Cranfield UNIVERSITY
School of Management

TRANSITIONING TO KEY ACCOUNT MANAGEMENT

How to get your organisation from where it is to where it ought to be on KAM

A GUIDE FOR PRACTITIONERS

Transitioning to KAM Syndicate
Cranfield School of Management Key Account Management Best Practice Research Club

Diana Woodburn
August 2006

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1. Introduction

Over a period of years, Cranfield has built up a picture of what key account management (KAM) looks like and how it works, through research, through the activities of its KAM Best Practice Research Club, through conference speakers, and through its development and consultancy engagements with national, European and global organisations. Practitioners have been keen to learn about KAM but, increasingly, they were asking how their organisations could achieve the capability in KAM which they sought.

As a result, a group of practitioners from blue-chip members of the KAM Best Practice Research Club decided to explore the challenge. Their organisations were at different points in the process of installing KAM; some at a very early stage, and others much farther down the track, but recognising that they had not yet achieved the point at which KAM was 'the way we do things around here'.

The work of the group, facilitated by the author, has been developed and summarised in this document, in order that other companies can better (and sooner) understand the process that they need to follow to achieve their goal of a high quality KAM capability if, indeed, that is what they desire. If senior management could see the whole journey from the outset, it would either strengthen or destroy their resolve in KAM, but at least they should avoid the 'corporate wobble' that undermines and compromises KAM initiatives quite frequently.

The approach described here is a mix of what ought to happen and what does happen in reality. Without any experience at all, an idealised process could be listed which would start with the decision and commitment of senior management, and then proceed logically to make the changes necessary to match the vision of what KAM should finally look like in the organisation. The group agreed that KAM never did and never would arrive in that way.

At the same time, the group did not want to lead aspiring companies astray by appearing to suggest that they should follow the mistakes that they had made, so where elements had not been right and could reasonably have been executed better or at a different point, then the learning has been included in this output. While the course of KAM development will undoubtedly be different in each organisation, it is hoped that this document will:

- help suppliers or providers to understand in advance the probable progress of the initiative
- provide a checklist of what needs to be done or considered at each stage
- provide an audit framework to map the organisation's position on the development path.

KAM initiatives are often dogged by certain recurring and controversial issues, such as the position of selling in the role, and investment in customers. The group's work on these topics is included here, since KAM champions will undoubtedly encounter them.

2. Common issues in KAM development

2.1 Drivers of KAM

Organisations rarely make the effort to adopt KAM unless there is some kind of powerful driver behind it. Most often, it appears to be triggered by a particular event. However, often that event is a symptom of an underlying trend or need that has not gained credibility or urgency until the event drew attention to it.

Quite frequently, organisations contain a champion for KAM who has observed an opportunity or a worrying trend, and is convinced that KAM is the route to dealing with it, but has not gained the attention and support of the company to take action. Such champions often grasp an untoward event and wield it as a sharp stick to goad their companies into action. An event can be the loss of a major contract, a public brawl between companies or other adverse publicity, or unexpectedly bad results, or a variety of other unfortunate circumstances.

Drivers for KAM may be divided into those that are positive or negative, and also originate from inside or outside the organisation. While it seems that the most powerful drivers are often the negative ones, particularly the external drivers, there are also positive drivers that may be leveraged to promote the initiative or to make it possible. Figure 1 shows some typical drivers.

Figure 1: Drivers of KAM

	Internal	External
Positive	• Desire for growth • Capitalising on broad offering • Multiple channels to same customers • Fashionable/useful bandwagon? • Better MIS systems	• Customer demand - one company, less time, spent better • Customer demand for strategic partnership • Globalising/cross-boundary customers
Negative	• Pressure on margins • Pressure on resource • Organisational change/low internal cohesion • Need for cover for failing offer	• Mature market • Embarrassment in the marketplace • Customer loss/ potential loss/pre-loss feedback

At an early stage, KAM champions should identify the particular drivers working for them, and decide how they can best be employed.

2.2 Defining KAM for the organisation

At the beginning, the supplier organisation will have either no concept or understanding of KAM, or will contain several different interpretations of it. In particular, senior management support and engagement must be gained for sustainable KAM:

- for cross-functional support
- for major change
- for serious investment

The hearts and minds of senior management will have to be won over, but to what? KAM champions are often not entirely frank with senior management in explaining what KAM is. As their conviction that KAM is right for their organisation grows (obviously, they fall out if it does not), they are also likely to learn the extent of the changes required eventually. Quite frequently, they describe an intermediate, transition stage of KAM, in order not to alarm senior managers and generate an adverse reaction. If the CEO or Director is also the KAM champion, this strategy may not be necessary, but often it is not so.

Really, the KAM champion or core team will need to:

- articulate what KAM is and how it differs from existing approaches
- agree KAM's priority v other initiatives
- specify the effort and supporting action required from senior managers.

Table 1 seeks to describe KAM by listing what it is through its purpose and requirements, and also listing misconceptions in terms of what it is not.

