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Relationship Lifecycle: Towards a  
Framework for Collaboration

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## **Key Account Management and the Relationship Lifecycle: Towards a Framework for Collaboration**

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# **Key Account Management and the Relationship Lifecycle: Towards a Framework for Collaboration**

## **ABSTRACT**

This paper examines the strategic drivers of effective key account management (KAM) and their integration into the relationship lifecycle. Previous KAM initiatives have tended to be focused on the sellers' perspective, resulting in bias, resistance and subsequent failure of many KAM systems. We contribute to previous research by first, identifying a set of processes relevant to the strategic co-creation of relationship value and the role of KAM in this process. These processes include the relational co-creation of value, collaborative inter-firm communication, and joint problem solving. Secondly, we consider the moderating implications of KAM relationship lifecycle phases on the influence of these key processes. Recent research has established that relationship development transitions across phases of exploration, build-up, and maturity with variations in underlying relational dynamics across the phases. KAM systems thus need to factor in the relationship cycle when directing resources towards their key accounts.

## **KEYWORDS**

*Key account management; Co-creation; Relationship lifecycle*

## **Key Account Management and the Relationship Lifecycle: Towards a Framework for Collaboration**

### **INTRODUCTION**

The nature of inter-firm cooperation and collaboration in business-to-business (B2B) markets is rapidly evolving (Wiersema, 2013). In a recent survey of over 1,700 CEOs from around the world, conducted by IBM, 69% of CEOs plan to develop substantially more external partnerships and alliances over the next five years (IBM 2012) with the objective of increasing the rate of strategic radical innovation leading to new business models. Greater internal and external collaboration between suppliers and customers is acknowledged to be critical to achieving this innovation, and this requires greater sharing of information, data, plans, and organizational control across both internal and external boundaries (Piercy, 2009). In recent years there has been a strategic shift towards the development of mutually beneficial collaboration and strong inter-firm relationships in B2B markets (Wiersma 2013).

Many suppliers in the B2B markets have introduced key account management (KAM) systems to facilitate these strong inter-firm relationships, with a particular emphasis on serving strategically important customers in a more individualized and customized manner, relative to their smaller accounts (Ivens & Pardo, 2008; Workman, Homburg & Jensen, 2003). Sometimes these systems are referred to as Customer Relationship Management systems (CRM) with key accounts playing a significant role. KAM is a systematic process for managing key interactions and relationships with a company's most valuable customers, and subsequently aligning its resources towards identifying and delivering superior value to those customers continuously (King & Burgess 2008). The leading objective of such KAM systems is to help suppliers to fully understand key account customer behaviour, customize or personalize their offerings towards the specific needs of customers and retain those customers in the long-term (King & Burgess 2008). KAMs thus help firms to create enhanced value

through innovation, social capital enhancement, mutual cost savings, trust and commitment, so that both supplier and buyer gain distinctive competitive advantages (Parvatirajar & Sheth 2001).

However, the relative success or failure of KAM systems has not been fully explored in the research literature. While there are significant academic and normative support for KAM systems and the expected benefits, there is also some scepticism about the relative 'cost' to the 'benefits' received from such systems (Reinartz, Krafft & Hoyer 2004; Raman & Pashupati 2004). KAM systems have been criticized for excessive time, cost, disruption, and limited benefits once the systems become operational (King & Burgess 2008). In fact it is estimated that up to 70 % of CRM projects have failed (Kim & Kim 2009), with many others underestimating the real costs of implementation by up to 75% (Everett 2002).

It is contended in this paper that KAM systems have not been implemented effectively with several issues arising. Firstly, companies have tended to invest in KAM systems as an IT solution for the firm, in order to reap the benefits of efficiency and cost savings. IT solutions are relatively easy system to acquire, install and implement, but the concurrent changes in business strategy, business processes and organizational culture are often neglected and much more difficult to implement (Keramati Merhabi & Mojir 2010; Reinartz, Krafft & Hoyer 2004). The IT productivity paradox occurs where the expected efficiency benefits are not realized relative to the investment in the technology itself (Albadvi, Keramati & Razmi 2007). Ironically, the implementation of such IT systems is rarely conducted in partnership (or liaison) between the suppliers, and the customers they want to serve better.

