Global Account Management in Multinational Corporations: Theory and Evidence

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This paper uses two theoretical perspectives, information processing and resource dependency, to examine global account management (the co-ordination of activities involved in serving a single customer in multiple countries). It is hypothesized that global account management structures allow the multinational corporation (MNC) to increase its information processing capacity as well as its bargaining power vis-a-vis the global customer. Using data on 106 global accounts in 16 MNCs, we find support for both perspectives individually. Furthermore, evidence is presented for an interaction effect in which the effectiveness of structures for increasing information processing is conditional upon the presence of high customer dependence.

The coordination of customer management across national boundaries, commonly referred to as global account management, has emerged as one of the most prevalent corporate responses to the globalization of markets. Yip and Madsen (1996), describing global account management as "the new frontier in relationship marketing," identified this organizational form as a vital plat-

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An earlier version of this paper was presented at the Academy of Management Conference, Toronto, 2000. The research was supported by the Marketing Science Institute.
form for the successful implementation of a number of globalization strategies. In a similar vein, the journal of the National Account Management Association, the major management association in its field, identified a sound global account management program as a "critical competitive weapon" (Napolitano 1998), and argued that global account management "clearly represents the new frontier in strategic account management."

While global account management is clearly an important strategic issue for many MNCs, it has so far attracted relatively little research interest in the field of International Business. The purpose of this paper, accordingly, is to offer some insights into how global account management works in MNCs, and to develop and test propositions regarding its effectiveness. We also discuss the broader implications of global account management for the field of international business.

Global account management is defined as "an organizational form and process in multinational companies by which the worldwide activities serving a given multinational customer are coordinated centrally by one person or team within the supplying company" (Montgomery and Yip 1999, 10). The concept is simple, and from a customer's perspective it is meant to be simple because it provides for them a single point of contact with the vendor organization. However from the vendor's perspective its implementation is frequently problematic. In most cases, global account management is established alongside an existing country-based sales organization, so for the salespeople in those countries it represents a threat to their autonomy. Many of the cases we studied involved power struggles between country sales managers and global account managers in defining who "owned" the important accounts. Such struggles involve more than territorial pride, since clear customer ownership is the principle underlying the control and reward system for the sales function. Relatedly, many MNCs also acknowledged problems in measuring the performance of single accounts on a worldwide basis, something needed for defining appropriate incentive systems.

So while global account management certainly creates some important marketing challenges (e.g. in terms of the consistency of product and service characteristics across countries), the major problems appear to be organizational in nature. Accordingly, the focus in this paper is on global account management as an organizational innovation. As with any organizational innovation (e.g. matrix management, cross-functional teams) the challenge from a research perspective is to use existing theoretical lenses to make sense of the phenomenon, and thereby to gain a better understanding of its uses and limitations. In this paper we apply two theoretical perspectives. First, we model global account management as a way of increasing the information processing capacity of the organization in response to increased information processing demands. Second, we use resource dependency theory to suggest that global account management may be a tool for increasing or exploiting the vendor's power position vis-à-vis the customer. Using data collected from 106 different global account managers we test hypotheses relating characteristics of the vendor and customer organizations to account performance, from both perspectives. Overall, the results indicate that both are important individually. In addition, evidence is presented for an interaction effect in which the effectiveness of structures for increasing
information processing is conditional upon the presence of high customer dependence.

**THEORETICAL BACKGROUND**

*Literature on Global Account Management*

Research on global account management *per se* is sparse and recent. Building on Nahapet (1994), Yip and Madsen (1996) reported that the key driver of global account programs was demand from the rapidly globalizing procurement functions of customers. Using contingency theory, they suggested that a number of industry- and firm-specific factors determine the likelihood of a company instituting a global account program, and of that program contributing to the successful implementation of global marketing strategies. Montgomery, Yip and Villalonga (1998) built on this study, and found an accelerating customer demand for and vendor adoption of global account programs, and a positive but weak effect on vendor performance. Senn and Arnold (1999) showed higher levels of global account program success with “a comprehensive global account approach...rather than the 'traditional' relationship management concept.” Finally, a recent special issue of *Thesis* included several insightful studies of how particular companies are managing their global accounts (e.g. Momani and Richter, 1999; Willman, 1999, Wilson, 1999).

