

## **SUCCESSFUL KEY ACCOUNT MANAGEMENT: ANTECEDENTS AND ITS IMPACT ON THE ORGANIZATIONAL PERFORMANCE OF GARMENTS INDUSTRY IN BANGLADESH**

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### **ABSTRACT**

*Key account management, which refers to serve the strategically important customers, has been acknowledged as an important seller initiated strategy in business to business relationship that impacts profoundly on the organizational performance. The study will examine the relationship between successful key account management and organizational performance. It will also investigate the influence of various antecedent factors on the key account management effectiveness. Using survey questionnaire, data in this study will be collected from Bangladeshi garments factory. Theoretical and practical implications of the study as well as suggestions for future research will be provided.*

### **Background of the Study**

Over the last three decades ready-made garments (RMG) industry in Bangladesh has emerged and expanded spectacularly, and has gradually replaced the traditional jute industry. According to the WTO report, Bangladesh ranks fourth in the global apparels export in terms of value and grabbed 3 percent market share of the total world export followed by China, EU-27 countries and Turkey (The Daily Star, 25 July, 2010). The industry started its journey in the late 1970s and within a very limited time, it has become a major player in the national economy through contributing to export earning, foreign exchange earnings, creation of employment, mitigation of poverty and empowering the women in the society (Haider, 2007; Nuruzzaman and Haque, 2009). According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) report 2009, there are 4,976 garments factories that are producing different types of apparels and exporting to the world market with success.

Effective key account management requires the development of a suitable strategy, upliftment of the operational capabilities of the supplier company and performance of additional activities (Ojasalo, 2001; Workman et al., 2003). Key account management strategy, which is used to serve the high-potential, multi-location accounts with complex needs and demand for individual attention led by carefully established relationship, accounted a large portion of the supplier's sales and requiring a focused effort and dedicated resources (Napolitano, 1997; Bragg, 1982; Shapiro and Wyman, 1981; Abratt and Kelly, 2002).

To make the key buyers satisfied and retain them for long, Haider (2007) mentions that product and market diversification related issues and upgrading products in garments industry are necessary and have to care for these buyers with special treatment, which in turn will make the industry more competitive. However, it is vital for the apparels suppliers of Bangladesh to fully understand the key customer requirements and demands to serve their purposes properly; make the customers satisfied, which will promote their mutual beneficial long-term relationship. Therefore, the above discussion warrants further investigation to delineate the successful key account management approach.

We define successful key account management as the extent to which an organization achieve better outcomes from its relationship with the key accounts and key accounts continuous to be key accounts (Workman et al., 2003; Sharma, 2006). Organizational performance is defined as the achievement of desired goals including desired growth, profits, sales, market share, customer satisfaction (Workman et al., 2003; March and Sutton, 1997; Ambler, 2004; Ofel and Sarvary, 2003).

In spite of the greater impact of the key account management, an integrated understanding of the factors making the key account management approach successful and its resulting impact on the organizational performance is still lacking (Abratt and Kelly, 2002; Workman et al., 2003; Sharma, 2006; Zupancic, 2008). To fill these gaps, many academicians suggest further empirical investigation on this field (Abratt and Kelly, 2002; Guesalaga & Johnston, 2010; Sharma, 2006; Workman et al., 2003; Zupancic, 2008).

### **Research Objectives**

In general, the objective of the study is to examine the antecedents of successful key account management and the consequences of such

antecedents to KAM effectiveness. Specifically, this research attempts to investigate the following:

1. To determine the level of intensity of key account management as practiced by the garments industry in Bangladesh.
2. To explore the impact of successful key account management approach on the organizational performance.
3. To examine the organizational, external and relational factors that may influence the garments manufacturers to practice key account management approach.

### **Research Questions**

In this study, some key questions have been identified which will help guide the further exploration process and to fulfill the objectives of the study. The important questions are:

1. What is the intensity of key account management practice in the Bangladeshi garments industry?
2. Does key account management practice in the garments industry impact on outcome performance?
3. What are the organizational, external and relational factors that influence the garments manufacturer to practice key account management approach successfully?

### **Definition of Key Terms**

**Key accounts** can be defined as those customers who are particularly important for the company and have a real impact on the supplier's strategy (Pardo, 1999). For the current study, buying houses are taken as key accounts for the garments industry of Bangladesh.

