

Worldly wise

Attracting and managing customers isn't the same when business goes global. Companies must be ready to adjust.

By CHRISTOPH SENN
AND AXEL THOMA

IT'S HARD ENOUGH for a company to maintain relationships with customers that are spread across the *country*. It's even harder when the customers are spread across the *world*.

But it has never been more crucial.

As globalization spreads, it opens up opportunities for legions of companies in foreign markets. But to compete effectively, those companies have to change—especially in the ways they court their biggest customers, many of which are stretching their legs globally as well. Strategies and organizational structures that once worked for serving clients on a local level are no longer efficient when there are 50 or 100 “locals.”

In particular, when a company is relatively small, it can make sense to divide responsibilities for accounts along lines of countries, products and services. As an organization grows, however, the resulting lack of coordination among account managers can be costly, especially when their efforts overlap, dealing with the same customers.

Enter global account management, which puts one manager in charge of a single customer and all of its global needs. Adopting such a system is no easy task. Done right, it can take years. The global account manager must be able to

draw upon all of his or her company's resources to be able to market all of its products and services to the customer. To accomplish that, company departments and units must be taught to cooperate, with serving the customer's needs as their focus. The global account manager also must have support from senior management to be able to work in a new kind of relationship with the client that doesn't just find solutions for daily operational needs, but that builds strategies for the future and develops new business.

Companies that have adopted global account management have found that it takes 10 to 15 years, and multiple stages, to fully implement. Upfront investment will be required for corporate restructuring, new computer systems, additional hiring and staff training—items that often produce no immediate return.

For some companies, gains do appear briefly—in the form of higher margins, increased sales and cost savings—but then vanish when implementation stalls due to such hurdles as change fatigue within the organization, or conflicts with other demands on corporate resources. Promising global account initiatives can turn into sobering disappointments. Those that succeed, however, reap such rewards as increased customer spending, lower costs associated with accounts, and of course bigger profits.

After five years of study, including close looks at DHL, Microsoft Corp., Citigroup Inc., Siemens AG, SAP AG, Marriott International Inc., Hewlett-Packard Co. and International Business Machines Corp., we have come up with a road map

Global outlook

Global account management, a systematic process to attract and retain global customers, can take 10 to 15 years for a company to fully implement. Here are some of the key tasks and capabilities for the three stages of GAM implementation:

BEGINNER

- Selecting accounts to focus on
- Recruiting account managers
- Restructuring company to achieve cooperation across departments

SPRINGBOARD

- Scaling up pilot programs
- Jointly developing business with customers
- Setting specific goals and financial incentives for account managers

EMBEDDED

- Customer asset management
- Customer-based accounting
- Customer-centric governance

Source: Christoph Senn and Axel Thoma

for reaching superior global account management. Along the way, the most successful companies progress through three implementation stages that we have labeled Beginner, Springboard and Embedded.

Beginners identify global accounts on the basis of suitable selection criteria, harmonize their company's world-wide product and service offerings, assign global account managers, and begin to change corporate structures in ways that will help the managers do their jobs, with particular regard to who reports to whom and decision-making powers. In the

Springboard stage, the account managers begin working with clients on issues like developing new products and exploring ways to make the client more competitive in its market. To that end, changes in corporate structure continue, furthering the ability to impose goals and incentives across business units and functions, and to encourage collaboration. Finally, in the Embedded stage, the entire company has developed a collaborative culture and global mind-set across the organization and works like a partner with global accounts, developing new business while also serving current needs. Measures for each account's profitability also are in place that help the company allocate resources efficiently.

If global customers are not served and managed accordingly, companies face the real threat of not only missing out on their substantial growth potential but also losing the customers' entire business to competitors who have mastered global account management.

What follows is a suggested framework for completing each stage, using as examples some companies that were adopting account management for the first time, and others that took a national account-management plan and gave it global scale.

Beginner

Generally, there are three main tasks for getting started: selecting the accounts to focus on; laying foundations for corporate structures that make global account management a distinct company operation; and recruiting account managers.

Dr. Senn is adjunct professor of marketing at Columbia Business School, New York, and senior lecturer of international management at the University of St. Gallen, Switzerland. Mr. Thoma is a research associate at the University of St. Gallen. They can be reached at reports@wsj.com.

In choosing which customers to elevate to global-account status, a company can use many criteria, ranging from the customer's profitability and cross-selling potential to whether it considers the supplier's product or service of critical importance. A global-account customer doesn't have to be large to make the cut. A smaller account may have more growth potential. Willingness to participate is important, too, but as will be seen, willingness alone should not be given too much weight.

The first step in setting up internal organizational structures is the appointment of global account managers and, depending on the size of the overall program, a program director or coordinator who in addition to overseeing the account managers serves as go-between with senior management and steers the program's development. Existing reporting and decision-making processes need to be adjusted to give the initiative a seat at the corporate table and empower its personnel within the broader organization. The number of dedicated staff, including those in back-office roles, naturally increases over time. Because of the nature of the changes and the demands put upon the entire organization, implementation cannot happen overnight. It is an evolutionary process.