There is a related literature on key account management (KAM), which is the coordination by a selling organization of the multiple relationships with a single client in several sales territories. In a recent review of research, McDonald, Millman, and Rogers (1997) trace this research stream to models of industrial buying behavior (Webster and Wind, 1972), with later contributions from the interaction research of the Industrial Marketing and Purchasing (IMP) Group (Håkansson, 1982). Reflecting this behavioral pedigree, the research stream evolved with a strong focus at the dyadic level, focusing on areas such as the traits and role boundaries of KAM personnel, compensation systems, and customer selection (see McDonald, Millman and Rogers 1997; Weibaker and Weeks 1997).

A separate stream of research by Shapiro and Moriarty (1982, 1984) highlighted the complexity of managing both KAM and local sales organizations in tandem, and also reported that support systems were generally a neglected area and the last to receive attention in new KAM programs (Shapiro and Moriarty 1984).

What are the appropriate theoretical perspectives for making sense of global account management? Yip and Madsen (1996) framed it in terms of the drivers of globalization, and key account management has typically been examined in terms of the vendor-customer relationship, but our focus on global account management as an *organizational innovation* makes it appropriate to draw from organization theory, and in particular those strands of organization theory that are concerned with how the organization adapts itself to changes in its environment (such as globalizing customers). Thus, our focus on information processing and resource dependency theory.

*Information Processing Theory*

Information processing theory traces its roots back to the open systems perspective on organizations developed in the 1960s, and in particular to the work of Thompson (1967), who argued that
organizations need to “buffer” certain core activities from uncertainties in the environment, which they do through the creation of “boundary spanning activities” that monitor, soak up and respond to those uncertainties. Galbraith (1973; 1977) elaborated on Thompson’s ideas and developed the conceptual approach that has come to be called information processing theory. Galbraith defined uncertainty as “the difference between the amount of information required to perform the task and the amount of information already possessed by the organization.” Thus, he argued that the information processing demands on the organization (i.e., the uncertainty it faces) must be matched by the organization’s capacity to process that information. High performance, according to this approach, is achieved through a close “fit” between organization and environment (cf. Yip and Madsen’s (1996) study).

How does information processing theory help us to understand global account management? The descriptive research available on global account management indicates that the main stimuli for its emergence are (a) a need for greater understanding of the customer on a global basis, and (b) a demand for greater coordination among the sales operations around the world. The former is concerned primarily with how information about the customer flows into the organization, the latter is more concerned with the efficient internal flow of information. Thus, global account management can be seen as a set of systems and procedures that increase the information processing capacity of the MNC in response to the heightened information processing needs resulting from global customers (see also Egelhoff, 1992). At the level of the specific account this suggests that the various systems and approaches associated with global account management will enhance the information processing capacity of the MNC.

We then argue that the information processing requirements on the system are greater than its current capacity, simply because customers are in the process of transitioning towards a more coordinated model that their vendors are still getting up to speed with¹. On the basis of this assumption, it then follows that the extent to which such systems are put in place will be associated with superior performance in the global account.

With regard to the specific organizational mechanisms that constitute the information processing capacity of the firm, we opted for an applied approach, by developing questions and measures that came out of the exploratory interviews. Three sets of factors, in particular, emerged as important.

**Scope of Relationships.** In some global accounts the relationship between the vendor and the customer is only through the global account manager. In others, relationships are established at multiple levels – top management, front-line managers, technical managers and so on. Applying information processing theory, it follows that the greater the scope of relationships between vendor and customer, the greater will be the flow of information into the vendor organization regarding the customers’ needs, and thus the better will be the performance of the account.

**Proposition 1.** The greater the scope of relationships between the vendor and customer organizations, the better will be the performance of the account, from the vendor’s perspective.
Frequency of Communication by Global Account Manager. The frequency of communication between individuals does not indicate the quality of that communication, but it gives a sense of where priorities lie, and is thus indicative of the flows of information. Thus, we asked global account managers to indicate how often they talked to a large number of different people in the customer firm and in their own firm. Again, the emphasis is on both the flow of information into and within the organization and that, ceteris paribus, the greater the flow of information, the better the performance of the account. Research has shown that frequent contacts between the parties involved in problem solving activities leads to faster and more effective solutions (Allen 1986; Carter and Miller 1989). Studies on project teams have also identified a significant positive correlation between group performance and the frequency and extensiveness of communication both within and outside the group (Ancona and Caldwell, 1992). This suggests the following proposition:

**Proposition 2.** The more frequent the communication between the global account manager and other individuals (in both the vendor and customer organizations) on matters relating to the global account, the better will be the performance of the account, from the vendor’s perspective.