The second issue is that the supplier is usually the primary driver and investor in KAM systems. The costs of computer equipment, software, training, maintenance, internal changes in business processes, and operational implementation are generally borne by the supplier. These investments need to be paid back, and firms perhaps overly emphasize sales, especially

in the short term, as a tangible way of demonstrating ROI to the senior management. In effect, the systems are thus skewed towards “selling” to the customer as opposed to a “partnering” with the customer, which is a more long-term perspective. This emphasis on the seller perspective means that systems are designed to optimize value for the firm, rather than optimize value for the customer as a mutual benefit. A mutual approach where there is equity and co-creation of value depends on both suppliers and customers having equal and shared benefit. It should be a partnership where there is dyadic perspective of value (Terho et al 2012). Such mutual perspectives were founded in the work of Vargo and Lusch (2004; 2008). As a result of this bias, customers have become suspicious of CRM implementations (Bhattacharjee 2002; Hoffman, Novak & Peralta 1999).

The third issue is that KAM systems in B2B markets have tended to work on the efficiency and costs savings gained through the computerized management of an existing relationship between buyers and sellers in the supply chain. In short, KAM systems aim to optimize value creation through cost savings, operational efficiency, just-in-time delivery, retrospective customer information, transactions, and tracking service responsiveness (Ling & Yen 2001). This approach is now out-dated because it fails to recognize the importance of the dynamic nature of the macro-environment, changing customer needs, and new market competitors. This results in a complex mix of inter-firm relationships between customers and strategic suppliers that are constantly changing (LeMeunier-FitzHugh & Piercy, 2007; Piercy, 2009). Firms thus need to be agile and responsive to these dynamics, in order to develop innovative solutions and continuously adapt to changing customer needs over the long-term. KAM systems to-date has not done this.

The final issue arises around the term “Key Account Management” (KAM) which is widely used, but it is really a misnomer. KAM implies that a supplier manages the account relationship with the customer. In practice, this is not how it works. Key account

relationships (KARs) are fluid, dynamic, highly interactive, and reciprocal where the supplier and customer continually modify and adjust their activities to create better value. Generally, both the supplier and customer recognize the symbiotic, mutually beneficial nature of the relationship. In many cases, it is the customer who initiates the advancement of the KAR through supplier assessment and certification and/or supply chain consolidation and integration. The automobile industry was the leader in this trend, dramatically reducing the number of suppliers and forging deeper relationships with the remaining high performing suppliers. For example, Johnson Controls is the industry leader in the design, manufacture, and installation of car interiors for most major brands in the world. Boeing and Airbus have substantially reduced the number of suppliers and developed closer relationships with their suppliers scattered around the world. For Apple, 80% of their supply chain partners are located in Asia. For all of these firms and industries, KARs cross national borders and customers expect key suppliers to also have a global reach. In virtually all of these situations, an existing supplier-customer relationship evolved into a closer, more collaborative interaction. KAM systems do not appear to be responsive to this global dynamic.

Acknowledging that managing strategic customer relationships in business-to-business markets is a critical component of competitive advantage (LeMeunier-FitzHugh & Piercy, 2007; Piercy, 2009), we also recognize the paucity of research on understanding the parameters that suppliers need to manage to develop and foster effective relationships with key accounts. This paper sheds some light on those factors driving effective mutually beneficial KAM from the supplier's and the customer's perspective and recognize the emerging literature on the dynamic nature of value creation in business relationships (Eggert, Ulga & Schultz, 2006). We contribute to previous research by first, identifying a set of processes relevant to the co-creation of relationship value and the role of KAM in this process, and second, by considering moderating implications of KAM relationship



development phases on the influence of these key processes. Recent research has established that relationship development transitions across phases of exploration, build-up, and maturity with variations in underlying relational dynamics across the phases (Dwyer, Schurr & Oh, 1987, Ring & Van de Ven 1994, Jap & Ganesan, 2000).

### **A CONVERGENCE OF THOUGHT**

The concept of co-creation of value and inter-firm collaboration has been approached from three different disciplines. As we have seen in the marketing literature, the co-creation of value has attracted the attention of numerous scholars (see for example: Jaakkola & Hakanen, 2013; Tuli, Kohli, & Bharadwaj 2007; Vargo & Lusch 2004, 2008). Specifically, recent research has attempted to identify the relational drivers of value (Palmatier 2008), map business processes (Albadvi & Hossieni 2011), and examine the role of value based selling (Terho et al. 2012). Other research has examined how new business models create value (Zott & Amit 2012), explored the relationship between value creation and price tolerance, focused on value-based differentiation (Ulaga & Eggert 2006). All of these research streams address some form of inter-firm collaboration.

