

GLOBAL ACCOUNT MANAGEMENT (GAM): TWO CASE STUDIES ILLUSTRATING THE ORGANIZATIONAL SET-UP

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The study of organizational set-up in Global Account Management shows that the supplier can improve its relative power position towards the customer, not only by having central headquarters negotiations with the customer's headquarters, but also by offering local production and adapted services in various geographical locations, where the customer is active.

INTRODUCTION

The coordination of customer management across national boundaries, commonly referred to as Global Account Management (GAM), has emerged as one of the most prevalent corporate responses to the globalization of markets (Birkenshaw et al. 2000). Yip and Madsen (1996), describing GAM as the "new frontier in relationship marketing," identified this organizational form as a vital platform for the successful implementation of a number of globalization strategies.

The purpose of this paper is to offer some insights into how GAM's organizational set-up is managed in different types of supplier-customer relationship, seen from the supplier perspective. The resource dependency theory is used to gain a better understanding of the GAM phenomenon, which is then illustrated from the view of two different supplier enterprises on the B-t-B market: A LSE (Large Scaled Enterprise) and a SME (Small- and Medium-sized Enterprise). The main question in the paper is how the supplier can increase its relative power position towards the customer- - the Global Account (GA).

GAM – DEFINITION AND THEORETICAL BASIS

GAM can be understood as a relationship-oriented marketing management approach focusing on dealing with the needs of an important global customer (Global Account = GA) in the business-to-business market. Consequently GAM can be defined as an organizational form (a person or a team) in a global supplier organization used to coordinate and manage worldwide activities by servicing an important customer centrally from the headquarters (Harvey et al. 2002).

A Global Account is a customer that is of strategic importance to the achievement of the supplier's corporate objectives, pursues integrated and coordinated strategies on a world wide basis and demands a globally integrated product / service offering (Wilson and Millman 2003). A global account manager is the person in the selling company who represents the selling company's capabilities to the buying company, the buying company's needs to the selling company, and brings the two together.

Successful GAM often requires an understanding of the logic of both product and service management. Moreover, excellent operational level capabilities are useless if strategic level management is inferior, and vice versa – the GAM approach combines strategic and operational level marketing management.

In summary, the importance of GAM strategies will grow in the future (Harvey et al. 2002).

The development of relational contracting with a large, global customer – the cooperation between a customer and a supplier into a long-term global relationship has a number of positive outcomes (Arnold et al. 2001). However, a great deal of learning is necessary upon deciding to implement a GAM strategy, because high stakes and high exit barriers accompany the implementation (Hollensen 2004, 2006).

RESOURCE DEPENDENCY THEORY

Resource dependency theory can be viewed as a systematic way of examining the dynamics of bargaining power between two organizations, in this case a supplier and a customer (a Global Account). We use the theory to suggest that GAM may be a tool for increasing the supplier's power position vis-à-vis the customer. As set out by Pfeffer and Salancik (1978), an organization can be viewed as dependent on another to the extent that (1) the latter controls a resource that is important to survival of the former, (2) the latter holds discretion over the use of that resource, and (3) there are no other sources to that resource. If organizational survival is defined as the ability to acquire and retain resources, it therefore follows that the successful suppliers strive to improve their relative power position against the customers. The following two cases show how it may be implemented.

TWO CASE STUDIES

In the following sections of the paper the problem is illustrated by two supplier enterprises in the global B-t-B market: a Large Scaled Enterprise (LSE), Sauer-Danfoss, and a Small to Medium-sized Enterprise (SME), AGRAMKOW:

Sauer-Danfoss

Sauer-Danfoss is one of the world's leading companies for the development, production and sale of hydraulic power transmission systems – primarily for use in mobile work vehicles. Sauer-Danfoss, with more than 8,500 employees worldwide and revenue of approximately USD 1.5 billion (2005), has sales, manufactur-

ing, and engineering capabilities in Europe, the Americas, and the Asia-Pacific region. Sauer-Danfoss' key global customers (GAs) are John Deere, Case New Holland, Ingersoll-Rand, Agco and Caterpillar. A typical Sauer-Danfoss system integration solution consists of: Main propel pump, auxiliary pump, wheel rear assist motor, front main axle motor, microprocessor, electro hydraulic valve, and a joystick.

