps you sell to them in some countries, and not in others: does that matter? Perhaps you regard them as a Key Account in one country, but just as an ordinary customer in another, or perhaps even as a nuisance customer: does that matter? Perhaps your offer is based on value and close collaboration in one country, but is a straight transactional ‘price for volume’ arrangement in another: does that matter? If these things *do* matter, because they matter *to the customer*, then perhaps this is something more than a ‘plain international’ customer, and we have the makings of a truly global customer.

‘Global’ implies something far more significant than geographical presence. Ask yourself, does this customer’s activities effectively ‘shrink the world’? Do the ways in which they behave act to preserve or bolster national or regional boundaries, or do they render such things old-fashioned, even meaningless?

There are three important tests that you should apply to any ‘international’ customer, before defining them as ‘global’:

1. Do they have needs that are consistent across different countries, and that require globally consistent solutions, measured by globally consistent standards?
2. Do they have a global structure at some relevant operational level? For most suppliers this will mean that the customer has a global procurement operation, but depending on the nature of your offer, a global structure in the customer’s R&D, Manufacturing, Engineering, Operations, Legal, Finance, or Sales & Marketing organisation (or any other for that matter) might be equally relevant.
3. Do they have, and demonstrate, the ability to implement global decisions (and in particular, supplier agreements)?

The first test is to do with the opportunity: is this customer worth pursuing in a global way? There can be significant economies of scale for both customer and supplier if this condition is met.

Case study 1

Suppliers of raw materials to the pharmaceutical industry often enjoy the protective benefit of something called 'good manufacturing practice' (GMP). It means that tough standards are set for their manufacturing processes, but once achieved they are likely to find themselves tied in to supply contracts for some time, and very likely on a global basis. GMP demands strict uniformity and consistency, and those suppliers that can provide this, and on a global level, will be valued by their customers.

End case study 1

The second test is to do with practicalities, not to say realities: is there an organisational structure that you can interact with? Without such a structure, your way ahead will be marked by frustration after frustration as the brilliance of your 'global solution' falls on deaf ears; the ears of those concerned only with their own neck of the woods.

Case study 2

In the case of the raw materials suppliers to the pharmaceutical industry the structure will exist in most cases through a global purchasing function, and yet we will see later in this chapter another case where a supplier of services to the very same industry found that there was no such global structure for them to work alongside. This comparison makes an important point; defining customers as global or otherwise has to be based on your own circumstances and your own offer.

It might be said that of pharmaceutical firms Pfizer is one of the more centralised, displaying many of the traits of a truly global business, while GlaxoSmithKline appears a much more federally run business, almost a 'plain international' with a good deal more independence granted at local operating levels. It might be said: but if that isn't the case in your own particular experience then don't rely on general observations, go with what you know to be the case.

End case study 2

The third test is a vital one, and is to do with your reward. It is all too easy to make agreements globally – it really is – particularly when they involve suppliers trading discounts for global arrangements or listings. It is so very much harder to ensure that these arrangements are enforced in each and every location. Indeed, it is not unknown for buyers to go laughing all the way to the bank after agreeing such deals, knowing all too well that there is little or no chance of the suppliers getting their side of the bargain. The buyer perhaps has no intention of policing the agreement; it is not their job.

### *The global hunting licence*

The danger for the supplier in such deals is clear; all they have gained is a global ‘hunting licence’.

Isn't that better than no hunting licence? Maybe not, if you consider at what cost this licence has been won. The supplier has almost certainly given something extra for the global deal (let's say it was a 5% discount, and extended credit), and yet it now has to do locally what it would have had to have done anyway without such a deal: make it happen. Perhaps if it had pursued the opportunity locally in the first place it might have secured the same ends, and at better terms? Perhaps in some localities it might rightly have avoided giving some unnecessary service, or perhaps it could have avoided incurring some unrewarded expense; but now there is a global standard. Perhaps.... there are a dozen such ‘perhaps’ in this scenario, and most of them deeply unsatisfactory.

### **TIMING YOUR GLOBAL RESPONSE – HANDLING THE ‘WOULD-BE GLOBALS’**

So, before exposing your business to the significant demands of Global Account Management, it is vital to assess the *true* globality of your customers. At any given moment in time you will probably be able to place them along a spectrum stretching from plain international to truly global as shown in Figure 2.

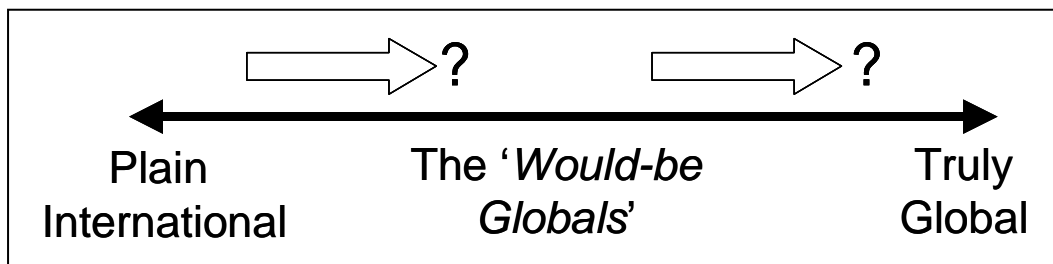


Figure 2 The 'international/global' spectrum

It is relatively easy to do this 'at any moment in time', but what really matters is the direction in which they are moving, and how quickly, because *that* should determine your response. The two extremes of the spectrum are straightforward enough, and the required response likely to be clear.