Internal Support Systems. As argued by Shapiro and Moriarty (1982), internal support systems are important for enabling global account managers to do their jobs effectively. Information systems that allow the firm to determine the profitability of an individual customer are of great importance (cf. Galbraith, 1973), as are internal seminars in which global account managers share ideas and connections with one another. All of these factors are again closely related to the effective flow of information within the vendor firm, and consequently they are proposed to have a link to the performance of the account. It is worth pointing out that even though these systems are typically developed at the firm level, the extent to which they are used depends on the individual account manager. Moreover, global account units are usually structured to mirror the global structure of the customer, and so there can be considerable variety in the structure and processes of such units within a single organization. Thus it is their specific answers to these questions that are relevant, not the question of what systems the firm has put in place. Thus:

**Proposition 3.** The more extensive the internal systems that support the specific account, the better will be the performance of the account, from the vendor’s perspective.

**Resource Dependency Theory**

The second theoretical lens we use to model global account management is resource dependency theory. Like information processing theory, it can be traced back to the open systems perspective on organizations and in particular the work of Thompson (1967). However, where information processing theory focuses on the internal organization of the firm, resource dependency theory is more concerned about the relationship of the firm to other organizations in its task environment. 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 the survival of the former, (2) the latter holds discretion over the use of that resource, and (3)
there are no other sources for that resource. If organizational survival is defined as the ability to acquire and retain resources, it therefore follows that successful organizations strive to reduce their reliance on or increase their influence over other organizations in their task environment.

Resource dependency theory can be viewed as a systematic way of examining the dynamics of bargaining power between two organizations, which of course is an important issue in many different business disciplines (Emerson, 1962; Klein, Crawford and Alchian, 1978; El-Ansary and Coughlan, 1996; Porter, 1980). Importantly, though, it is not just a descriptive theory, it also has normative implications for how one organization can reduce its dependency on another. And as such, it is potentially very relevant to the study of global account management because it provides insights into how the balance of power between vendor and customer can be changed.

Before getting into specific propositions, it is also important to note recent shifts in the view of customer-vendor relationships in the marketing literature. For much of the 1990s, research was characterized by a normative trend towards more collaborative and balanced relationships (e.g. Dyer, 1996; Nishiguchi, 1994). More recently, in the light of a perceived shift of power from producers of goods to those who buy or distribute them, research is being redirected towards “the fundamental questions [of] whether and when these demanding customers will seek out mutually beneficial relationships or become more price sensitive and less loyal” (Day and Montgomery, 1999, 8). Resource dependency theory is well suited to research into such questions.

How does resource dependency theory help us to make sense of global account management per se? The argument is that as the vendor moves from a country-by-country relationship with its customer to a global one, the dependence of each partner on the other will change. Typically, the vendor will become more dependent on its customer because all sales are controlled through a central channel. But at the same time, the customer typically reduces the number of vendors it works with, which all else being equal increases its dependence on those vendors. So the formation of a global account results in an interesting shift in bargaining power between the vendor and customer which depending on the specifics of the case could favour one side or the other.

Two specific aspects of the relative bargaining power of vendor and customer are considered in detail. The first is the extent to which there is international coordination of sales and purchasing activities in the vendor and customer organizations. In most MNCs, customer relationships traditionally developed on a country-by-country basis. If hypothetically the vendor were organized on a country-by-country basis while the customer had a global purchasing operation, the customer could gain significant price concessions by trading off one country’s sales manager against another. By the same token, if the vendor organization had a well-coordinated global sales operation while the customer was still organized on a country-by-country basis, the vendor would be in a more powerful position because it could control its sales to the various parts of the customer organization, focus on the more profitable markets, and avoid grey market sales. What this suggests is that the relative level of coordination between the two
sides is critical, because the more centralized the vendor is relative to its customer, the less dependent it is likely to be on that customer.

**Proposition 4.** The more centralized the sales activities of the vendor, and the more decentralized the purchasing activities of the customer, the better will be the performance of the account, from the vendor's perspective.

The second important issue is the perceived importance of the product supplied by the vendor to the customer. The argument, in resource dependence terms, is that the more important the product is to the customer, and the fewer alternative vendors there are, the more dependent the customer will be on the vendor (Pfeffer and Salancik, 1978). Of course this argument is not specific to global accounts - it applies to any vendor-customer relationship. But the key point is that the level of customer dependence on the vendor is not a given. Rather, it is a function of the set of products and services covered by the account, which is in turn a function of the negotiations between the two parties. Thus, from the vendor's perspective the level of customer dependence ends up being something which can be influenced, depending on what sort of account is established, and of course depending on how well the global account is actually managed.