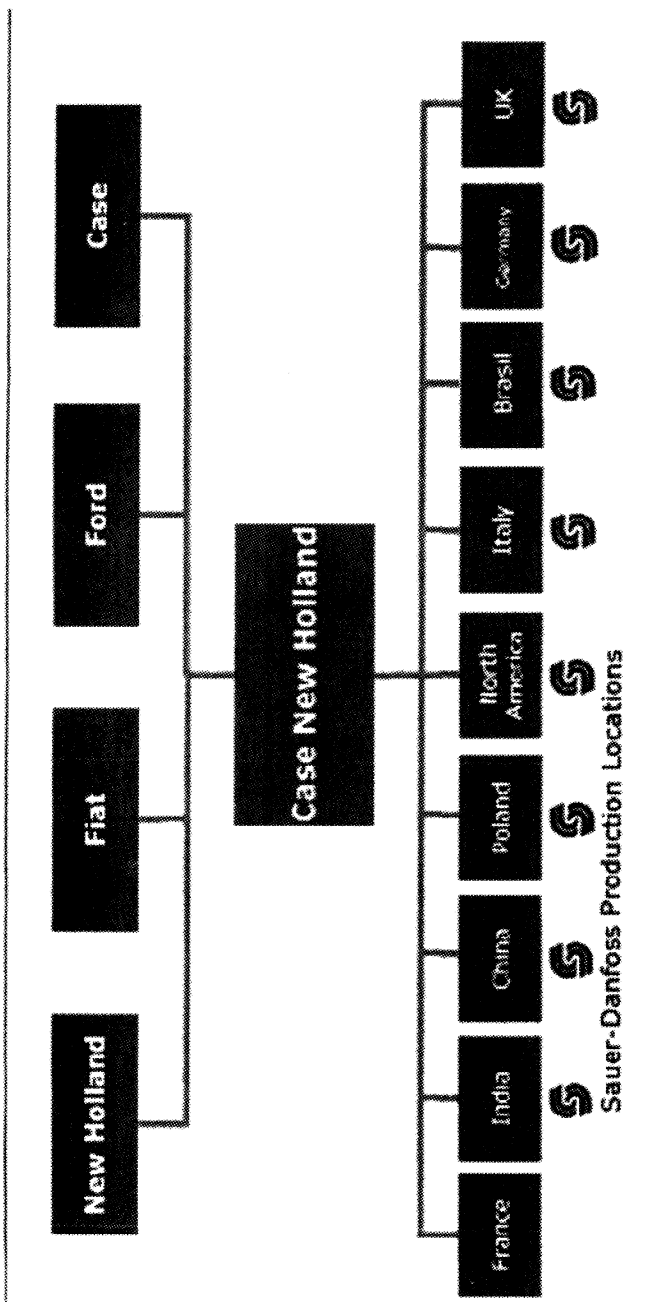
One of Sauer-Danfoss' main Global Accounts (OEM-customers), CNH (Case New Holland), is the number one manufacturer of agricultural tractors and combines in the world and the third largest maker of construction equipment. Revenues in 2004 totaled \$12.2 billion. Based in the United States, CNH's network of dealers and distributors operates in over 160 countries. CNH agricultural products are sold under the Case IH, New Holland and Steyr brands. Earlier also Fiat and Ford (Tractors) were independent brands, but they are now under the main New Holland brand. CNH construction equipment is sold under the Case, FiatAllis, Fiat Kobelco, Kobelco, New Holland, and O&K brands.

As a result of a merger in 1999, CNH is an example of the consolidation on the OEM customer side. The result of this consolidation is that fewer than the ten largest OEM customers will represent more than half of Sauer-Danfoss' potential sales over the medium to long-term. There is no doubt that the price-down pressure will continue worldwide. The global business culture trend is leading towards a more professional buying process on the customer side. This development required a new way of structuring the Sauer-Danfoss organization, and the answer was GAM. (See Figure 1)

As illustrated in Figure 1, Sauer-Danfoss has met the requirements of CNH's worldwide production units by forming local production locations and GAM team groups in India, China, Poland, North America, Italy, Brazil, Germany and UK (but surprisingly not in France). In partnership with CNH the GAM teams try to find more cost-effective solutions, rather than simply reduce the prices. Sauer-Danfoss is fol-

FIGURE 1

Consolidation + Globalization
E.G.: Case New Holland



lowing CNH into low cost manufacturing countries like India and China. At all the worldwide production units of CNH there is a pressure for a higher degree of outsourcing and a request for value added packages. Sauer-Danfoss tries to fulfill this requirement by supplying pre-assembled kit packages and delivery of more system solutions to CNH's local production units, but still remains in very close coordination with CNH's American HQ.