In the field of management strategy, several theoretical approaches have also focused on inter-firm collaboration (Hitt 2011). Open systems theory suggests that supply chains are complex, adaptive systems that must work effectively to maximize value creation (Dyer & Singh 1998; Fawcett, Ellram & Ogden 2007). Also in management, the Resource Based View (RBV) theory of the firm suggests that firms orchestrate their resources (particularly knowledge and skills) to create a competitive advantage for both the supplier and other supply chain members (Sirmon, Hitt, & Ireland 2007; Sirmon, Hitt, Ireland, & Gilbert 2011). Consistent with Open Systems Theory, one stream of RBV research contends that firms must develop dynamic capabilities to respond to changes in the environment and in customer needs

and expectations (Adner & Helfat 2003; Sirmon et al. 2011). The dynamic capabilities literature adopts a process orientation to continuous knowledge development through supply chain networks and social capital (Granovetter 2005; Hitt, Bierman, Uhlenbruck, & Shimizu 2006, Li, Poppo, & Zhou 2010). This dynamic capabilities literature is quite consistent with the network theory research of Palmatier (2008) and Palmatier, Gant, Grewal, and Evans (2006).

The third discipline to focus on inter-firm collaboration is the supply chain management field. This research focuses more on efficient inter-firm relationships from the buyer's perspective. Efficient supply chain collaboration leads to more innovation, improved product and service quality, reduced costs, reduced cycle time, and is a source of competitive advantage (Holcomb, Holmes, & Hitt 2006; Kumar & Bannerjee 2012; Rinehart; Lee, & Page 2008). Due to these benefits, research has focused on what it takes for supply chain collaboration to occur. For example, Kwon and Suh (2004) found that inter-firm trust, commitment, information sharing, and the supplier's reputation were necessary for effective joint problem solving and collaboration. Similarly, Kumar and Bannerjee (2012) found that coordination, cooperation, and individual and team attributes were related to joint problem solving and collaboration. In a study of relational purchasing and innovation, Modi and Mabert (2010) found that close communication, information sharing, and joint problem solving exposed the buying organization to different approaches and perspectives, leading to more flexible thinking and enhanced breadth of knowledge. We conclude that there is a convergence of thought about inter-firm buyer-seller interaction across research from marketing, management, and supply chain.

To achieve inter-firm integration and collaboration, and the co-creation of value, supply chain interaction must have trust, commitment, effective relationships, effective communication, and joint problem solving that leverages the knowledge and resources of all

supply chain members. In terms of strategic thrust, the dominant theme in the buyer-supplier relationship literature has been an examination of ‘commitment’ and ‘trust’ in relationship marketing and buyer-supplier collaboration (e.g., Morgan & Hunt, 1994). However, in our paper, we propose that there are three major drivers of KAM effectiveness at the operational level, which lead to mutually beneficial exchange, and long-term collaboration between buyers and sellers.

### **RELATIONAL CO-CREATION OF VALUE**

Firstly, relational value is co-created when the parties involved in a buyer-supplier relationships combine their knowledge and skills in order to achieve higher performance than would be achieved by working independently (Ramirez, 1999). Two early trends in marketing coalesced to shape the concept of relational value. One trend was a shift in research focus from customer satisfaction to loyalty. By definition, loyalty implies a longer term, on-going interaction between a buyer and seller. The second trend was the increased interest in customer relationships as a means of differentiation and to increase loyalty. Both the concepts of customer loyalty and relationships imply enduring, mutually beneficial interaction over an extended period of time. Gummesson (1995) and Gronroos (1994) identified the issue of buyer-seller collaboration as a key aspect of business relationships. Ravald and Gronroos (1996) and Gronroos (1997) integrated value perceptions into the long-term balancing of benefits and sacrifices emanating from the relationship, thus taking a longer term, collaborative approach to business relationships. Others (Ganesan 1994; Woodruff 1997) were also integrating close buyer-seller relationships into their value-based research.

While the trend toward collaborative and relational buyer-seller interactions was well known, Vargo and Lusch (2004) identified the significance of this shift. Their Service

Dominant Logic (SDL) paradigm suggested that the traditional exchange theory basis underlying marketing thought was dated and limiting. They stated (Vargo & Lusch 2004, p12): “It (SDL) implies that the goal is to customize offerings, to recognize that the customer is always a co-producer, and to strive to maximize customer involvement in customization to better fit his or her needs”. The key aspect of SDL appears to be the co-creation of value between two organizations. Over the intervening years, they further refined the concept into a systems theory paradigm (Vargo & Lusch 2008).