**Buying house** is the business organization which acts as middleman between manufacturer and exporter, directly deals with big brands, in their quality or manufacturing process (www.answers.com). In the present study, the business of these organizations (buying houses) is related to the garments industry of Bangladesh.

**Ready-made garments** are mass-produced finished textile products of the clothing industry manufactured through using many different fabrics and yarns.

**Key accounts management** is a selling company's adopted approach aimed at building a portfolio of loyal key accounts by offering them a product/service package in customized form on an ongoing basis (McDonald, Millman and Rogers, 1997).

**Success** means a favorable or prosperous outcome of anything or any effort attempted (Webster).

**Successful key account management** is the extent to which an organization achieves better relationship outcomes for key accounts in comparison with average customers (Workman et al., 2003).

**Organizational performance** is the extent to which a firm's financial performance, product market performance and shareholder return are achieved (Richard et al., 2009).

**Marketer's relational assets** refer to the assets including non-transaction and transaction specific assets which marketers utilize to create a competitive advantage (Sharma, 2006).

**Buyer's relational assets** can be characterized by the degree to which they are idiosyncratic to the exchange and non-redeployable in other exchanges and promote relational exchanges and increase the commitment between partners (Pillai and Sharma, 2003; Blau, 1964; Cook & Emerson, 1978).

**Quality of alternatives** is defined as the average quality of outcomes in relation to economic, social and technical value available with the best alternative exchange relationship (Anderson and Narus, 1984).

**Social/personal bonds** mean the feelings of affection and a sense of belongingness to the business relationship and indirectly develop a sense of belongingness towards the organization (Sin et al., 2006).

**Internal alignment** means people's feelings of obligation to common goals and to each other in the key account management team (Workman et al., 2003) and multiple relationships and an appropriate fit with the firm's strategy and the market environment (Jones et al., 2005).

**Senior management role in KAM** can be defined as the extent to which senior management participates in key accounts management that develops the positive customer perceptions about the senior management's commitment towards the KAM program (Homburg et al., 2002; Millman and Wilson, 1999).

**Risk of serving key account** means the risk of achieving and/or not achieving forecast business or revenues and risk of unexpected events in ongoing business that would result in unforeseen costs being incurred by the supplier (Woodburn, Holt and McDonald, 2004).

### **Significance of the Study**

Upon completion of the study, the researcher is expected to contribute in the theoretical and practical use of the key account management in the garments industry. Sharma (2006) opined that no previous research addressed the success factors in key account relationship and tested theoretically or empirically and suggested further researches in the context of industry. In their study of “intraorganizational determinates of key account management effectiveness” Workman et al. (2003) suggested for further study. As it is vital to make a harmonization of the key account management approach effectiveness across different environment and level (geographical location) (Pardo, 1999), ample empirical research in different areas/countries is necessary (Tsai, and Chen, 2008). Thus, it creates a real problem, and to respond to this problem of knowledge gaps on key account management, the present empirical research hopes to contribute to the body of knowledge relating to the antecedents of key account management and to give further evidence for the previous findings in ready-made garments industry.

Various intra and inter organizational, personal and non-personal factors are identified as factors that determine the KAM success (Abratt and Kelly, 2002; Guesalaga and Johnston, 2010; Sharma, 2006; Workman et al. 2003; Zupancic, 2008). However, to the best of the researcher’s knowledge, the existing literatures are fragmented (Homburg et al., 2002) and there is no single study that consolidates and addresses the factors simultaneously and constructed a coherent framework of KAM at the organizational level.

Pardo (1999) mentions that harmonization of various studies on key account management in different levels (geographic area) is not easy and constitutes a real problem and ample empirical research in different areas or countries is necessary (Tsai and Chen, 2008) to explore the KAM approach effectiveness and its impact on the organizational performance. The present study is an attempt to add value to an expanding research stream that already includes findings from developed countries through this Bangladesh’s perspective.