AGRAMKOW FLUID SYSTEMS

AGRAMKOW (Denmark) was founded in 1977 by Asger Gramkow. Its goal is to become one of the world's leading developers and suppliers of filling equipment for fluid refrigerants, which are used, e.g., in refrigerators or in automotive air conditioners. In 2004 AGRAMKOW's total sales was approximately USD 30 million, of which 95 percent was realized outside the home country (Denmark). The total number of employees is 150.

AGRAMKOW's mission is the following: *To improve our customers' processes and business performance – safely and reliably.* Generally AGRAMKOW has divided their business into two main SBUs:

Automotive Industry AGRAMKOW develops, designs and installs fluid systems for automotive manufacturers globally.

Appliance Industry AGRAMKOW develops process fluid fill systems for the Refrigeration and Air Conditioning industries globally. The rest of this case will primarily concentrate on this part of AGRAMKOW total business.

In practice AGRAMKOW's process fluid fill system is fitted into the total production line of a refrigerator manufacturer. Figure 2 shows the AGRAMKOW's core competence in action, e.g., at Electrolux's production line of refrigerators. Besides the fluid fill product, AGRAMKOW has a further department, ITS, which develops electronic control units, measure- and test equipment and enterprise solutions for the refrigeration and air conditioning industry.

These solutions assure that the end-products from the production line are tested and that the whole production flow is optimized.

In the Appliance Industry the global customers (GAs) are big multinational companies like: Whirlpool (USA), Electrolux (Sweden), Samsung (Korea), Haier (China), Siemens (Germany) and General Electric (USA). It is a fact that the global customers are getting fewer and bigger by mergers and acquisitions.

AGRAMKOW has a global network of direct and independent service centres – each of them staffed by trained experts. All of the service centres are stocked with a complete line of maintenance, spare and repair parts for all AGRAMKOW and related partner products.

AGRAMKOW has “only” 2-3 subsidiaries around the world, but instead of having several subsidiaries to support the local production units of the major GAs (like in the Sauer-Danfoss case), they have transferred the values of AGRAMKOW to distributors and agents, in order to turn them into partners with internalized AGRAMKOW values. The AGRAMKOW management has implemented this partner-strategy by inviting all the potential partners to seminars and meetings at the AGRAMKOW HQ in Denmark. The purpose of these meetings has been to increase the partners':

- Common team spirit and commitment to the AGRAMKOW shared values and goals. This has been achieved also by including some common social activities, e.g., sport activities.
- Sales skills for the AGRAMKOW winning of the local GA business
- Technical competence for installation, integration, maintenance and repair of AGRAMKOW equipment / solutions
- Understanding of the necessity for constant feedback to AGRAMKOW on performance and other market activities (e.g., competitor activity)