Table 1: Description of KAM

KAM is ...	KAM is not ....
• Tool to grow business • Tool to maintain business • Aligning the customer with our strategy • Increasing contact points for customer retention • Contingency plan for loss • Cross-silo • Structured approach • More focused on the customer • New & joint opportunity identification • Adding value to the customer • Innovation • Investment	• Magic wand • Cure-all for problems • Reactive • Customer 'liking' e.g old boys' club • Automated system or process, or off-the-shelf • Regular sales process • Free

Suppliers really need to understand that key customers expect innovation in a strategic relationship, which is one of the elements that will require investment. Indeed, investment is probably the most important difference between account management, which many companies already have, and key account management. Investment in KAM implies funding the customer relationship over and above the on-going cost to serve, where there is no direct or immediate recovery of costs. Suppliers are often uncomfortable with the idea of investing n customers, even when they are doing it, but if they will not invest, there will be an impact on development of the relationship. Indeed, being prepared to invest in customer relationship is a key indicator of KAM.

After all, investing implies that such funding has a return. Investment would involve spending on things like extra people on the account; specific market development; customisation; and IT systems, e.g. an extranet. Entertainment expenses and normal sales attention do not qualify as investment in a customer, and anything that is funded specifically by the customer is effectively bought by them, so costs of any such items or projects should not be considered as investment either.

2.3 Defining KAM by activity

KAM may be defined, as above, at the level of the organisation. It may also usefully be defined at the key account manager level, in terms of how their time is spent. How people spend their time gives a very good indication of what they think is important and what they believe they should be doing. Table 2 shows the breakdown that the practitioner group thought appropriate for the job, alongside the breakdown as they believe it is currently in their companies. The results are probably symptomatic of organisations that have introduced KAM but do not yet have it fully embedded. As such, it is a useful indication of what behaviour deviations are to be expected (and addressed).

TABLE 2: What key account managers do and do not do

Key Account Manager Activity	**Should be**	**Actual, as is**
Developing relationships	20%	25%
Implementing and motivating the deal operationally	***15%***	***25-30%***
Developing industry knowledge/ understanding strategy/planning	***5 -15%***	***0%***
Selling/achieving sales result, bid sign-off	***5-10%***	***30-50%***
Internal alignment for deal commercially	5-10%	0-15%
Internal day-to-day problem solving	***5%***	***15%***
Internal understanding of capability	5%	0%
Promoting brand/business	5%	0%
Reporting/providing information	5%	0-10%
Training and education	5%	0-5%
Team management	5%	0%
Other	10%	?
Total (of mid-points of ranges)	**100%**	**113%**

NB Italics denotes activities where time spent differs by 10% or more.

This breakdown suggests that:

- Key account management involves a wide range of activities (which implies a wider range of competencies)
- Key account managers are missing out some of their role altogether, and spending more time on fewer activities
- Of the top 5 activities they should be working on, 3 are seriously mismatched in terms of the way time is spent currently
- About the right amount of time is spent on 'Developing relationships' (20-25%) and 'Internal alignment for the deal commercially' (5-10%)
- Currently key account managers spend a third to a half of their time on 'Selling', about 5 times what is required, and on 'Implementing and motivating the deal operationally', about twice the requirement
- Key account managers spend no significant amount of time on 'Industry knowledge/understanding strategy/planning', which is third on the list of activities they should be doing.

When developing the job specification for key account managers, which is an important part of the KAM initiative, perhaps a time breakdown should be agreed and communicated to key account managers, as it should be a way of clearly indicating how the organisation wants the role to be fulfilled.

An indicative time allocation should also point to any misalignment with reward systems: for example, it is illogical to incentivise sales if selling is 5-10% of the job. Disagreement over the emphasis on selling, indeed, whether it is seen as an issue at all by some people in the company, can be a major problem, which is considered in the next section.

2.4 Positioning selling in KAM

KAM is seen by many as a sales job, and the people recruited for it mostly have sales backgrounds. However, practitioners feel that only 5-10% of a key account manager's time should be spent on selling (see the previous section for a full time/activity breakdown), if selling is defined as managing the sales cycle, achieving a sales result, pitching or gaining bid sign-offs. Selling may be defined as the 'end activities' i.e. converting opportunities to wins, rather than preparatory activities like scoping and creating differentiation. It certainly is an important element of the KAM job, but only one of several.

But it seems that 30-50% of time spent on selling is more common, making serious inroads into the time that should be spent on KAM activities. It is therefore vital to tackle the positioning of selling at an early stage, or the key account managers themselves and their line management are likely to revert to familiar behaviour and frustrate any chance of change.

Understanding what drives people to revert to selling rather than KAM action helps to identify important elements that should be planned and implemented at an early stage of transitioning to KAM. Table 3 lists drivers of selling and some of the responses to mitigate over-activity in selling.