The SDL paradigm has sparked a large body of research focused on the co-creation of value. Studies have examined the nature of the producer-consumer relationship (Gronroos 2011), team interactions (Atanasova & Senn 2011), how SDL shapes value-based selling (Terho et al. 2012), how the co-creation of value evolves over time (Eggert, Ulaga, & Shultz 2006), the product and service interface in the co-creation of value (Ulaga & Reinartz 2011) and value creating networks (Palmatier 2008). To say the least, the SDL paradigm has resulted in a renewed interest in the creation of customer value.

There are two studies of value creation that are particularly relevant for the discussion presented here. Ulaga and Eggert (2006) examined value-based differentiators when business customers are selecting and evaluating key suppliers. They found that service support and personal interaction were strong differentiators, with product quality a moderate differentiator, and price a weak differentiator. Both service support and personal interaction are important in the SDL framework.

The second study of particular relevance to our study, was conducted by Palmatier (2008), who examined the B2B relational drivers of value. Using a social network theory approach, he suggested that a multi-faceted view of relationship exchange should be adopted. He noted that the number of relational ties (points of personal contact) between buyers and sellers was an important influence on relationship quality. The extant literature suggests that

there should be close, personal interaction between groups of people from the supplier and customer firms (Ballantyne & Varey, 2006). These personal touch points form the heart of the inter-firm collaboration in the co-creation of value process. Since these are typically long-term interactions, they need to be carefully designed and maintained.

### **COLLABORATIVE INTER-FIRM COMMUNICATION**

The importance of effective communication in inter-firm relationships is well known. Drawing on the relational view of strategic management (Dyer & Singh, 1998), Paulraj, Lado & Chen (2008) conceptualized inter-organizational communication as a relational competency, which is critical to achieving strategic advantage. Communication among suppliers and buyers in the supply chain fosters inter-organizational learning, knowledge development, trust and commitment, reduced transactions costs and enhanced transaction value (Anderson & Weitz, 1992; Kotabe et al., 2003).

Mohr and Nevin (1990) referred to communication as the glue that holds a channel together. They suggested that collaborative communication had frequency, bi-directionality, formality, and content facets. Highly collaborative communication is characterized by a high frequency of communication, routinized interactions, two-way communication, and important strategic content. These facets of collaborative communication have been validated in subsequent research (Joshi 2009; Mohr, Fisher, & Nevin 1996; Shultz & Evans 2002). Mohr and Nevin (1990) contended that collaborative communication was particularly appropriate for relational, enduring buyer-seller relationships based on mutually beneficial, supportive outcomes. Similar assertions have been voiced by operations management researchers examining inter-organizational communication enhances buyer-supplier performance (Claycomb & Frankwick, 2004; Cousins & Menguc, 2006).

Recently, some have suggested that the concept of “two-way” communication be modified to “reciprocal” communication (Peters & Fletcher 2004; Joshi 2009). Their contention is that reciprocal interaction and feedback more accurately captures what actually transpires in close buyer-seller relationships. Each actor learns from, and builds upon, what the other has said or shared. Hence, the communication has an element of reciprocity, gradually evolving over time. Frequency and quality of communication have consistently been found to be important drivers of customer relationship development (Anderson & Narus 1990; Morgan & Hunt 1994). Typically however communication is more one-way in key account management systems where data is collected about the customer and recorded (e.g. demographics and transactions) but rarely is information about the supplier and appropriate feedback shared with the customer (Mohr, Fisher & Nevin 1996).

Collaborative communication has a variety of benefits to the supplier and customer. Some have contended that information sharing is a primary output of communication (Duncan & Moriarty 1998). This information sharing provides the supplier with a clearer understanding of the customer’s needs and expectations (Gwinner et al. 2005). Collaborative communication, therefore, leads to more information sharing between the buyer and seller, improved buyer-seller coordination, increased customer satisfaction, and increased commitment (Mohr, Fisher, & Nevin 1996). Better communication also leads to greater customer loyalty (Godfrey, Seiders, & Voss 2011). And, consistent with the CEO goals in the IBM study, collaborative communication leads to more proactive recommendations and innovation by the supplier (IBM 2012).