The truly global, as defined, have probably been so for some time and they are letting you know it in no uncertain terms. For these, if you haven't already, you had best start to bite the bullet, and quickly, before they become terminally frustrated with your fragmented silo mentality and your hopelessly national structures.

At the other end are those that remain stolidly international and look to remain that way for some time yet. For these you should almost certainly put aside the challenge of GAM; it is unnecessary, and its practice would be artificial, almost certainly causing you more trouble than good.

The difficult ones are those customers that lie somewhere in-between. To leap into a full-blooded GAM approach with such 'would-be global' customers could perhaps be inappropriate right now (more trouble than good again), and yet to label them as 'plain international' might be to consign yourself to missing a very important boat. At best you will be throwing away an opportunity, and at worst you risk disregarding the customer's true aspirations, and we all know where that one will lead.

#### BEYOND BUYERS, AND BEYOND SELLERS... LOOKING FOR VALUE

It is surprising how little some sales professionals know about the activities of their colleagues. They too often tend to think of global customers in terms of their own relationship with the buying department. The fact that other functions may have been

operating globally for many years can escape them, and to the detriment of the whole business.

Global contact between R&D functions is increasingly common, as it is between engineers, technicians, and other specialists. In fact, it becomes clear that operating globally is often much easier on a scientific or technical level, than on a commercial level. Engineering solutions can find a common level across the globe in a way that pricing or promotional solutions will struggle to replicate.

Of course, global relationships can develop between supplier and customer in any function without there necessarily being any call for Global Account Management. The point at which such relationships should spark a call for GAM is when they result in value being delivered by the supplier and received by the customer. Once there is value there is the question of reward, and that should bring us swiftly to considerations of GAM.

## READING THE SIGNS

There are certain factors that tend to move businesses towards true globality:

- ◆ Businesses faced by global customers tend towards globality
- ◆ Businesses that seek cost reductions through ever increasing scale will tend towards globality
- ◆ Truly global brands provide many economies of scale, and businesses dependent on their brands for success will have a tendency towards globality. Of course, this is only the case where the values that underpin those brands are communicable across national boundaries
- ◆ Businesses dependent on cutting edge technology (their own) will have a tendency towards globality. The pressure to stay ahead forces such a business to ever broaden its horizons, looking for new ideas, and looking for new competitors. At the same time, their solutions tend to have global applicability

Then there are the factors that influence a business to shy away from globality: laws, customs, traditions, culture and tastes are high on this list, the last two explaining why there are so few truly global food retailers (that's 'global' remember, not 'plain international', of who there are many).

IF IT DON'T FIT, DON'T FORCE IT....

Judging the customer's position and aspirations is just the start; you must also be aware of your own capability to manage a global relationship and to deliver a truly global offer. It takes time to become global, for suppliers just as for customers. Figure 3 considers the closeness of fit between the customer's global ambitions and the supplier's global capability, suggesting the kind of actions that might be required, and in what direction.

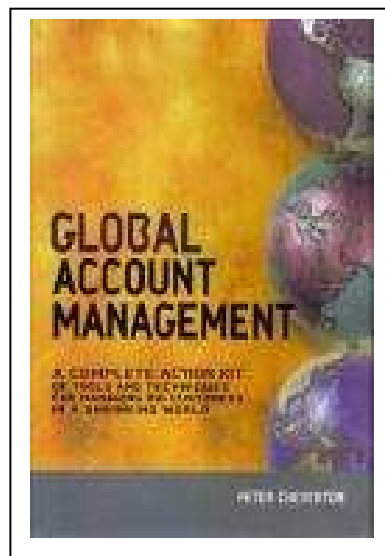
Your capability (as the supplier)	Global	Don't Force It	Help them to become global	The ideal fit
	National	Stick with KAM	Develop your global capability	Potentially losing out
		International	Would-be global	Global
		<b>Their reality (as the customer)</b>		

Don't let your own global capability lead you to presume the same is true for your customer, or worse, cause you to push them into global behaviours that they do not seek for themselves. I hardly need say where this will lead.

But equally, don't allow your own global inadequacies to lead you in the direction of denial or postponement. Claiming that you will of course behave globally, but only as and when your customers become truly global, may save you a good deal of unnecessary effort and expense, but where will such a 'keep up' strategy land you if the customer's move to globality outpaces yours? Indeed it is very likely that it will, given the differences between being a global customer and a global supplier.

It's a tricky balance and the best advice can only be – keep your eyes and ears open. Look for the clues that suggest movements toward true global behaviours from your customers, and aim to be a step ahead of them, ready to match their new requirements as they appear. This way you can help the customer to develop their own global capabilities, without forcing them, and without lagging behind – a fine line indeed, but if navigated successfully the results will be a significant source of competitive advantage.

*Peter Cheverton is a Director of INSIGHT Marketing and People Ltd, a global training and consultancy firm specialising in Global and Key Account Management. He is the author of **Global Account Management**, published by Kogan Page. He can be contacted at: [customer.service@insight-mp.com](mailto:customer.service@insight-mp.com)*



Please see Publications page of website to purchase this and other books by Peter.