CHAPTER 2

CRITICAL SUCCESS FACTORS FOR MANAGING GLOBAL ACCOUNTS

Prologue

At the bar

George *was impressed by* ***Jace****'s comments. Giving her credit might secure more information.* ***George*** *opened, "I think you hit a chord in all three of us when you said something about focusing on general principles as being key in a global account program." He added, "Are you saying that these principles operate across different global account programs? It does sounds like we deal with similar issues, though we're with different firms and each involved with different aspects of our global account programs." He was also impressed with* ***Constance****'s dedication to her program.* ***George*** *turned to* ***Constance****, "I wish my CEO felt as strongly about global account management as you seem to. It's like pulling teeth to get on the senior management agenda."*

"Let me ask you something," said ***Jace****, "Did your companies think through the global account program before they started, or did it just 'happen' and evolve? What I mean is, did someone in each of your companies put in significant design effort, make a conscious decision of its initial size, have a plan for how many global accounts would eventually be in the program—you know that type of thing."*

"Well," ***Constance*** *replied, "I was in a rush to jump on the global bandwagon and we practically had to devise a program overnight. We had customers threatening to leave unless we serviced them using all our global resources. For us it was more of a necessity than a well-thought through initiative."*

"What amazes me is that virtually all our major customers became global accounts at about the same time," ***Todd*** *remarked. "I mean, when I was promoted from Strategic Account Manager to Global Account Manager I thought I was going to do something new. It turns out that they decided every account should be 'global' and assigned a global account manager to each—even to some accounts that will never do any significant business overseas."*

George *turned to* ***Todd****. "We really didn't do all the things we should have—in fact, I'm not sure we know what they are. But we do have some great global account managers who seem to succeed despite our lack of planning and systems."*

*"Go on, **George**," **Constance** encouraged, "I need all the tricks I can get." **George** wasn't sure he wanted to share too much information with his new-found team, but nothing ventured, nothing gained. "Well, when my firm started the global account program I had a lot of say in who we hired as global account managers. I didn't have this job then, but I had a good history of hiring into the sales force generally. If I say so myself, I do know how to pick 'em. I got involved in practically every hire. Well that was the story in the early years but then I was given an overseas assignment and by the time I got back, senior management had let things slip through the cracks and many of my hires had moved on. The top people seem to have so many other priorities and today's global account managers aren't what they used to be. It's a big challenge for me right now; it's like pulling teeth to get them to complete their global account plans."*

*"I have my own set of frustrations," **Todd** interjected, "our global account program doesn't seem to fit into the organizational hierarchy. It even starts with my reporting line—it's not clear to whom I report." **Todd** was about to go on when **Jace** cut him off. "If I'm hearing you guys right, there are a few 'critical' things that contribute to your global account program's success or are necessary for it to be successful, right?" "Guess you could look at it that way . . . kind of like the basics," said **George**. **Todd** nodded his head in agreement, "Maybe we should make a list. That might help each of us quite a bit."*

***Constance** thought for a second. "There's one thing we haven't talked about. I've been in direct contact with our biggest global customer and he just doesn't seem to understand how our global account program is helping him. He just seems interested in getting the lowest price. It's more or less the same when I talk to my own Board of Directors—they don't seem to understand how the global account program is helping the company. They only seem to pay attention to the resources I give to the global program. In fact, one of them suggested that 'GAM,' our short hand for global account manager, stands for 'Give Away Money.'"*

*"Sounds like you need a way of demonstrating the global program's value to the company and to the customer," said **Jace**. "And then, when we get all these factors, we've got to make sure they all pull in the same direction and empower each other, so to speak." **Jace**'s statement seemed to hit a chord with each of the other three, but the loudspeaker interrupted their conversation:*

"American Airlines Flight 142 headed to New York's La Guardia Airport ready for boarding."

*"Hey, let's exchange business cards," said **Todd**, as the group members downed their drinks and headed to the boarding area.*

Critical success factors (CSFs) are those areas that the firm must "get right" to be successful. CSFs are "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization . . . If results in these areas are not adequate, the organization's efforts for the period will be less than desired."[1] Management should pay particular attention to CSFs.