FIGURE 2

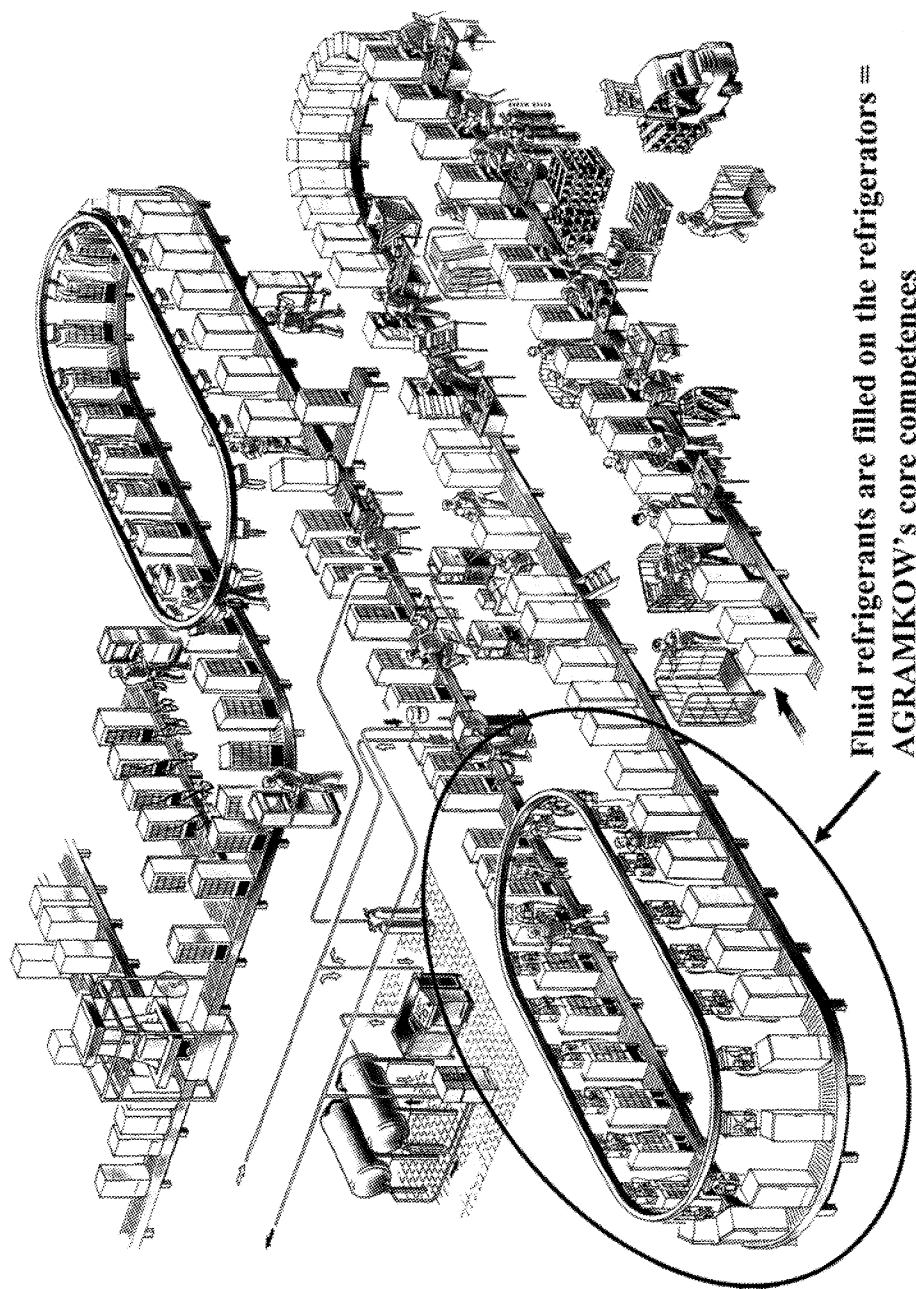
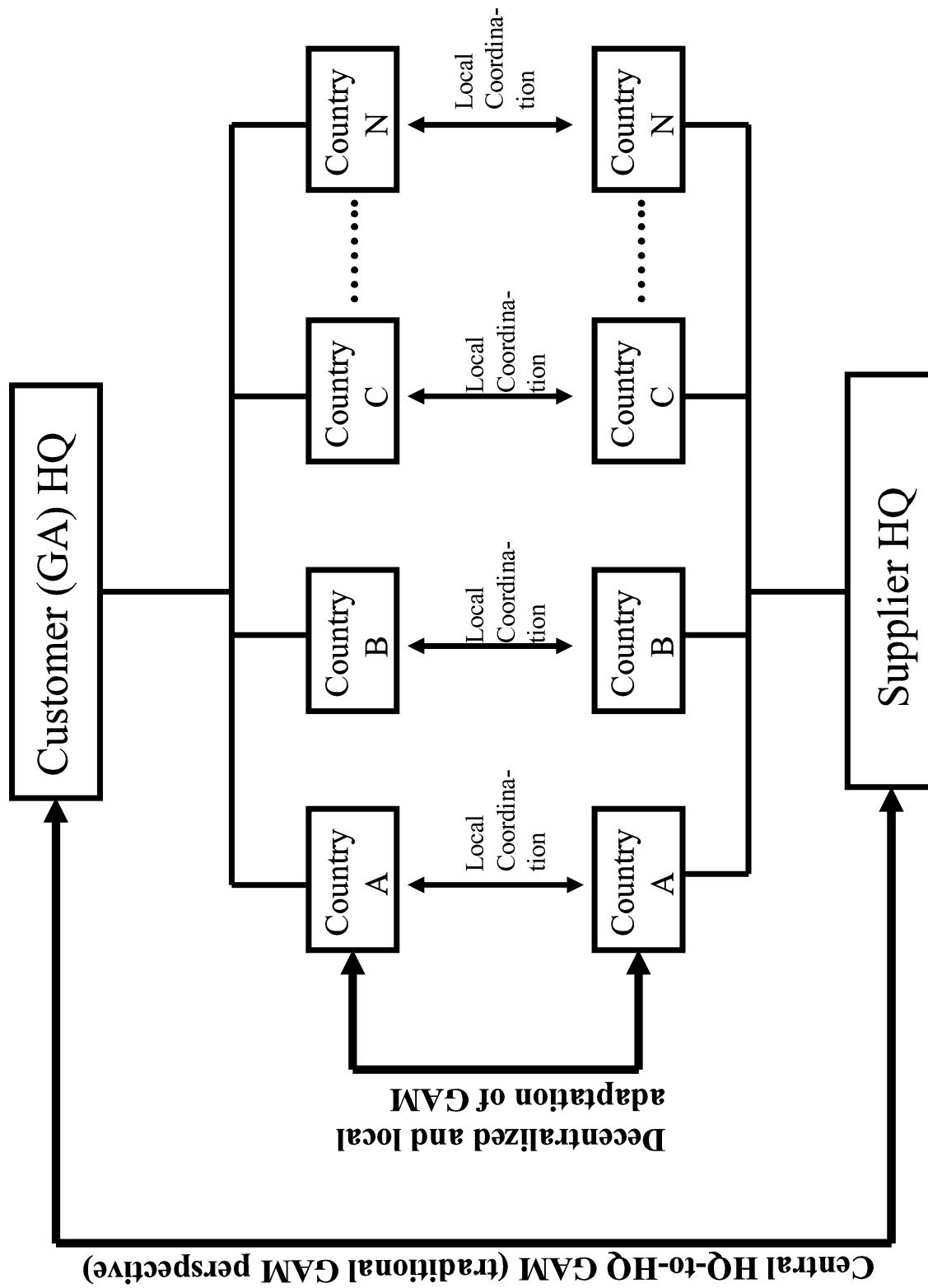