Interestingly, collaborative communication is not a “the more, the better” activity. Godfrey, Seiders, and Voss (2011) noted that there is a proliferation of ways to communicate with customers. Face-to-face, telephone (both landline and cell), fax, email, mail, social media, and texting can all be used. They noted that there is an “ideal” communication volume

that varies across people and channels. They also noted that having an ideal amount of communication increases perceived relationship quality. However, having too much or too little communication can annoy customers, leading to negative attitudes.

Collaborative communication involves interaction between actors in both the buying and selling firm. This communication involves individuals and teams across boundary spanning roles and is influenced by the quality of dyadic interpersonal relationships (McFarland, Bloodgood, & Payan 2008). These interpersonal relationships facilitate coordination and inter-firm cohesiveness. In the supplier firm, these actors are often the account reps, engineers, and technical support personnel (Flint, Woodruff, & Gardial 2002). The functions were central to our conceptualization of collaborative communication.

### **JOINT PROBLEM SOLVING**

The study of problem solving in marketing is not new. However, the current view of buyer-seller joint problem solving is now substantially different. Wierenga and von Bruggan (1997) studied marketing problem solving modes and the use of marketing management support systems in each mode. Their research focused on how a marketing manager solved the problems or challenges that they were confronting. This approach focused on only the decision making of individual marketing managers and did not consider joint problem solving across organizational boundaries, and was fairly typical of earlier problem solving research. Rudolph, Morrison, and Carroll (2009) studied action oriented problem solving and contended that three problem solving phases of acting, interpreting, and cultivating produces adaptive problem solving.

Adaptive problem solving has three elements. First is an action-based inquiry where new information about the problem and alternative resolution strategies are gathered. The second element is a temporal dynamism where the problem situation is evolving, whether

corrective action is taken or not taken. The third element is action endogeneity where actions taken influence the evolution of the problem. This interactive process leads to adaptive subsequent decisions as feedback from actions influence the evolution of the problem.

Rudolph et al. (2009) contend that when the problem solver draws meaning from a stream of cues, the bias for action generates more alternative solutions to the problem. While adaptive problem solving utilizes information from multiple sources in a dynamic environment, the primary focus is on the decision maker as an individual problem solver.

Cantor and McDonald (2009) suggested that there are two major conceptual approaches to problem solving; abstract and concrete. Abstract problem solvers typically use a systems theory approach as a mental map that considers a wide range of more strategic information across the firm and organizational boundaries. Liberman, Sagristano, and Trope (2002) found that abstract problem solvers were more creative and develop a wider range of solutions. Conversely, concrete problem solvers tended to be more functionally and task oriented, focusing on the details of the specific operational problem. Concrete problem solvers tended to identify the root cause of the problem more quickly. Cantor and McDonald (2009) contended that managers should be trained at both abstract and concrete problem solving so they modify their approach based on the context of the situation. This cross training may be particularly applicable to joint supply chain problem solving where the issues may be diverse.

These approaches to problem solving have continued to evolve in inter-firm interactions in supply chain relationships. The current supply chain approach is to adopt a joint buyer-seller perspective where the customer relies on the supplier's knowledge and expertise to solve a problem (Kumar & Bannerjee 2012; Modi & Mabert 2012). Kilduff, Mehra, and Dunn (2011) contend that joint problem solving, across organizational boundaries, leads to new, shared knowledge, and increased innovation. This customer focused collaboration of knowledge development to jointly solve problems is a fluid, flexible, continually changing



process with each problem solver bringing a different set of experiences, knowledge, skills, and perspectives. Arrikka-Stenroos and Jaakkola (2012) note that, due to knowledge intensive services and technical product complexities, buyers often have an ambiguous problem definition. Often, the buyer relies on the supplier to diagnose and frame problems. They contend that a process of joint problem definition and joint problem solving must occur before value can be co-created. Unfortunately, research into exactly how these interactive processes work is rare (Gronroos 2011; Lindgreen Palmer, Vanhamme & Wouters 2006; Payne, Storbacka, & Frow 2008).

While not explicitly addressing problem solving, the solutions selling literature suggests that the solutions development process goes through phases of requirement definition, customization and integration of product and service bundles, deployment of solutions, and post-deployment support (Tuli, Kohli, & Bharadwaj 2007). Obviously, the first three of these process stages involve joint interaction with the customer. Storbacka, Polsa, and Saaksjarvi (2011) indicate that the current approach to solutions selling is a more strategic, customer focused, relational process of developing solutions for the customer. This implies that both the sales and technical service functions are simultaneously involve in developing the customized solutions for the customer.