Microsoft, which began introducing global account management in 2000, focuses its program today on multimillion-dollar, global corporate customers that depend heavily on information technology. Candidates must have enough revenue potential to justify Microsoft's allocation of significant resources. But size is only one factor in a detailed list of criteria that Microsoft uses. Willingness to collaborate extensively is important, too; the candidate must be ready to share information for developing new products and processes, and be willing to establish multilevel relationships with Microsoft. But more important than willingness is the client's degree of global coordination. If the customer's organization is not already centralized and coordinated on a global basis, for example, its local purchasing departments may not be in step with agreements negotiated at headquarters.

Other criteria for Microsoft: Candidates must be a leader in their industry, which affects how Microsoft is viewed in that sector; industry leaders also possess superior skills and knowledge that can be leveraged. Candidates also must be early adopters of new technol-

ogy; such companies tend to be more willing to engage in joint research and development and to explore new business opportunities which will later be adapted to and multiplied with the larger customer base.

When a company has selected the accounts it wants to focus on, it then has to begin to implement a new layer of management to coordinate all of the efforts required to bring about the necessary changes. A formal corporate structure also is needed to keep the initiative high on senior management's agenda. This is particularly important with global accounts because of the huge sales volumes and growth potential at stake. Microsoft, for its part, encourages its senior managers to nurture relationships with senior decision makers at the selected accounts, and to be active in making sure global-account-management initiatives get the resources they require from within Microsoft.

Ideally, one senior manager should be assigned to each account and conduct regular customer visits during which he or she should cultivate relationships at multiple levels. Doing so can help identify new opportunities that account managers can then pursue.

Senior management also should be engaged in the recruiting and empowerment of those account managers, who act as the standard bearers for the customers. Proven business and leadership skills are key for such positions, as is a willingness to commit to an account for several years in order to build relationships and better understand the customer's business.

At Microsoft, account managers, referred to as global business managers, are encouraged to be innovative and are equipped with their own budgets. Because they work across business units,

functions, and even organizations, the managers get help marshaling the company's resources from a team of about 10 people at headquarters in Redmond, Washington, and from a broader group of about 150 world-wide who contribute in various ways to joint-account planning and drawing up contracts.

In most big companies, to achieve the necessary level of cooperation among departments, units and functions, some form of corporate restructuring is going to be necessary. Global account management can't just be superimposed on existing organization charts, nor can it be attached like a separate function or department. For it to work, there has to be not only companywide rethinking, but the authority and structure to become permanent and pervasive. Without a push from above and clear procedures to follow, territorial behavior and plain inertia are too likely to thwart the efforts of the best global account managers.

When the freight and logistics company DHL chose to initiate global account management in 1994, it set out to treat the campaign as a companywide change, not a project that pertained only to its sales force. DHL, now a unit of Germany's **Deutsche Post AG**, decided to take the leap after certain large customers centralized their supply-chain efforts to purchase goods and services on a world-wide basis.

But DHL management at first continued to operate by focusing solely on separate business units and their profits and losses. Global account managers, who were barely prepared for their new roles, had to report to more senior managers whose responsibilities were tied to specific countries and so showed little interest in efforts to serve customer needs elsewhere. Under this kind of corporate organization, the managers couldn't accomplish much for their international customers, and client satisfaction initially suffered.

Only with a corporate-wide restructuring a few years later did DHL's account managers get the broader support they needed from within the company. A centralized management model was put in place, and the account-management initiative got a new name, Global Customer Logistics, and its own organization. From then on, the program's senior managers were able to help marshal company resources. And as bottom lines began to improve, these managers made it a point to communicate and celebrate even small successes in order to maintain positive momentum for companywide change.

DHL thus moved into the next stage of the transition, which is marked largely by the ability to translate success at one account into success at others.

Springboard

In this stage, a company begins to scale up its successful pilot programs. It cultivates new relationships with its select customers while developing joint account planning and product development. Specific goals and financial incentives are determined for account managers and related staff.

It's important to identify successful methods and systems that can be used for collaboration in other accounts. Microsoft, for example, has developed standardized methods and tools that its global accounts team at headquarters uses to assist in joint account planning and in drawing up global contracts.

At a major European IT solutions provider, where a global-account-management initiative was launched in 1999, account managers work from the same templates and are expected to follow the same routines. Processes and tools adopted throughout the unit support teamwork between departments and divisions. Having a system in place also makes it easier for account managers to work with customers in developing targets and goals.

One of the unit's most successful global-account-management stories is a soft-drink maker that is also a longtime client. After years of doing business with this customer in an uncoordinated way, the

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Stay close

◆ **The issue:** Keeping a key customer close by using a single account manager is a daunting task when the client operates at a global level. It requires companywide changes.

◆ **Why do it?** Handling all of a customer's global business through one account increases efficiency, revenue and profit. It also fuels efforts to develop new business.