We apply the CSF process to managing global accounts. As with many managerial issues, design, and process weaknesses in global account programs often emerge only when the "limits" are tested. Based on our experience, we develop eight individual CSFs and one integrative factor. In this chapter we introduce these factors and subsequently devote a chapter to each. Taken together, these nine CSFs form a solid blueprint for successfully managing global accounts. We conclude this chapter by discussing the rewards and risks of global account management.

Critical Success Factors for Managing Global Accounts

The eight individual CSFs concern planning, developing, executing, and assessing the global account management program. The integrative factor ensures that the CSFs are properly aligned.

The CSFs for an effective global account management program are:

- CSF1 Establishing the scope—size and boundaries—of the global account program
- CSF2 Securing senior management commitment
- CSF3 Nominating and selecting the "right" global accounts
- CSF4 Designing the line organization for managing global accounts
- CSF5 Securing effective global account managers
- CSF6 Developing effective global account plans
- CSF7 Establishing the supporting organizational infrastructure
- CSF8 Demonstrating the global account program's incremental value to the firm and to the global account
- CSF9 Aligning critical success factors in managing global accounts

This is not a long list! Certainly, individual detailed CSFs could be added for specific companies; details may also vary by industry. However,

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[1] J.F. Rockart, "Chief Executives Define their own Data Needs," *Harvard Business Review*, 57 (March–April 1979), pp. 81–93.

we believe that firms that get our nine basic factors "right" will operate high-quality global account programs. Because global account programs are a major endeavor for the firm, they must be carefully planned in the early stages. "Getting it right" the first time is important. Scarce company resources are at stake and it is difficult to recover from a botched introduction.

You should certainly consider these nine factors if you are initiating a global account program for the first time. But they should also be a guide as your program evolves. For example, a global program with six key accounts will look very different from a program with 60 accounts. As your program evolves, you should use the nine CSFs as criteria in guiding the growth of your global account program.

Following is a brief glimpse of the nine factors. We clarify their context and demonstrate inter-relationships.

CSF1: Establishing the scope—size and boundaries—of the global account program

You should address the scope of your global account program in the initial design stage. Scope is also an important element in evolving a successful small program or re-engineering a program that has gone off track. Simply put, you must resolve the question of how aggressive you want your program to be. The driving feature of scope is the number of accounts in the global program, and the percent of corporate revenues involved. But scope also embraces supplier–customer global account relationships, the line organization, human resources and reporting relationships, empowering global account managers and funding.

The number of global accounts and the percent of revenues are relatively easy to understand. Less easy to define and frame are philosophical, political, cultural, and policy-related issues. For example: Who "owns" the global account? What level of empowerment should global account managers (GAMs) enjoy? Where should GAMs be placed in the organizational hierarchy? To whom should they report? What special privileges and pricing considerations should global accounts receive? Where does the global account program rank among the various organizational priorities?

Establishing the scope of a global account management program entails achieving a shared understanding among all executives about conceptual and practical aspects. For example: Who should be the main beneficiary of tough decisions that will have to be made—the customer, the company as a whole, or individual business units within the firm?

CSF2: Securing senior management commitment

We define senior management commitment as the overall level of company financial and human resource investment in the global account program. When senior management commitment is high, many elements of the global program are affected, including among others, funding levels, human resource policies, functional procedures, employee attitudes, managerial decisions, organizational design, and active senior management involvement with global customers.

Top management commitment goes a long way to resolving often-conflicting interests. It can help cut through much of the ambiguity inherent in matrix organizations. For the global program to be successful, captains that own company turf may have their power reduced and redistributed. Geographic-based managers and/or product/brand leadership may have to cede authority to customer-facing executives. Only strong leadership from the top can make that happen. In addition, when the organization focuses on the global customer, senior management can play many different supportive roles.

Particularly important supportive roles are those requiring direct global account contacts. Perhaps the most visible role of this type is the Partnership Executive (PE). The PE is assigned to one or more global accounts for the purpose of establishing senior-executive-level relationships with the customer. By virtue of their executive status, PEs raise the contact level at global accounts. They make commitments that the GAM cannot. Further, PEs may act as GAM mentors as well as internal champions for the global account and the account team. At a broader level, the PE role helps solidify a customer focus within the firm.

CSF3: Nominating and selecting the right global accounts

Accounts ultimately selected for the global account program absorb significant levels of company resources. If in the early stages of a global account program you select the wrong accounts, you build in failure before the program is able to prove itself. Later, incorrect account selection leads to two major problems. First, company resources are wasted on accounts that should not be in the global program. Second, accounts that should be in the global program do not receive the attention they deserve. Incorrect selection jeopardizes the program's credibility and wastes firm resources. You must get account selection right.