The garments sector plays a vital role in the national economy through its contributions to export earnings, foreign exchange earnings, creation of employment, mitigation of poverty and empowering the women in Bangladesh (Haider, 2007; Nuruzzaman and Haque, 2009). By focusing on organizational key account management, this research hopes to contribute to the improvement of the garments industry's capability, as the improvement of firm's capability enhances its competitive performance and ensure the long-term development of the firm (Fujimoto, 2001 in Haider, 2007).

### **Antecedents of key account management success**

The present study will take some organizational, relational and external factors as the antecedents that impact on the key account management success. The organizational factors include marketer's relational assets, buyer's investment in relational assets, quality of alternatives, internal alignment and senior management role in KAM (Sharma, 2006; Workman et al., 2003; Guesalaga and Johnston, 2010). Relational factor includes social or personal bonds (Sharma, 2006). Finally, external factors include quality of alternatives and the risk of serving the key account (Sharma, 2006; Zupancic, 2008).

### **Consequences of KAM effectiveness on organizational performance**

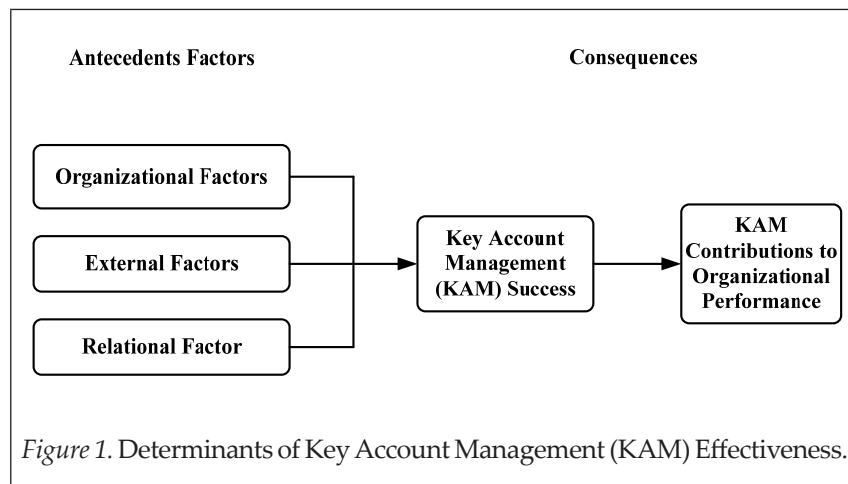
In our study, we introduce organizational performance as the consequences of KAM approach success. Here organizational performance is defined as the achievement of the market related goals like revenue growth, customer satisfaction, customer retention and managing and increasing customer share. March and Sutton (1997) termed the organizational performance as dependent variable and opined that an organization's success is expressed through its profits, sales, market share, productivity, debt ratios, and stock prices. Porter (1985) explored that competitive intensity influences the firm performance. Tvorik and McGivern (1997) discussed external environmental conditions and the industry structure as the prime determinants of firm's performance. Their research explored that organizational factors impact a firm's performance roughly twice as much as economic factor (Tvorik & McGivern, 1997).

The conceptual framework of Shi, Zou and Cavusgil (2004) shows the relationship between the global account management capabilities and firm performance. Kathuria et al. (2007) showed the positive relationship between organizational alignment and firm performance. Foster and Cadogan (2000) explored that successful relational selling increase

the organizational outcomes in terms of increased trust, enhanced loyalty, increased purchase intentions and buyer recommendation of supplier to other firms and suggest further research using multiple firms within a single industry. Workman et al. (2003) suggest that among the various factors, advertising, new product introduction, innovative distribution strategy, and competitive actions all affect the organizational performance. In their study, Workman et al. (2003) found direct relationship between KAM effectiveness and firm performance and opined that as firm performance encompasses all accounts (not just key accounts), additional research is suggested.

### Theoretical Framework of the Research

With the consideration of garments industry in Bangladesh, the present study proposed the following theoretical framework.



In this study, key account management success will be studied. The factors that act as antecedents to the key account management success and the consequences of KAM effectiveness relating to the organizational performance will be studied. Success factors in key account management are categorized into three categories namely organizational factors, external factors and relational factors. **Organizational factors** covers marketer's relational assets, buyer's relational assets, quality of alternatives, internal alignment and senior management role in KAM. **External factors include** risks of serving key account. Social/Personal bonds are included in the **relational factors**.

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