Table 3: Responding to excessive selling activity

Drivers of selling activity	**Possible responses**
Business focus on bottom line	Develop good quality strategic plans and forecasts for each customer. Introduce measurement to track progress. Develop contingency plan with non-key customers for short-tem business shortfalls. Reiterate long-term business objectives and strategies
Reward systems	Change compensation structure to more basic/ less bonus, longer-term, team-based rewards
People like it - feel successful	Define the KAM role and what KAM success looks like and celebrate KAM achievements
Security and familiarity	Train people to develop new skills
Confidence in outcomes	Communicate successes of KAM approach and failings of sales approach for key customers, from internal and external cases

No doubt, it is the short-term business focus on the bottom line that governs the reward system, which is probably the strongest of these drivers. So many companies are nervous about changing the approach to sales bonuses that they have used for years. However, if a change in behaviour is genuinely required, then the reward system must change. Most schemes have been devised to increase selling activity, so it should not be a surprise if that is what suppliers get as long as that kind of scheme is in place. The issue should be debated thoroughly at an early stage in transitioning to KAM, although most companies make a series of adjustments before arriving at a final recipe.

2.5 Differentiating between account management and KAM

Frequently, the differences between account management and key account management need to be spelled out, since a common reaction is 'We're already doing it', when, in fact, the company is not applying KAM, and does not understand the main distinctions between the two, as clarified in the table below.

Table 4: Account management v KAM

Account management	**Key account management**
Managed for business as usual	Managed for growth or change
No investment or not much	Investment, in line with strategy
Coordinated overview of account	Holistic, helicopter, longer-term view
Opportunity-focused understanding	Deep understanding of customer's business
1 year plans	3-5 year complete business plans*
Requires Account Manager	Requires Key Account/ Business Manager
Works within normal organisation	Cross-boundary sharing

* not just personal plan or sales and marketing aspects.

Some stakeholders may suggest that the customers do not require KAM, because 'they have not asked for it'. Try this litmus test to see if some of the most important and pro-active of them would respond to KAM. Of course, KAM is not for all customers, so it does not matter if other customers do not want it: they do not have to take it.

Litmus test for KAM-ready customers

Are customers ...	**Answers**
1. Communicating opportunities and initiatives and involving the supplier in their strategies.	Yes/No
2. Expecting an understanding of their business: inviting the supplier to meet a wider range of people in their organisation and giving a broad range of information about their business and marketplace.	Yes/No
3. Wanting to explore joint projects involving more commitment	Yes/No
4. Wanting to talk longer term and develop strategies together	Yes/No
5. Asking for a more senior account manager with more authority and/or competence	Yes/No
6. Wanting a transparent or integrated approach and a single point of contact, dealing with them as a single entity.	Yes/No

2.6 Rate of change

Companies seem to have little appetite for the 'big bang' approach, usually owing to fears that the 'big bang' will be followed by a high profile 'big splash' as the initiative is rejected by the company (not by the customers), and its champions with it. So an 'incremental' approach to KAM, changing by gradual degrees, may seem attractive.

Table 5: Comparison of incremental and step changes to KAM

Incremental approach to change	Step change
• Cautious approach, seen as safer • Culture-dependent, matches companies with risk averse profile • Possibly partial implementation, applied in one sector • Where parent company not bought-in to KAM • Greater risk of fizzling out	• Good where powerful/ urgent driver exists • Shorter time to result • Creates urgency • Creates 'problems' • Gets to critical mass • Gets noticed, highlights need for action

Suppliers are often nervous about a full-on KAM implementation, and want to find a way of progressing gradually and testing KAM as they go along. However, the incremental approach is considered less successful than a step change for the reasons in the table above.

Even step change takes a while, so anything deliberately slowed down further is probably not even noticeable, and stands a greater risk of failure. Revolution is not recommended – few companies seem able to cope – but step change is preferred, because implementation is inevitably somewhat incremental and slower than planned.

Suppliers who are still nervous can trial KAM in one sector or part of the business, provided that they recognise that:

- the trial cannot yield results to prove whether KAM is worthwhile as a business case, because KAM is a medium/long term strategy that cannot be properly judged over a short period
- the trial is aimed at getting experience of how to execute KAM, but it may not throw up important issues, especially those caused by crossing boundaries, so it may be deficient
- trialling is fine if the suppler is not under pressure in the marketplace and can afford to wait for a sensible period before evaluating the trial and deciding how to proceed. Competitors may not be prepared to wait, however!

Suppliers can also start KAM with a few customers and roll it out to them later. Indeed, it is important that the company does not take on too many key customers when it does not really know how many it can handle. This kind of small trial runs the same risks as the incremental approach; if it fails to gain attention and gets lost, or the rest of the customers will not wait and begin to defect. Really, introducing KAM needs to be a management decision based on analysis rather than trial.