A root cause of downstream problems with global account programs concerns those accounts that are in the program and the method by which they gained membership. To choose global accounts appropriately, you must develop a formal nomination and selection process. You must decide on a set of admission criteria for your global account program and on the relative importance of each criterion. Once your criteria are established, you should examine candidate global accounts and select those offering the best fit. Unless this process is formalized and carried out professionally, the integrity of the "account roster" is suspect. In the worst case, political considerations lead ill-suited customers to be force-fit into a well-developed profile. When this occurs, the likely result is dissatisfied customers, frustrated GAMs, and business results that distort potential program benefits.

Sometimes companies confuse global accounts with key (or strategic) accounts. Your firm may have a national account program or even a key account program that encompasses domestic, regional, and/or global accounts. Performance at these accounts may be critical for company success, but it does not make them "global." *Global accounts are a subset of the firm's strategic accounts.* Other strategic accounts do not need the same type of resources as global accounts—the uniqueness of global accounts requires special considerations. Selecting the "right" global accounts is a critical challenge for defining the global account program.

CSF4: Designing the line organization for managing global accounts

The line organization for your global account program must interface with the firm's current organization structure. How the global account element relates to that structure—especially to the geographic organization and the product groups—has important ramifications that may not be immediately apparent.

For many companies, the existing line-organizational design for interfacing with customers is based on geographic-area divisions—for example, North America, Latin America, AsiaPacific, Europe Middle East, and Africa (EMEA). This structure gives rise to some basic issues for managing global accounts. To whom does the GAM report?—a country manager, a senior person in the global account organization, or both? If both, what is the nature of the reporting relationships—solid line to the global organization, dotted line to the country organization; or dotted line to the global organization, solid line to the country organization; or a true matrix structure?

Or, should the firm develop an organizational design more focused on managing global accounts where the geographic dimension is given less weight? For example, should the firm create a separate division for global accounts distinct from the geographic organization(s) that deals with less important customers around the world? Or, should the entire customer-interface organization be located within industry segments?

The line organizational structure and reporting relationships for the global account program, including relationships to the rest of the corporate organization, are challenging issues. Company culture, current go-to-market strategies, and current company organization exert heavy influences on global account program design and incorporation into the firm. For example, a culture of highly empowered geographic regional executives or a strong product- or brand-led organization will not easily accept a new design developed around customers. In their myopic view, the cost in lost authority may be far too great.

Besides the major question of where GAMs should report, many other questions must be answered before your program can be launched: Who "owns" the account, determines the overall strategy, sets priorities, and provides operational direction? How much, if any, input does the GAM have in local representative's annual performance appraisals? Do local representatives participate in the global account team bonus? How much authority does the GAM have over the daily activities of local representatives? Even if the GAM reports elsewhere, do local operations receive revenue and profit credit for sales activity with global accounts within their geography.

CSF5: Securing effective global account managers

Global account managers have day-to-day responsibility for revenues (and frequently for profits) earned at the global account—both in the short-term and for the long run. They must develop global account plans and seek out opportunities to add value to the firm–global account business relationship. They must develop sets of relationships with individuals at the global account, as well as manage a supplier team dedicated to serving the global account—across functions, across geographies, and across managerial levels. This is not a trivial task.

Put very simply, there is no question that the GAM assignment is extremely challenging. The GAM must deal with a multiplicity of corporate, business, geographic, political, and legal issues on a regular basis. The position requires an exceptional breadth of intellectual scope, energy, and perseverance. To secure effective GAMs you must use the full set of recruiting, selecting, training, rewarding, and retaining tools and processes. Unfortunately, most companies have not taken advantage of research and selection tools that are generally available—users of fact-based competency profiles and formal selection processes are a minority. Has your firm shifted from a national account model to global account management and simply re-titled the national account manager—the NAM, as GAM? If so, you are assuming the only change is territory expansion—this is way off the mark!