**Proposition 5.** The more dependent the customer is on the vendor (i.e. the more it relies on the vendor for certain resources), the better will be the performance of the account, from the vendor's perspective.

**Linking Information Processing and Resource Dependency Theory**

We have so far treated the two theories as if they were independent of one another, but this is clearly an unrealistic simplification. As a final step in the theoretical development, accordingly, we argue that the two theories are in fact complementary, so that in statistical terms there will be a significant interaction effect between the resource dependence and information processing variables.

The logic for this is as follows; increased information processing capacity provides the vendor with superior information about the customer and allows that information to flow more effectively within the vendor organization. But in creating this increased capacity, the information flow to the customer is also likely to increase, both because the scope of the relationship is greater and because an effective relationship is typically based on sharing of information. The net effect should therefore be that both parties benefit, in that they have access to more information about each other. When we apply resource dependency theory, however, it becomes apparent that the two parties will not share the benefits of this greater information flow equally. If the vendor has more bargaining power, it will typically appropriate most of the gains from this increased flow of information. Likewise, if the customer is in the stronger bargaining position, it will stand to gain most from the relationship. From the vendor's perspective, the implication is that the increased information processing capacity provided by the global account relationship will only be effective at moderate to high levels of customer dependence. If the
customer is not dependent at all on the vendor, increased information processing capacity will either just be wasted effort, or -even worse- it will put the vendor in a vulnerable bargaining position with its customer.

Proposition 6. The more dependent the customer is on the vendor, the stronger will be the relationship between an increase in information processing capacity and the performance of the account, from the vendor's perspective.

Control Variables

We measured and controlled for the level of experience of the global account manager as well as firm dummy variables in all the regression analyses to ensure that firm-specific factors were controlled for. Figure 1 provides a summary of these sets of factors and the six propositions developed above.

Research Methodology

Following 35 exploratory interviews in ten MNCs, we undertook a question-naire survey of global account managers, global account program executives, and national sales managers. For this particular paper, however, the analysis is conducted primarily on the global account manager responses.

Defining an appropriate sample was not a simple matter. No single company we spoke to had enough GAMs to do a single-company study, so we decided to work with a limited number of companies and survey all the GAMs in each. Out of 150 GAMs, we received responses from 106 (70% response rate). They came from 16 companies, with between 1 and 14 GAMs per company (see table 1). The companies were selected according to certain criteria: (1) size of more than $5 billion, (2) presence in ten or more countries, (3) an active global account management program in place, and (4) not in direct competition with other companies in the sample. The result was an interesting cross-section of companies, and although firm effects are factored into our regression analysis, it should still be stressed that findings from this sample should not be readily generalized to a particular population.

There are a number of limitations to this data which should be acknowledged. Common-method bias is of some concern, in that all the data was collected from the same source. To mitigate this concern, we also collected account performance data from senior executives in each company, and found that their ratings correlated strongly with those of the GAMs ($r = .51$, $p < .001$). Because the data were collected from 16 companies, there is also some risk that individual responses are not truly independent of each other. This, however, we believe is not a significant concern, because we observed considerable within-firm variance for all independent and dependent
### Table 1
**Sample Characteristics**

<table>
<thead>
<tr>
<th>Company</th>
<th>Primary Industry</th>
<th>Home Country</th>
<th>Surveys Sent</th>
<th>Surveys Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Electronics Equipment</td>
<td>Sweden</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Business Solutions</td>
<td>Sweden</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Insurance</td>
<td>Sweden</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Banking</td>
<td>Sweden</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Electronic &amp; consumer prod.</td>
<td>USA</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Consumer durables</td>
<td>Sweden</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Telecommunications services</td>
<td>UK</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>Chemicals</td>
<td>USA</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>Engineering</td>
<td>USA</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Chemicals</td>
<td>UK</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>11</td>
<td>Banking</td>
<td>USA</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>12</td>
<td>Computers</td>
<td>USA</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>13-16</td>
<td>Other</td>
<td>Varied</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>150</strong></td>
<td><strong>106</strong></td>
</tr>
</tbody>
</table>

variables, and the firm-level dummy variables control for company effects.

Finally, it is important to acknowledge that we did not attempt to survey individuals from the customer organizations. This was primarily for practical reasons in that our lead contacts were reluctant to give us access to their customers, a problem that is common in studies of this type (Kumar, Stern and Anderson, 1993). However, because our focus was explicitly on the organizational arrangements inside the vendor organization, we decided that the customer perspective was not essential for the research to proceed. Paraphrastically, it is worth noting that our focus on the organizational arrangements inside the vendor is consistent with other research in marketing, which finds a shift in power from vendors to customers (Day and Montgomery, 1999), and argues that the consequence will be that “more and more marketing activities will be characterized by management of interorganizational relations” (Achrol and Kotler, 1999, p. 161).