3. An outline of KAM development

3.1 Phases and periods

KAM is not adopted and achieved overnight, but many companies have unrealistic expectations of the time it will take. Suppliers will be working through four major phases before they reach the point of 'Best practice KAM':

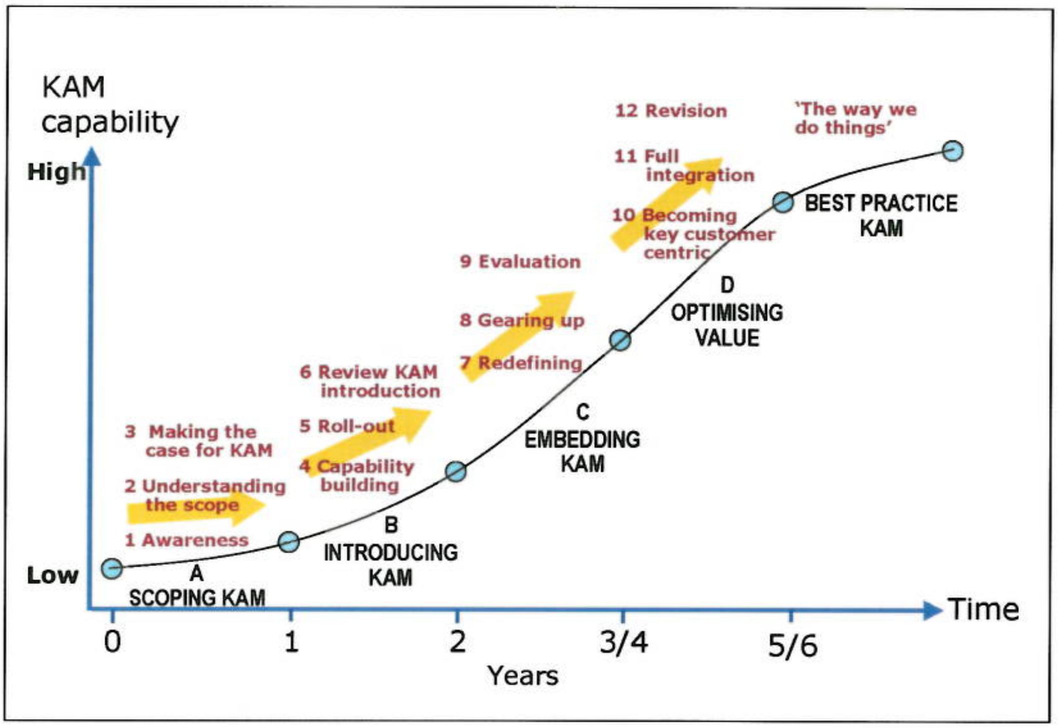
A. Scoping KAM
B. Introducing KAM
C. Embedding KAM
D. Optimising value
Best practice KAM.

This document concentrates on the path and progress that most companies would adopt in order to operate KAM, so it stops short of 'Best practice KAM', which was defined as the kind of approach that would be a beacon of exceptional achievement to other companies.

Phases A and B, which together take a company to the point of having introduced KAM - no more - normally and consistently take about two years, but can take longer. Shorter periods seem rare, so suppliers new to KAM need to adjust their expectations accordingly.

The time required for Phases C and D seems less consistent. Together, they could take a further three years if a supplier were steadfast in its determination to make progress, and understands what needs to be done. However, Phase C often takes that amount of time on its own. Indeed, many companies do not reach Phase D, Optimising value, because they are ambivalent about some of the organisational changes and power shifts that are involved.

Figure 2: Phases in transitioning to KAM



Each phase is divided into three periods which should follow on from each other chronologically. These form a valuable checklist of actions to be taken. However, there will undoubtedly be considerable overlap between the periods, so such a checklist should not be taken as 'set in stone'.

3.2 Streams of development activity

Across all KAM development phases, three coherent streams of activity are observable. Suppliers will, at most times, have some activities running that address:

- Strategy and planning
- Organisation and culture
- Processes.

Obviously, the balance of activity will differ in different phases. A heavy focus on strategy and planning would be expected at the outset, with less going on in processes at the start, with action here beginning to increase later on. Activities can be further grouped within each broad stream of action, as in Table 6.

Table 6: Activity streams in KAM development

Stream of activity	Contributory streams	Description
Strategy & planning	Goals & strategy	Vision and overall aims
	Planning & objectives	Specific planning activities and quantified forecasting
	Research	Finding out information needed
Organisation & culture	Key account managers	Changes in the role, rewards and development of and for the individual
	KAM teams and the KAM community	People consistently working on an account or the KAM programme
	The wider organisation & senior management	Addressing the rest of the company
Processes	Key account manager activities	Processes engaging individual key account managers
	Other KAM activities	Processes involving the KAM community, typically monitoring and taking an overview
	Core processes	Processes run in the rest of the organisation, not specifically for KAM

Each of the following sections includes:

- An overview of each phase
- A brief description of the periods in each phase
- Critical milestones that occur in the phase
- An action checklist that doubles as an audit framework.