The GAM's job is very different from, and significantly more difficult than, its domestic counterpart. The GAM faces tremendous additional pressures requiring a host of upgraded skills—for example, time management, interpersonal and communication skills, strategic thinking and planning, international business acumen, and implementation coordination. Securing the right people requires a correspondingly more professional and thorough approach. GAMs are responsible for millions of dollars of revenues and profits. You cannot afford to put any but the very best people in your management team into these positions. You have to make sure that you have the right collection of potential GAMs in waiting. Then, you must place the "right" people, with the "right" competencies, in the "right" place, at the "right" time in the "right" numbers. Getting this right is one of the most significant management challenges of the next 10 years.

CSF6: Developing effective global account plans

If you have spent time in sales, you have probably developed some form of sales plan for a territory or individual account. Many service providers and consultants offer customer relationship marketing (CRM) processes and systems that have elements of account planning. But global account planning is different. Developing the global account plan is more complex in orders of magnitude than a domestic account plan. Among the issues that must be addressed are integration of cross-cultural perspectives, communication problems, language barriers, infrastructure weaknesses, and related financial and budget issues.

An effective global account planning process, based on solid situation analyses, develops a road map for addressing the firm's portfolio of individual global accounts. Because the global account environment is so complex, this is a challenging task. It is one thing for an individual GAM to develop a global account plan. It is quite another to develop a system and infrastructure that operates across the entire global account portfolio and allows for account-to-account comparisons. Global account planning is more than just plan creation. Critical elements in a quality global account planning process concern many issues—How the plan is developed? How and to what extent are the global customer and your worldwide team involved? How and to whom is the completed global account plan communicated? How does the GAM use the plan? How is progress tracked against the plan?

Successful global account planning requires an agreed-upon process that functions across global accounts on a worldwide basis. It should be sufficiently flexible to allow "roll-up" of individual plans. It should also embrace multi-purpose use to avoid extra "form-filling" by GAMs and account team members.

CSF7: Establishing the supporting organizational infrastructure

The supporting infrastructure for managing global accounts embraces a host of systems and processes. (Because global account planning is so critical, we treat global account planning as a CSF in its own right.) In a sense, the supporting infrastructure is the glue that holds the global account program together. It contains many elements such as IT and administration, human resources, business practice, global contracting, training, communication, and financial systems. To change the metaphor, these systems and processes function as links in the global account program chain. The chain is as strong as its weakest link! When account profitability systems are ineffective, when communication systems do not function effectively, or when a host of other things go wrong, the firm will not achieve the global account program's potential.

Effectively addressing infrastructure issues is not "business-as-usual." The firm must develop creative solutions to meet growing customer expectations, competitive actions, and to establish positive marketplace differentiation. Developing these infrastructure elements involves detailed and sometimes very tedious work. Management must consider the many "mechanical" details that are crucially important to an effective and efficient program. "The devil is in the details" and any individual detail can derail the train.

CSF8: Demonstrating the global account program's incremental value to the firm and global account

A successful global account program creates incremental value for the customer and for your firm. Many sources define value creation—we shall not formulate a new theory of global account program value. Much depends on your business model and the customers you serve. Value creation for transactions between P&G and Wal-Mart differs significantly from value creation for transactions between IBM and Wal-Mart. Regardless, the global account program must create incremental value for the customer and for your firm. This CSF focuses on building a model and culture that demonstrates the incremental value of your global account program.

What value can you assign to an improved customer relationship? How do you measure success in relationship building? All too often our targets for success relate directly to the ease of securing data. Candidate measures include year-on-year revenue growth, customer satisfaction, share of wallet, and a number of transactions. There are no easy answers to defining and creating value. But, for a global account program to survive and prosper, the firm must develop clearly defined objectives for incremental value creation and a consistent method to demonstrate success and failure.

Tracking company performance with global accounts on multiple measures in multiple countries is a challenging task. Add in the complexity of product flows through multiple distribution channels and it may seem well-nigh impossible. Is the data collected on your global accounts accurate? Is the cost of tracking programs too high? These are legitimate concerns, but foregoing the monitoring and assessing function is not an option. Your firm succeeds or fails based on its metrics—the same is true of your global account program. More significantly, your global account program is one of many claims on corporate resources. Unless you can demonstrate that it provides a worthwhile return, you do not deserve to have a global account program. Even more to the point, senior management would be failing its shareholders if it funded a global account program without appropriate accountability. You must be able to demonstrate the wisdom of top management's investment in the global program.

