

Chapter 6.16

Global Account Management (GAM): Creating Companywide and Worldwide Relationships to Global Customers

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ABSTRACT

Global account management (GAM) has become a critical issue for many multinational corporations that compete in a fast changing global market environment. In this article, we approach GAM from a benchlearning perspective, synthesize selected literature and examine an award winning case study in order to underline the importance of multilevel relationships in strategic business-to-business relationships. The purpose of this study is to address various issues related to multilevel relationships in strategic partnerships (e.g. the recruitment of the global account manager and his supporting team, turf wars and compensation)

and suggest organisational solutions based on best-practice examples.

INTRODUCTION

Managing major international customers on the modern business-to-business markets has become a complex and most challenging task that goes beyond simple advertising and salesperson business relationships. International economic developments have recently caused a major power shift in favour of multinational customers, who are now more influential than ever before in relation to their suppliers (Mc Neill, 2005; Shi et al., 2005).

From a supplier's point of view, multinational companies (MNCs) have always been highly profitable but also very demanding customers.

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They often choose suppliers that understand their specific needs and offer solutions on a global basis (Parvatiyar & Gruen, 2002). The consolidation pressure in many industries has created a situation in which fewer, larger and more complex customers demand special value-adding activities (e.g. joint product development) from their key suppliers worldwide.

During the past decade suppliers have witnessed a fast growing performance expectance of their major customers. The internationalisation of the markets, fast changing technologies (shorter product life cycles), economies of scale and high product development costs have become highly relevant issues for the multinational companies (MNC) (Atanasova, 2007). Various single- and multi-sourcing strategies have been developed and implemented by the majority of the MNC.

In certain cases regulation, global consistency or compatibility, central specification, quality control and high margins can increase the bargaining power of a single global supplier (Yip & Bink, 2007b). Multi-sourcing is the most common reaction of multinational corporations, however once this strategy has been implemented, it can prove to be a highly challenging task to shift back to single sourcing. Major customers and their international suppliers are therefore looking for alternative and innovative solutions that have the potential to solve the challenges of the coming decades.

But the current situation of major suppliers is even more challenging than it seems at first sight. In most of the industries it has proven to be impossible to defend a huge market share of a highly profitable market in the long run. On the majority of their home markets major corporations experience that strategies and organizational structures that once worked for serving clients on a local level are no longer efficient when there are 50 or 100 local companies competing against each other (Thoma & Senn, 2007). As a reaction the major suppliers started shifting resources from regional and national operations to global account management (Homburg & Pflesser, 2000), lever-

aging resources across countries, standardising products, services and processes and purchasing on a global scale (Hennessey & Jeannet, 2003). They changed their “touching point” approach on key customers and replaced the traditional salesperson by specialized selling teams coordinated by technology and communications and targeting specialized market(s) (McNeill, 2005).

It has always been a challenging task for suppliers to maintain a business relationship with a major customer across an entire country. Only major suppliers can cope with the challenges of a nationwide acting customer. The ability to build and sustain a professional business relationship with customers spread across the world is what separates the good from the great. Tomorrow’s global suppliers are expected to deal with this particular challenge in a highly effective and professional way. The most efficient way to handle these issues in the long run seems to be a successful implementation of global account management (GAM).

GAM programmes represent a shift in the mentality of the major international suppliers towards a more customer centric approach. Therefore they are based on a change of the relation with the customer. At the same time, the challenges faced by the customer have also significantly changed his expectations. Suppliers are suddenly confronted with a new type of customers with “unfamiliar” expectations. The following figure shows the difference between old- and the new-fashioned buyers (customers).

GAM programmes are suited for almost any international strategic business partnership. However GAM programs are developed on top of existing national sales organizations, and always create higher costs. The prime candidates for GAM implementation are businesses that have comfortable profit margins, global consistent/compatible products/services that meet complex specifications across borders. Computers, process controls and global fuelling contracts or value-added commodities such as specialty chemicals,

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