### **THE RELATIONSHIP DEVELOPMENT PHASES AND KAM DYNAMICS**

The three central processes of KAM relationships discussed above can be viewed as pervasive and relatively stable across over the course of a relationship. However, an accepted and relatively nuanced view rejects the notion of relationships as stable and monolithic. Instead, relationships are viewed as evolving across multiple phases characterized by unique dynamics and systematic variations in determinant characteristics (Dwyer, Schurr & Oh, 1987, Ring & Van de Ven 1994, Jap & Ganesan, 2000, Eggert, Ulaga, & Schultz 2006, Jap &

Anderson, 2007). In other words inter-organizational relationship models are viewed as life cycle schema. This relationship phase approach to understanding relational processes has been applied to purchasing processes, business buyer-seller relationships, and consumer-firm dynamics.

We extend the relationship phase view to KAM in the subsequent sections, with the aim of enhancing descriptive insights into the proposed key KAM characteristics and their impact on relationship development. Understanding the central motivations governing relationships at each phase of the relationship help identify critical mechanisms implicated in that specific phase. This moderated approach is also capable of yielding targeted insights for further scholarly and managerial advances.

Several authors have applied an evolutionary framework to relationships albeit with variations in the number of phases and specific characteristics within each phase. There is, however, sufficient agreement in the core processes proposed across the frameworks. Dwyer, Schurr and Oh (1987) were among early proponents of the relationship phase view and included this approach in their seminal conceptual model of buyer-seller relationships. The authors proposed awareness, exploration, expansion, commitment, and dissolution at the five major phases of a relationship. Eggert, Ulaga, and Schultz (2006) provide empirical support for this view in a study involving purchasing managers in US manufacturing companies.

More recently Jap and colleagues (Jap & Ganesan, 2000, Jap & Anderson, 2007) have provided empirical evidence for the moderating impact of relationship phases in inter-organizational relationships. The authors propose exploration, build-up, maturity and decline as the four phases or major transitions in how parties to an exchange might relate with each other. We focus on the first three phases, given our interest in relationship development processes (Jap & Ganesan 2000).

***Insert Table 1 about here***

Delineation of phases may be created on the basis of length of relationship or more ideally, in terms of self-identification of relationship phase. Jap and Ganesan (2000) provided respondents with the description of key characteristics of the relational phases, and invited them to situate themselves within the phases. They report coherence of their critical phases with the phases described by Dwyer et.al. (1997), providing support for a relatively generalizable process of relationship evolution.

In the context of KAM, exploration is the phase where the supplier and buyer consider the potential obligations, benefits, and burdens of exchange. Trust in an account manager may not be developed and is minimal in this stage. The build-up phase entails relationships characterized by strong growth where the relationship deepens, marked by extensive information sharing and investment in a variety of activities. In the maturity phase there is little growth in the relationship (Ellram, 1991) and there is less constant testing by the customer of the account manager's intentions, orientations and motives. Finally, in the decline phase the relationship shrinks (Ellram, 1991) where the buyer or seller or both experience dissatisfaction and explore alternative relationships.

We discuss each phase and its moderating role on the impact of relationship characteristics. Our logic builds on similar moderation proposed in the buyer-seller literature. Herzberg's (Herzberg 1966) two-factor model distinguishes between "hygienes" or those factors that help avoid negative utility, and "motivators" or those factors that increase positive utility. Negative performance on hygienes has a stronger effect on utility, while positive performance has minimal impact, i.e., hygiene factors are essential but not determinant of positive outcomes. Motivators, on the other hand have positive enhancing effects on utility while their lack has a relatively weaker effect on utility. Several authors examining relationship dynamics in marketing contexts have applied the two-factor model to

key outcomes including satisfaction and trust (Sirdeshmukh, Singh, & Sabol, 2002). We apply this framework in a stylized manner to KAM.

*KAM in the exploration phase:*

We argue that collaborative communication will dominate as a motivator in relational processes during the exploration phase. Relational partners are establishing norms, ensuring an understanding of partner needs, and in-turn communicating their needs in order to establish a platform for relational engagement. Ideally, successful bi-directional communication will provide confidence that future investments in value creation will lead to fruitful outcomes. On the other hand, poor communication during this phase, or communication suggesting mismatch in norms and expectations can lead to early termination of potential relationships.