**Measures**

**Account Performance.** Two different measures of account performance were developed. In the course of the exploratory part of the research we identified thirteen different aspects of performance. Factor analysis of the responses revealed two distinct factors. The items loading onto each factor were averaged to create the two performance measures as follows.

1. **Efficiency and Sales Growth:** Respondents were asked to indicate the extent to which the following had occurred since the establishment of the global account: (1) coordination of sales to customer operations around the world, (2) more efficient use of salespeople’s time in serving customer, (3) reduced cost of sales to customer, (4) growth in sales to customer worldwide, (5) cross-selling into divisions of customer operation that we were formerly weak in, (6) greater
control of relationship with customer, (7) increased responsiveness to customer’s specific needs, (8) tailoring of product/service to local market demands. Where 1 = not at all, 7 = to a great extent. Cronbach’s Alpha = 0.71.

(2) Partnership with Customer: Respondents were asked to indicate the extent to which the following had occurred since the establishment of the global account: (1) joint innovation projects with customer, (2) access to leading-edge practices undertaken by customer, (3) tapping into new product ideas suggested by customer, (4) creation of a long-term relationship. Where 1 = not at all, 7 = to a great extent (Cronbach’s Alpha = 0.79).

Scope of Relationship with Customer. Global account managers were asked about the extent to which relationships with the customer had been established at four levels: senior executive, global account manager, local account manager, and technical or front-line level, where 1= no relationship and 7=very strong relationship. The average of the scores for the four groups was then used as a proxy of the scope of the relationship.

Frequency of Communication. In the questionnaire we asked the global account managers the frequency with which they communicated with nine different individuals or units, as follows: (1) other members of global account team, (2) senior executives responsible for overseeing the global account, (3) country sales / marketing managers, (4) other global account managers, (5) business unit managers, (6) the lead contact in the customer firm, (7) country contacts e.g. purchasing managers, (8) senior executives in the customer firm, and (9) technical personnel in the customer firm. Where 1=never, 2=rarely, 3=monthly, 4=weekly, and 5= daily. These responses were averaged to create the construct.

Internal Support Systems. From the exploratory phase of interviews we identified six systems that were designed to support the global account management program: (1) information systems that monitor worldwide sales to customer, (2) information systems that calculate profitability of global customers, (3) global account “executives” or mentors to oversee specific accounts, (4) internal forums for all global account managers, (5) specific evaluation or reward systems for them, and (6) specific career / development tracks. Each global account manager was asked to what extent each of these was available to help in running their account, where 1 = not established, 7 = well established (Cronbach Alpha = .65).

Centralization of Vendor Activities vis-à-vis Customer. We asked respondents to indicate the extent to which sales activities in their organization were (1) coordinated globally, (2) partially globally coordinated, (3) done locally with some coordination, or (4) done exclusively on a local basis. Later, we asked respondents to make the same assessment for the purchasing activities in the customer organization. By subtracting the former from the latter we created a scale ranging from +3 (vendor coordinated globally, customer purchasing local) to -3 (vendor sales done locally, customer purchasing globally coordinated).

Dependence of Customer on Vendor. This was an aggregate measure of the extent to which the customer was dependent on the vendor. The questions were: (1) “what percentage of the customer’s inputs are provided by your company?” (<1%, 1-5%, >5%); (2) “how important is your company as a supplier to this
customer?" (lead supplier, one of 2-5 certified supplier, one of many); (3) “we are a strategically important supplier to this customer” (Disagree=1, Agree=5), (4) “the customer views us as one of its most important partners” (Disagree=1, Agree=5). (Cronbach Alpha = .74).

**Experience of Global Account Manager.** This was the number of years that the respondent had been in his/her current job.

**Firm Dummies.** For each company we created a 1-0 dummy variable. In the models reported, we have left in only those dummy variables that were consistently significant.

**Findings**

Before getting into the statistical analysis, it is worth providing some insights, from our interviews, into how global accounts are structured. Three distinct approaches are typically used. The first is a traditional country-based sales organization with the GAM acting as an internal coordinator across countries. In this structure the GAM has no formal authority, and accounts are still owned by national sales managers. The second is a matrix arrangement, whereby the GAM reports outside the traditional line organization to a headquarters-based executive, and responsibility for the global account is shared between the GAM and the national sales managers in question. The third is a customer-focused organization, in which the key accounts are essentially pulled out of the traditional line organization and managed exclusively by GAMs, with country-based sales people concerned only with implementation issues. Currently most companies use one of the first two structures, but with a discernible trend towards the third.