Measurement is a difficult challenge. All too frequently firms fail to put in the appropriate systems. The result is management by perception. This is not very satisfying for a firm that jealously guards corporate resources and demands that its initiatives deliver a target return on investment. Most of the other CSFs are, perhaps, inherently more interesting—but CSF8 is where the rubber really hits the road.

CSF9: Aligning critical success factors in managing global accounts

Each CSF is important in its own right. But, in addition, the alignment of all eight CSFs plays a crucial role in the success of your global account program. What do we mean by alignment? It is making sure that the entire set of decisions about the global account program forms a coherent whole, and interfaces appropriately with other organizational dimensions, both within the firm and with global customers. If one factor is "out of alignment," the firm cannot compensate by doing well on another.

In Chapter 11 we label the types of alignment as *Intra-CSF*, *Inter-CSF*, *Holistic*, and *Cross-Boundary*. *Intra-CSF* alignment, as the name implies, deals with how you formulate the specific aspects of each CSF. For example, are the various individual elements necessary for securing GAMs well aligned? *Inter-CSF* alignment, on the other hand, deals with how well each of the eight CSFs work together to form a coherent global program. For example, are your processes for securing those GAMs consistent with the scope of your global program?

Holistic alignment addresses how the global account program interfaces with those organizational functions, systems, and processes, within the firm, that interface with the global program. Good *holistic* alignment supports the program; poor *holistic* alignment means there may be significant problems in implementing a global program. Finally, *cross-boundary* alignment deals with how well the program aligns with your global customers.

Each of these forms of alignment is important, yet we believe that most problems arise with *holistic* alignment—making sure that the global program "fits" into the rest of the organization. For example, compensation plans that drive GAMs to focus on monthly sales activity undermine their critical roles of strategist and relationship manager. Ineffective financial reporting systems that cause GAMs and team members to spend hours reconciling "the numbers" kill productivity and customer face time, and eventually lead to diminished performance. By contrast, a well-designed team bonus based on overall global account performance rewards each team member for their support and cooperation, and can be highly motivating.

Rewards and Risks in Global Account Management

In this chapter, we have presented eight individual CSFs, plus the alignment factor. Whether you are starting a global account program, or upgrading a current in-place program, you should focus on these nine elements.

Why should you prepare so extensively? Why not just begin and correct problems as they occur? Of course, if you pursue such an incrementalist approach you may enjoy some degree of success. But, the benefits of "getting it right the first time" are very substantial. If you are able to improve your relationships with a few global accounts, the rewards in additional revenues and profits should by far exceed your investment in the global program. Further, it is always more difficult to change processes and procedures once implemented, especially if the proposed change is perceived as "taking back" some firm or customer benefit.

The benefits of implementing a successful global account program can make the difference between company success and failure. It can mean improved profitability through better global coordination; increased opportunities by developing global customer partnerships; better competitive positioning by building stronger global relationships; and greater long-term global dependency of your customers on your products and services. You will also increase internal efficiencies and build new "executive" career opportunities.

Customers also benefit from a successful global account program. From an improved focus and superior relationships, the supplier more thoroughly understands customers' global requirements. They receive improved products and services tailored to their global needs. They may also gain process efficiencies due to your improved service levels, and solve global supply chain issues more effectively. Further, benefits from successfully implementing a global program should spill over to customers not included in the program.

However, managing global accounts is not a risk-free endeavor. You may create expectations in your sales team and their customers that you cannot meet. Now that they are your "global accounts," customers may subject you to additional price pressures. You may need to invest heavily to improve inconsistent service levels in remote locations. Corporate culture may interfere with redistributing authority from country management to GAMs. Understanding and anticipating these potential problems will allow you to avoid some of the major showstoppers. As with any major change, you will not be able to anticipate all the issues, but we shall do our best to warn you what lies ahead.

This book provides a road map for your journey into managing global accounts. For new players, it will help you "get it right the first time." For those with experience, it can function as a tool to assess your current program, and allow you to make mid-course corrections.[2]

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[2] For an up-to-date review of global account management in the food and grocery industry, see *Global Account Management: What Next?*, Watford, Herts., Great Britain: Institute of Grocery Distribution (IGD), October 2004.

Key Messages

- A successful global account management program requires intensive focus on a limited number of CSFs.
- Nine CSFs define a successful global account—eight individual factors and one alignment factor.
- If not given proper consideration, any single individual CSF can derail a global account program.