3.3 Using the action checklist/audit framework

The action checklists for each phase are organised in the activity streams shown in the previous section. The checklists should help companies to plan the development of their programme, bringing to their attention elements that they may have overlooked. It should be stressed that the checklists represent good, achievable practice, rather than the impossibly idealistic. Experience suggests that KAM is not achieved in a single wave of change, but in a series of phases during which the supplier educates itself about requirement and responses, before reaching its final design. However, if a company is able to take and implement decisions earlier than expected here, then it should certainly not be deterred from doing so, as long as it is aligned and synchronised with other aspects of the programme.

The action checklist can also be used as an audit framework, so companies can assess their current position in developing a KAM programme. Using the checklist as an audit presupposes that progress can be charted by assessing to what extent KAM programme elements have been completed in each phase. It assumes that actions, once completed, are effective and in force, and not finished and set aside.

Suppliers can thus score themselves against each of these activities, on the following scale:

0 = Not done

1 = Started, something done

2 = Substantial work done, not complete as described

3 = Completed as described and effective.

All four of the audit tables should be read through before any scoring is attempted, since, in most elements, there are different levels in different phases. 'Auditors' need to get a clear idea of what level is meant if they are to allocate scores accurately.

The results should enable companies to:

- Plan future action
- Identify elements missing in their programmes, which should be included
- Identify individual elements that are lagging behind and need to be implemented
- Assess how far advanced they are in a period by comparing their total score with the maximum
- Assess how far advanced they are in a phase by comparing their total phase score with the maximum.

Clearly, this kind of audit is not scientifically accurate, but it should give some more objective indication of progress than is otherwise available. Scores can be plotted on the charts in Figures 3 and 4, to give an indication of the current position of the programme.

Figure 3: Using the audit to chart KAM programme progress by period

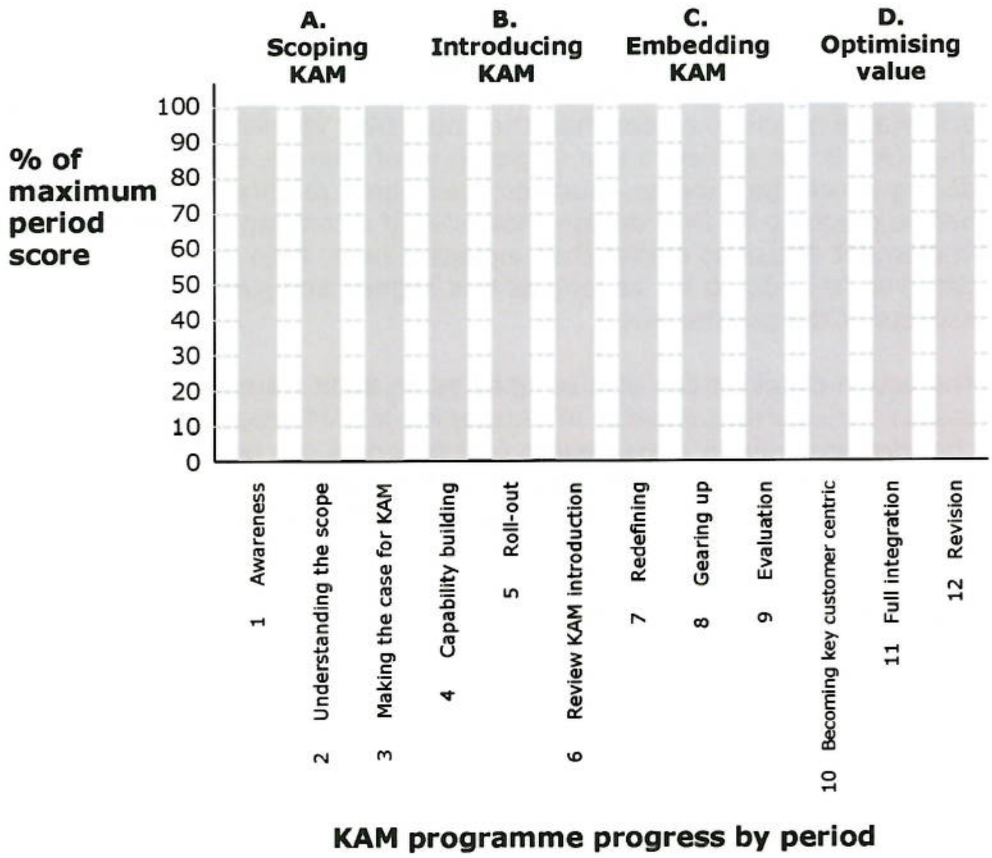
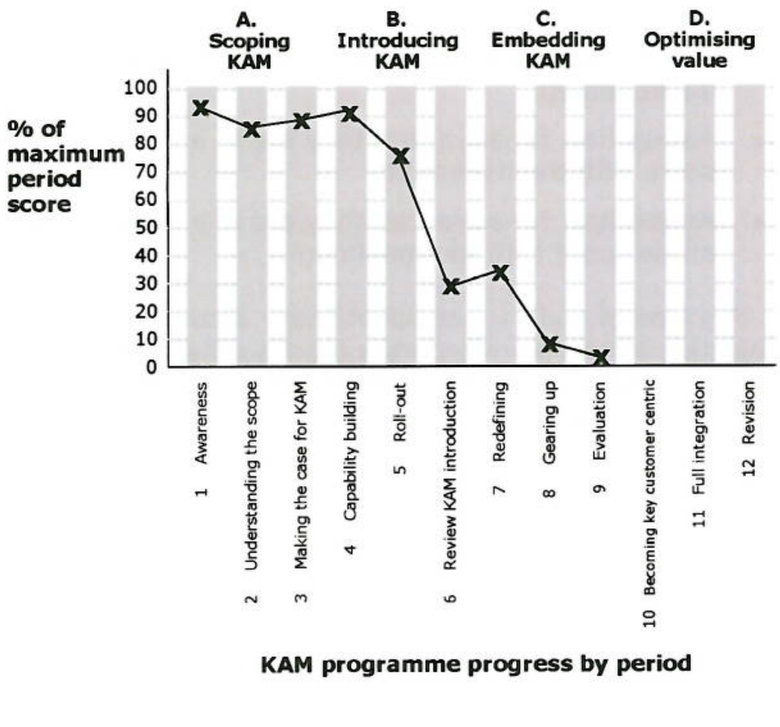