Table 2 provides some descriptive information about the global accounts in the sample and the sorts of customers they are serving. While there is not space to provide a detailed discussion, this table suggests that most GAMs are actually working with more than one account at a time, and that most accounts have several people in their team. Most global account management systems are also relatively new. Global customers tend to be very large and geographically-dispersed, but with a very high level of variance.

**Statistical Analysis**

For each of the two performance variables we ran three models — the first with the information processing variables and controls, the second with the resource dependency variables and controls, the third with all variables (table 4). The analysis was structured in this way so that we could assess the relative predictive power of the two theories, and because of potential multicollinearity between some of the information processing and resource dependence variables. All models were highly significant, with R-squared values of between .276 and .387.

Considering propositions 1 to 5 first, all received some level of support. Dependence of the customer on the vendor (proposition 5) was significant in all models and was the most important predictor of account performance. Centralization of vendor activities vis-à-vis the customer (proposition 4) was significant only in models 2 and 3. Among the information processing variables, support systems (proposition 3) was significant in three of the four models, while scope of relationship (proposition 1) was significant in models 1 and 4, and frequency of communication (proposition...
Table 2
CHARACTERISTICS OF GLOBAL ACCOUNTS

<table>
<thead>
<tr>
<th>Feature</th>
<th>Range</th>
<th>Number Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure of GAM (years)</td>
<td>0-2.5, 3-5, 6-15</td>
<td>54, 36, 15</td>
</tr>
<tr>
<td>Number of global accounts GAM is responsible for</td>
<td>1, 2-4, 5-20</td>
<td>66, 24, 16</td>
</tr>
<tr>
<td>Age of GAM’s main account</td>
<td>1-2, 3-5, 6-17</td>
<td>16, 40, 41</td>
</tr>
<tr>
<td>Percentage of GAM’s time spent managing the account</td>
<td>5-40%, 50-80%, 90-100%</td>
<td>31, 26, 48</td>
</tr>
<tr>
<td>People working full time on account</td>
<td>0, 1-5, 6+</td>
<td>33, 60, 10</td>
</tr>
<tr>
<td>People working part time on account</td>
<td>0, 1-5, 6+</td>
<td>10, 51, 35</td>
</tr>
<tr>
<td>Geographical scope of account</td>
<td>Global, Regional</td>
<td>88, 16</td>
</tr>
<tr>
<td>Approximate annual sales revenues of the customer in 1997</td>
<td>0-2,000, 2,001-10,000, 10,001-25,000, 25,001-170,000</td>
<td>21, 24, 22, 25</td>
</tr>
<tr>
<td>Number of countries in which the customer operates</td>
<td>0-24, 25-99, 100-220</td>
<td>30, 38, 38</td>
</tr>
<tr>
<td>Approximate percentage of the customer’s overall input provided by your company</td>
<td>&lt;1%, 1-5%, &gt;5%</td>
<td>48, 15, 42</td>
</tr>
<tr>
<td>The importance of GAM’s company as a supplier to the customer</td>
<td>The “lead” supplier, One of 2-5 certified suppliers, One of many suppliers</td>
<td>22, 27, 56</td>
</tr>
</tbody>
</table>

2) was marginally \( p < .10 \) significant in all the models.

If we compare the results for the different measures of account performance, there are some notable differences. Efficiency and sales growth is predicted strongly by both information-processing and resource-dependency variables. In
fact in the combined model (model 3), the only variable that is not significant is the scope of the account, primarily because of its moderately high correlation with customer dependence. Partnership with customer is predicted primarily by customer dependence and by the control variables (model 6). Account centralization is not significant, presumably because the mismatch between vendor and customer organizations reduces the possibility for a natural partnership to evolve. The information processing variables are all significant in Model 4, but once they are combined with the resource dependence variables only communication remains significant.

Finally, the firm dummy variables were sometimes significant. We only included dummies for firms 1, 3 and 7 in the analysis because they proved to be the most important. The models looking at the predictors of partnership with the customer (models 4-6) had highly significant coefficients for company 1 and company 3. The models looking at the predictors of efficiency and sales growth (models 1-3) had a moderately significant coefficient for company 1. These findings suggest that there may in fact be some additional important variables that are missing from the model specification. One possibility in this regard could be the extent to which the vendor is in full control of its subsidiaries, because for company 7 many subsidiaries were only partially-owned by the parent company.