FIGURE 3



Afterwards the individual partner and his organization (e.g., the Chinese partner) are in a better position to take care of customized products, local service and customer care directed towards the local GA unit, e.g., the local Electrolux refrigerator production unit in China. In this set-up, the management team at AGRAMKOW HQ (Denmark) together with the team at Electrolux HQ (Sweden) would still have to take care of the global coordination of AGRAMKOW activities aimed at Electrolux's production units around the world.

Despite the positive development there have (of course) been some difficulties in the process of turning the distributors and agents into partners. Those organizations with small turnovers of AGRAMKOW products and services, have been somewhat reluctant in the process.

CONCLUSION

The two cases show that the supplier can increase its relative power positions in GAM by offering local adaptations of the GAM strategy. The consolidation of many industries (illustrated in, e.g., Figure 1) has meant that the customers have been able to improve their relative power positions against their suppliers. However, as we have seen in both cases, the supplier can offset this increasing power by making local resources (local production and/or services) available for the customers' local production units around the world. The modified GAM-model is shown in Figure 3, which shows a combination of a central and decentralized approach to GAM.

Local/decentralized adaptations of the central GAM-strategy would normally be very resource demanding for the supplier to implement, requiring investments in its own local subsidiaries around the world (illustrated in the Sauer-Danfoss case). However, the AGRAMKOW case shows that it is not always necessary for the supplier to have its own subsidiaries. AGRAMKOW has been able to transform distributors and agents into partners, with shared AGRAMKOW values and goals. In this way AGRAMKOW has reached a stage where the

different partners handle the GA's production units in a similar way, across the world.

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