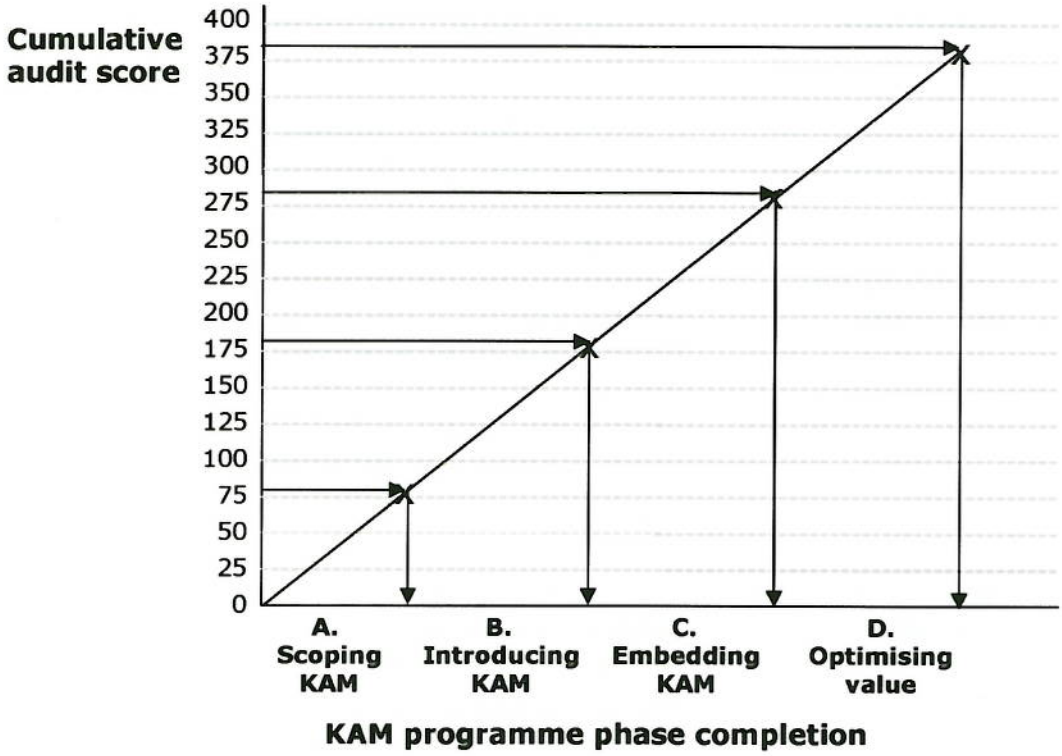
Figure 3a illustrates how suppliers can use Figure 3. It suggests that the company whose scores are shown is still in phase A Introducing KAM, but has already instituted some practices for more advanced KAM, although it has not yet completed the review of the introduction. This is not necessarily wrong, but it probably indicates a company that is strongly committed to KAM and prepared to take action to reach real KAM as quickly as possible.

Figure 3a: Example of using the audit to chart progress by period



Suppliers can plot their overall audit score in Figure 4, which gives a broad view in which action taken earlier than expected would 'compensate' for incomplete or missing elements in earlier periods. Both approaches can be informative.

Figure 4: Using the overall audit score to chart KAM programme progress



4. Phase A: Scoping KAM

This first phase is a crucial one. Falter at this point, and the organisation might never embark on KAM at all. Phase A may easily take up to a year, and involve a good deal more effort, discovery and political activity than anticipated. Scoping can be divided into three periods.