*KAM in the build-up phase:*

Following successful exploration, the build-up phase at once involves an initial delivery of value in line with expectations created in the exploration phase, as well as sustained delivery of value in order to further enhance motivations for sustained relationships. Communication, while evolving from exploration of needs and norms to more intimate, bi-directional sharing of relational needs, will continue to remain a motivator. That is, co-creation of relational value will require simultaneous collaborative communication.

Thus, we propose that the determinant, motivator processes in the build-up phase of KAM relationships will involve relational co-creation of value and collaborative communication. Having established norms and communicated mutual expectations, partners will focus on this phase on the ostensible terminal goal of the relationship, i.e, ensuring superior mutual returns. Eggert, Ulaga, and Schultz (2006) find support for the proposition

that personal interaction was more critical to relationship value in the build-up process compared to the mature phase. In the context of customer-manufacturer relationships in the agricultural chemical market, Jap and Anderson (2007) find strong support for the importance for a variety of value-creating processes in the build-up phase. The authors report that trust and bi-lateral investments, established as value-creating processes in business relationships, exerted strongest effects in the build-up phase of the relationship. The authors note (2007, p. 267) that these processes “speak to the core of what relationships are for.”

*KAM in the maturity phase:*

The mature phase of a relationship is one where steady state communication processes have been routinized and collaborative value has been realized on multiple occasions. As a result, both parties would have inclinations toward long-term engagement, and the shadow of the future (Heide and Miner, 1992) looms over the relationship. However, expanding breadth and scope of the relationship is expected to lead to unforeseen contingencies and potential relational problems. It is in these contexts, that mutual problem solving dominates as a key characteristic in KAM. Dwyer et. al. (1997) specifically focus on relational challenges in the mature or commitment phase of the relationship. They note (1997, p. 19), “many forces can strain a relationship, including increased costs of transition, decreased obstacles associated with interacting with an alternative exchange partner.” They further note, “In contrast, pressure to adjust rather than dissolve a relationship is fuelled by the on-going benefits accruing to each partner.” Thus, the shadow of the relationship (Heide and Miner, 1992) creates the motivation for collaborative problem solving.

We thus propose that mutual problem solving will be the motivator in the mature phase of the relationship, while collaborative communications and relational co-creation serve as important yet not determinant factors. They will largely serve as hygienes, whereby a

baseline level of performance is expected and deviations below the baseline leads to negative outcomes. Jap and Anderson (2007) find support for this proposition noting (2007, p. 267) that this phenomenon is “consistent with notion of fading into the background as the relationship stabilizes and both parties focus on working together.”

## **CONCLUSIONS**

The purpose of this paper was to shed light on the strategic drivers of effective key account management from the supplier's and the customer's perspective and their integration into the relationship lifecycle. We identified three critical relational processes or operational drivers of KAM effectiveness, which lead to mutually beneficial exchange, and long-term collaboration between buyers and sellers. These drivers are collaborative communication, relational co-creation and interactive problem-solving. We also proposed systematic variations in the influence of these operational drivers as KAM relationships develop, and consider implications for management and practice. We argue that KAM systems need to factor in the relationship cycle when directing resources towards their key accounts.

We acknowledge the inherent limitations of our conceptual framework and propose a number of recommendations to drive a future research agenda. First, future research should investigate the moderating influence of KAM relationship development phases on the three relational processes. Quasi-longitudinal analysis should investigate whether the relationship cycle moderates the role of various relational processes in achieving successful KAM practice. Second, our proposed framework presents critical relational processes from the supplier's perspective. In order to understand value creation in the dyad, future research should explore those factors driving KAM from the customer perspective.

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**Table 1. Critical Relational Processes and Relationship Phase**

	<b>Relationship Phase</b>		
	Exploration	Build-Up	Maturity
<i>Critical Relational Processes</i>	<b>Collaborative Communication</b> Relational Co-creation of value Joint Problem-Solving	<b>Collaborative Communication</b> <b>Relational Co-creation of value</b> Joint Problem-Solving	<i>Collaborative Communication</i> <i>Relational Co-creation of value</i> <b>Joint Problem-Solving</b>

Bold: Indicates most determinant process in relational growth

Italics: Indicates important but not determinant in relational growth