◆ **What's the best way?** Adopting global account management is a years-long process and sometimes requires corporate restructuring. A three-stage transition plan can help.

Global

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IT provider sent a team to study the soft-drink maker's overall business and come up with proposals to make it more competitive. After the study and a 2003 meeting with the company's chief information officer, numerous ideas for closer cooperation were adopted. The IT provider helped the customer draw up a list of its likely future information-technology needs, for example, helping the company avoid purchases of equipment that it might not need or that might be too costly. The provider also showed

Senior managers at the company stay closely involved with the initiative, helping to focus customer dialogue not just on operational issues but on how to shape the future together. Board members, meanwhile, annually review the unit's top 50 account plans to support joint business development.

Senior managers in the program set performance goals and incentives for account managers, in tandem with corporatewide human resources. Targets thus are carefully aligned with the unit's broader corporate goals. To help account managers achieve those targets, and to further develop their skills where needed, the company has initiated an annual evaluation

and immediate needs. Working with senior management, account managers will be able to draw on direct lines to all of their company's products and services, without regard to functional or national boundaries.

Citigroup has fully implemented global account management. The New York-based financial services company has practiced account management in some form since 1968, when client specialists began developing and coordinating marketing plans for large customers. It formed a specialist division to serve global clients in 1975, and today the company operates what it calls its Global Relationship Banking business, catering to more than 1,400 clients.

opportunities should be pursued.

DHL has reached the embedded stage, too, after 12 years. Through its global account program, now dubbed Global Customer Solutions, the company coordinates marketing and sales, operations, networks, information systems, finance and administration for select global accounts on a worldwide basis. The program, whose clients comprise the company's 100 top customers—typically Fortune 500 companies—applies to each customer such well-tested tracking measures as account profitability.

The company uses a larger scale to judge the overall success of its global-accounts effort. DHL credits the initiative, for example, with making the company a leading logistics provider with global delivery capabilities. Looking strictly at the books, meanwhile, DHL says that since four or five years ago—roughly the point at which it made the transition from Springboard to Embedded—revenue from its globally managed accounts has grown at a faster rate than the overall industry. ■

For further reading

The following related articles from MIT Sloan Management Review can be accessed online at sloanreview.mit.edu/wsj

■ Achieving Excellence in Global Sourcing

By Robert J. Trent and Robert M. Monczka (Fall 2005 issue)
Global sourcing is a complex approach to sourcing and supply management that involves integrating and coordinating common items, materials, processes, technologies, designs and suppliers across world-wide buying, design and operating locations.

■ The New Practice of Global Product Development

By Steven D. Eppinger and Anil R. Chitkara (Summer 2006)
Growth and innovation can be much

more effective if manufacturers tie their decentralized development organizations into a cohesive, unified global product development operation.

■ The Need for a Corporate Global Mind-Set

By Thomas M. Begley and David P. Boyd (Winter 2003)
Global thinking must be incorporated into an organization's processes so that everyone knows how to handle the tug-of-war between local responsiveness and corporate efficiency.

■ Building an Effective Global Business Team

By Vijay Govindarajan and

Anil K. Gupta (Summer 2001)
Although myriad organizational mechanisms exist for integrating geographically dispersed operations, the most effective tool is assembling and nurturing cross-border teams.

■ Is Your Innovation Process Global?

By José Santos, Yves Doz and Peter Williamson (Summer 2004)
Rarely do businesses have innovation activities that integrate distinctive knowledge from around the world as effectively as global supply chains integrate far-flung sources of raw materials, labor and components.

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where it could relieve the company in terms of IT management, not a core competence for the client, thus increasing efficiency.

The IT provider's business with the customer has since grown tenfold. The customer received more business from the provider, as well—increasing the soft-drink maker's presence at the IT provider's employee catering locations, for example. On a larger scale, the IT provider, a multibillion-dollar business, tripled its international sales volume and cut program costs by more than 50% in the first five years that it adopted global account management, an effort that built on earlier account-management experience at local and divisional levels.

and training process focused on such skills as financial entrepreneurship and leadership.

The next step for integration at the IT provider is a type of campaign increasingly seen at major corporations—a so-called one-company initiative, in which global account management is extended throughout the entire company, whose activities in this case extend to financial services and real estate. When it accomplishes this, the company will have entered the last stage of global account management.

Embedded

In this stage, an entire company is set up to continuously work with key customers on their future goals

Account managers in Citigroup's global client program deal directly with their clients' chief financial officers, or their equivalent. Their efforts are closely monitored. Each banker completes an annual one-page scorecard that helps Citigroup measure performance in reaching its clients' goals across functions. Clients are asked to rate Citigroup on such points as product quality and innovation, and global network delivery. Separately, an overall business scorecard also tracks risk-adjusted profitability trends and risk-management performance. The scorecard thus offers an essential tool that forces Citigroup to concentrate on the returns of each relationship and helps determine which op-