Awareness	• Success at this point demands the identification of a powerful driver, which could be positive but is generally negative • A potential champion appears at some level in the company, often not that senior, who recognises the possibility of KAM as a solution • The champion works to generate awareness of KAM
Understanding the scope	• Getting to grips with how KAM will address the supplier's issues should follow on closely from the creation of a broad awareness • The champion identifies a core team to take on the job of researching KAM, putting it in context, and communicating with stakeholders • The supplier begins to look at which customers would be involved
Making the case for KAM	• As the scope of KAM becomes clearer, specifics of strategy, objectives, costs and customers need to be clarified and assembled into a business case • The positioning of the job of key account manager becomes of particular interest and requires definition
Milestone: Senior management approval	• What KAM will look like in the organisation and expected outcomes are specified • Critical decision point: stakeholders should have been identified and the hearts and minds won over

The end of this phase is marked by a breakpoint: will senior management give its approval to proceed with KAM, given the information now in its possession, or will it back out? The champion and core team will have found that they needed to go into much greater depth earlier than they anticipated originally, just to get the go/no go decision to proceed.

The following table shows the action required to complete each period in this phase in greater detail. Each action has a box to its right in which the degree of completion can be noted on a scale of 0-3, as described in section 3.3. Companies can assess their position in each period and the phase overall by totalling their scores at the bottom of the table, and plotting them in Figures 3 and 4.

5. Phase B: Introducing KAM

The presentation of activities here differs from a theoretical model in the sense that, while the logical choice would be a clear and co-ordinated start to KAM, this paper recognises practical realities. The launch phase can be a chaotic period in which the organisation finds that it is still 'making it up as it goes along', depending on the amount and depth of scoping carried out in the first phase.

It is difficult to co-ordinate changes which, once put into place, need to be applied within a fairly short space of time, not least because of cost implications. For example, once key account managers are appointed, they will be costing the company money, and will want to get on with the job anyway. So they are likely to start developments with customers, often before important support elements are in place inside the company. However, it is still worthwhile to understand which activities should belong to each of the periods in this phase, at least to identify preparations and try to implement them in advance.

Capability building	• Goals need to be finalised and the plans to meet them developed in greater detail, highlighting specific, actionable requirements • Putting competent key account managers in place becomes a priority
Milestone: Launch	• Coordinated launch favoured over incremental introduction, but not revolution • Even with launch approach, capability building and roll-out are likely to merge, in practice
Roll-out	• The supplier needs rapidly to build specific internal support so that its key account managers can function effectively • The rest of the organisation is informed about the new approach • Feedback and progress monitoring processes are adopted
Revise KAM introduction	• The introduction should be reviewed to make any adjustments at an early stage, but it would be much too soon to review revenue or profit outcomes other than individual cases • Good practice should be publicised and bad practice actively discouraged to make the commitment to change clear, and issues identified

At the end of the introductory phase, some of the organisational issues that might cause friction and disruption will begin to emerge. Suppliers would be well advised to be mentally prepared for them, so that they can be admitted and tackled, rather than denied and left to fester. Cross-boundary issues (whether national, divisional, cultural or just departmental) will undoubtedly arise. If left unattended, they sow the seeds of a poor performance against high expectations that will eventually undermine and destroy the whole KAM approach.

Even at this point there will be people who are already asking for evidence of the value of KAM in terms of increased revenue, margin or profit, but this should be resisted: KAM is a medium and long term strategy and should be judged accordingly. That does not mean, though, that specific examples of how it has helped the business with customers should be ignored, but they should be used for the purpose of encouragement rather than assessment.

The following action audit table can be used in the same way as the table for Phase A, Scoping KAM.

6. Phase C: Embedding KAM

When the supplier reaches the end of Phase B, Introduction, it should now see that KAM is not quite as simple as it first envisaged, and there are a number of elements that it needs to reconsider and respecify. Indeed, the organisation needs to recognise that it has only reached the end of the beginning, and expect to make further, substantial developments, or it is in danger of ploughing on with an inadequate model. Organisations who get it all 'right first time' do not exist.

So there should be a period of redefining various elements of the programme, such as the customer categorisation criteria, roles and rewards, followed by a period of intense activity to 'gear up' to the new perception of the requirement. Although the level of activity in this part of the phase suggests that only committed companies would implement all the developments, extensive changes are involved, possibly over several years, and it is important that at some point the organisation seriously reviews its position and then, assuming that review is satisfactory, clearly reiterates its commitment to KAM.

Redefining	• Some elements, like customer criteria and account plans, should be tightened up in terms of both specification and quality of execution • Other elements should be relaxed to allow more flexibility in response to customers and circumstances
Gearing up	• The supplier needs serious investment in KAM; in the key account managers, support, feedback and more • Processes are put in place to operationalise KAM, to manage it more professionally, and to ensure the alignment of KAM strategy with application
Evaluation	• Expected outcomes of KAM should be clarified • A thorough evaluation of results versus expectations is completed
Milestone: Recommitment	• The organisation now understands what KAM is and what its outcomes can be • Senior management conducts a review and decides whether and how to continue

By the end of this phase, the supplier should have a fully functioning KAM approach that is valued by customers, is properly embedded in the organisation, and is producing results. The company should now have sufficient confidence in the approach and the individuals it has made responsible for it that KAM can be delivered with the flexibility and variety that it requires. Effective processes designed to deliver to KAM needs have replaced standardised rules based on a fear of loss of control. In other words, the company and the individuals involved should both be able to behave like responsible, expert adults rather than raw adolescents in need of vigilance and control, and expect that of each other as well.