Proposition 6 was concerned with the possible interaction effect between information processing and resource dependency theories. As a first step in testing this proposition, scatter plots of the two sets of variables were analyzed to determine whether in fact the relationship was consistent across the board. The vi-

<table>
<thead>
<tr>
<th>Table 3</th>
<th>DESCRIPTIVE STATISTICS AND ZERO-ORDER CORRELATIONS</th>
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</thead>
<tbody>
<tr>
<td>1. Scope of Account</td>
<td>2.7</td>
</tr>
<tr>
<td>2. Support systems</td>
<td>5.1</td>
</tr>
<tr>
<td>3. Level communication</td>
<td>3.9</td>
</tr>
<tr>
<td>4. Customer dependence</td>
<td>3.2</td>
</tr>
<tr>
<td>5. Central V</td>
<td>-1.0</td>
</tr>
<tr>
<td>6. Experience of manager</td>
<td>1.0</td>
</tr>
<tr>
<td>7. Company 1</td>
<td>1.0</td>
</tr>
<tr>
<td>8. Company 3</td>
<td>0.0</td>
</tr>
<tr>
<td>9. Company 7</td>
<td>-1.0</td>
</tr>
<tr>
<td>10. Efficiency &amp; sales growth</td>
<td>4.3</td>
</tr>
</tbody>
</table>
suax results alluded to the presence of a relationship at high levels of dependency but not at low levels, which is consistent with our expectations. In order to test the proposition more rigorously, the sample of global account was split into low and high dependency relationships. Low dependency were those scoring ≤ 2 on the dependency scale (N=30) and high were those scoring between 3 and 5 (N=71). The inflection point itself was chosen based upon the scatter plots. Models 3 and 6 were then re-run for each of the two samples, less the dependency variable. As the results in Table 5 reveal, there is indeed a significant difference between the effectiveness of global account structures under high versus low levels of customer dependency.

High levels of customer dependency seem to contribute to the effectiveness of communication and support systems when it comes to efficiency and sales growth, and account scope and support systems when it comes to partnering with the customer. By contrast none of the global account structures affect partnering under low levels of customer dependency and only account scope has any impact on efficiency and sales. Furthermore, it is interesting to note that high levels of dependency also allow the vendor to better exploit central coordination. By contrast in the case of low customer dependency, even if the vendor is better centrally coordinated it is unable to realize any benefits from this arrangement.

**DISCUSSION AND CONCLUSION**

From a theoretical perspective, both the information processing and resource dependency perspectives were confirmed to some extent. That is, global account management can be viewed as an organizational innovation that serves to increase the MNC's information pro-
cessing capacity, and that allows the MNC to change its relative bargaining power vis-à-vis the customer. These are, of course, complementary perspectives, in that the former is concerned more with increasing the flow of information across the two companies and within the vendor organization, while the latter focuses on the bargaining power between the vendor company and its global customer. But it is worth pointing out that establishing a global account can also work against the MNC. If for example, the increase in information processing capacity exposes the relatively poor bargaining power of the MNC vis-à-vis its customer, it is the customer who will benefit from the global account, not the vendor (proposition 6).

The fact that even when trying to establish a “partnership”, dependence and bargaining power are key is somewhat surprising at first sight, because partnerships are supposed to be about moving away from a bargaining-based model of transaction. However, the reality in most MNCs is that so-called partnerships are inherently unbalanced, and that one party typically dictates the terms of the partnership (e.g., the relationship between big automobile manufacturers and their first-tier suppliers). So while a global account may indeed have been formed, and while there may be a genuine attempt by both sides to turn the relationship into a long-term partnership, the extent to which it is viewed as successful by the vendor will reflect their ability to dictate the terms of the relationship to the customer.