Litmus tests

By the end of Phase C, Embedding KAM, a supplier should be genuinely operating KAM. The action audit table should confirm whether that position has been achieved, with detail on how and why. In addition, there are some telling indicators that seem to be valid across a broad range of sectors, which can be used as a quick test to confirm or refute whether KAM is really embedded in the supplier, or shallow and inconsistently implemented. The first test concerns the organisation, and the second the key people who apply KAM, i.e. the key account managers.

Unambivalent answers of 'yes' would be required on at least four of the five questions on both tests, if an organisation is fully qualified in KAM.

Litmus test for the organisation

Questions	Answers
1. Do all senior managers talk openly and frequently about key customers and their key account managers?	Yes/No
2. Is the company prepared to invest in key customers (against a business case with returns expected beyond 1 year)?	Yes/No
3. Do strategic account plans play a major part in the corporate planning process?	Yes/No
4. Do you measure the profitability of key customers (beyond gross margin)?	Yes/No
5. Are key account managers paid at the same level and on a similar basis to strategic business unit directors?	Yes/No

Litmus test for key account managers

Questions*	Answers
1. Can you name all the account team members and define their roles in the relationship with the customer?	Yes/No
2. Is your strategic account plan written for at least 3 years, complete, live and up-to-date?	Yes/No
3. Do you have a business-focused relationship with at least one of the customer's Board Directors?	Yes/No
4. Would your customer rate your understanding of their marketplace and their business at or over 8/10?	Yes/No
5. Can you define the **added** value you brought to the customer in the last year?	Yes/No

* Repeat for all customers for key account managers with more than one customer, and take an average of answers.

7. Phase D: Optimising value

Having gained confidence in its own experience of KAM, suppliers should be able to improve performance through whole-heartedly embracing the concept of the importance of customers. It must put an end to lingering ideas that KAM is a fad that has been temporarily grafted onto the surface of the organisation, and may be shed again at some stage. KAM holds a permanent place in the structure, the planning cycle, budget and resource, and career development. KAM should be fully integrated into the working of the organisation at all levels.

Ultimately, companies struggle to act effectively and to gain the full benefit from KAM with resources divided up across the company, whether they are positioned in a country or division or any other basis. A central KAM unit able to maintain strong links with the rest of the business is the ultimate structure, and one in which the really integrated customer management that many key customers want finally becomes possible.

The focus shifts from how to install, promote and operationalise KAM to how to manage and implement the exciting raft of key customer programmes and projects that are enabled through KAM. KAM is accepted as the normal way of working: 'why' and 'how' are no longer challenged, and are replaced by a focus on 'what' in terms of the business with customers.

Becoming key customer centric	• Senior managers recommit to KAM very publicly and re-energise the programme • KAM and key customers are represented in all major forums and plans • KAM is accepted as a permanent part of the culture and operations of the organisation
Full integration	• The needs and operation of KAM are integrated into all relevant business processes
Revision	• Information is seen as central to proper management and is not subservient to traditional metrics • KAM's strategic position and contribution is recognised and accepted

Of course, the approach should be reviewed, revised and kept fresh and up-to-date. Competitors catch up, customers want more innovation, and newly appointed directors arrive with the clarion call of 'back to basics' at regular intervals. There is always a danger of complacency and slippage, and of companies becoming so used to the fruits of KAM that they forget what made it successful, relax their vigilance, and lose vital ground in restructuring, reinventing strategy or reallocating resource.

The final action audit table should establish to what extent the supplier has achieved this really productive phase of KAM.

8. Conclusions

This paper has brought together the outputs of a working group of informed practitioners, facilitated by Cranfield School of Management. It has aimed to:

- Draw attention to some of the issues and barriers that KAM champions and change agents will encounter in developing a KAM programme
- Organise the mass of action that needs to be taken into a realistic sequence of phases and coherent streams of activity
- Provide checklists of action to help planning and coordination
- Offer an audit framework based on the schedule of action.

The action audit checklists have been developed with companies in diverse sectors and therefore they should have generic validity. Some companies may decide that certain elements are not appropriate for them at a point in time, for whatever reason, but those elements should not be taken out, nevertheless. Rewriting the audit around a particular view of KAM might increase apparent scores, but that would misrepresent the position and may mislead the company into thinking it has a more comprehensive KAM platform than it does. If KAM implementation is indeed partial, that should show up on the audit, and the company needs to be clear about it.

Key account management is a complex initiative which has wider implications for more parts of the supplier than the company normally recognises at the outset. KAM champions need persistence and all the tools and support they can get to keep the project moving forward. It is hoped that this paper will provide some of those tools.

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