At a broader level, this study raises some concerns about information pro-

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**Table 5**

**Revised OLS Regression Models: Predictors of Account Performance by Level of Customer Dependence**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Efficiency and Sales Growth</th>
<th>Partnership with Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low Dependence</td>
<td>High Dependence</td>
</tr>
<tr>
<td>Scope of account</td>
<td>.675*</td>
<td>.007</td>
</tr>
<tr>
<td>Support systems</td>
<td>-.236</td>
<td>.297*</td>
</tr>
<tr>
<td>Communication</td>
<td>.165</td>
<td>.304*</td>
</tr>
<tr>
<td>Account centralization vendor/customer</td>
<td>.224</td>
<td>.269*</td>
</tr>
<tr>
<td>Experience of manager</td>
<td>.366</td>
<td>-.082</td>
</tr>
<tr>
<td>Company 1 dummy</td>
<td>.749</td>
<td>-.211*</td>
</tr>
<tr>
<td>Company 3 dummy</td>
<td>.758</td>
<td>.104</td>
</tr>
<tr>
<td>Company 7 dummy</td>
<td>.130</td>
<td>-.103</td>
</tr>
<tr>
<td>ANOVA F (sig)</td>
<td>2.111*</td>
<td>3.507**</td>
</tr>
<tr>
<td>R-squared</td>
<td>.434</td>
<td>.308</td>
</tr>
<tr>
<td>Adj. R-squared</td>
<td>.229</td>
<td>.220</td>
</tr>
<tr>
<td>N</td>
<td>30</td>
<td>71</td>
</tr>
</tbody>
</table>

*<.10, *<.05, **<.01, ***<.001
Standardized beta coefficients reported

Note: Low dependence scored as <= 2.0 on a scale of 1 to 5. High dependence scored as >2.0
cessing theory per se. While it provided a useful framing for three of the research propositions, our sense is that information processing theory obscures as much as it reveals because of its emphasis on the volume of information flow. In reality, as we discovered during the interview phase of this research, the story is far more complex. GAMs are typically more concerned about information quality than volume, and about the extent to which information can be codified, rather than requiring face-to-face interaction. It is also useful to distinguish between the different sub-roles played by the GAM - contact point with the customer organization, internal disseminator, internal coordinator, chief negotiator, and so on - because each involves different types of information. Thus, while information processing theory is valuable for undertaking a first-cut analysis of global account structures, future research needs to consider ways of enriching this perspective, along the lines discussed here.

At a practical level, the research suggests a number of specific areas that can be actively managed to improve the performance of global accounts. Most of these center around the internal coordination of information and activities inside the MNC. We know from current research that global account management is often instituted in response to external customer-centered stimuli (Montgomery et. al., 1998), but this research suggests that its success depends not so much upon an external market-sensing capability as upon what Day (1994) identifies as the "inside-out process" category of marketing capability, i.e. the ability of the organization to coordinate its actions among corporate and national units. For the marketing organizations of MNCs, the successful establishment and maintenance of these processes represents a major challenge. Until now, customer management has generally been delegated to local subsidiary organizations, on the grounds that it is an execution-sensitive rather than a strategic activity. The emergence of global account management is a major shift in the complexity of these marketing organizations, and our research suggests that it is in the organizational implementation, rather than in the terms of the business achieved with major accounts, that future research should be directed.

We should reiterate the limitations of the current research. In terms of methodology, we were only able to sample one half of the vendor-customer dyad, and our sample of MNCs was in large part chosen on a convenience basis. These are both limitations that should be addressed as we move towards more detailed empirical analysis in this embryonic area of research. There were also some concerns over common method bias and non-independent observations that were discussed in the methods section. Finally, in terms of the conceptual and empirical development, our focus was explicitly on the organizational aspects of global account management. Aspects of the MNC-customer relationship per se were therefore largely neglected, and future research should redress the balance here.

Notes

1. While this assumption probably holds true in the process of transition towards global account management, it is worth bearing in mind for future research that some vendors may actually create global account structures that are have greater capacity than is demanded by the system. If this were the case, a
contingency framing would be necessary to test the validity of information processing theory.

2. As one reviewer pointed out, resource dependency theory has not typically given much attention to matters of internal organization. Our argument, however, is that issues of power and dependence are as applicable to the network connections inside the MNC (Ghoshal and Bartlett, 1990) as they are to relations with external actors. So it becomes entirely appropriate to eschew the simplifying assumption that internal structure does not matter.

3. This may seem an unlikely scenario, but it actually happens quite frequently. It usually emerges when a central group in the customer organization creates a global account in name, but does not have the control over its subsidiary operations around the world to actually deliver on it.

4. We also tried controlling for the relative size of the vendor and customer, but this variable was insignificant in all models, so eventually we dropped it.

5. This was requested by the participating companies. Because of its perceived importance and novelty, many companies expressed strongly that they would only participate if none of their direct competitors were also involved.

6. Note that no inter-item reliability measure was calculated for this construct. Because we were concerned with information processing capacity, it follows that some accounts would create greater capacity through e.g. the senior executive, while others would work at the level of the technical or front-line level. Thus, one would not expect answers for the four different levels to be correlated with one another. It is the aggregate level that counts.

REFERENCES


GLOBAL ACCOUNT MANAGEMENT IN MULTINATIONALS


