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Global Customer Management Programs:
How To Make Them Really Work

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In the 20th century, many leading U.S. and European firms operated very successfully outside their home countries. Coca-Cola, General Electric, IBM, Nestlé, Procter & Gamble, and other multinational firms have become household names around the world, and account for a substantial portion of the gross domestic product in countries where they operate. In the 1960s and 1970s, researchers conducted many studies on the growth of multinationals,¹ but the prescriptions for success that followed for 20th century firms will simply not work in the 21st century.

Multinationals continue to face many and varied challenges such as: entering new geographic markets; building plants in new countries; dealing with evolving government regulations; and addressing a host of new environmental imperatives. However, being a well-run multinational is no longer sufficient. Quite simply, the game has changed—and dramatically. Multinational firms treat the world as their name suggests—multi-nationally—by addressing a series of individual national markets. This approach no longer works because today they face perhaps the most difficult challenge of all—the globalization of customers.

During the past 20 years, many firms of all types have transformed what was previously low-level *purchasing*, into high-status *procurement*. Today's procurement organizations command greater intellectual capital and use sophisticated systems and processes to improve performance. The many and varied causes that drove this evolution include heightened competition, greater focus on products and markets by corporate offices, organizational downsizing, desire for flexibility, increased outsourcing, and, as a result, higher spending on purchased materials and services.

Nowhere has this change been more apparent than in multinational firms. As they seek competitive advantage around the world, they have dramatically increased their procurement focus. It is no longer sufficient to get the best

deal in Argentina or Australia; as they globalize, they want the best deal everywhere. Furthermore, they no longer tolerate the minor variations that customer-focused suppliers previously developed for their subsidiaries. They require more standardized products and services so as to secure efficiency benefits, greater purchasing power, and lower prices from increased unit volumes.

Globalizing procurement often leads to severe supplier reduction, as much as 70 to 90 percent. Examples over the past two decades include Motorola (10,000 to 3,000); Xerox (5,000 to 500); Lucent (3,000 to 1,500); Volkswagen (2,000 to 200); Boeing (30,000 to 10,000); Airbus (3,000 to 500); Barclay's Bank (2,000 to 180); and BAA airports (11,500 to 3,000).² The consequences can be brutal for suppliers. Consider IBM's late 2000 consolidation of relationships with 50 public relations agencies globally. New York-based TSI Communications, an important incumbent agency, expected revenues to double, but IBM selected the much-more-global British-based Text 100 that had offices in over 30 countries. TSI's revenues dropped by 65 percent and it laid off 70 percent of its employees.³ In September 2006, Swiss-based Ypsomed, a leading developer and manufacturer of injection systems to self-administer medication, announced that order volumes for insulin pens from major global customer Sanofi-Aventis (France) would be lower than expected. Its share price dropped by 23 percent in a single day and shortly afterwards it installed a new CEO.

Conversely, suppliers that win *supplier-reduction* contests earn significant rewards. By successfully developing and managing its relationship with a global customer, a firm may double or even triple its revenues. Potential growth and greater ability to weather economic downturns can easily justify the risks and costs of focusing effort on a limited number of global customers. After 20 years of solid step-wise growth, U.S.-based semiconductor equipment manufacturer Applied Materials decided in 1987 to focus mainly on globally active, fast-growing customers so as to exploit the world market's business potential. Sales and profits grew more than tenfold and neither the early-2000s industry downturn nor the 2008/2009 bank crisis could destroy its business model. Annually, the Strategic Account Management Association (SAMA) features strategic and global account management successes at both single customer and program levels.⁴

Insight that customers are developing global procurement strategies and the realization that significant supplier revenues are at stake are starting to penetrate the executive suite. Senior executives at companies large and small are learning that their future health, indeed their very survival, depends on success with major global customers. Leading firms in the U.S., Europe, and Asia are trying to leverage their experience with national and regional account management programs into global customer management (GCM).⁵

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However, attracting, retaining, and growing global customers is a difficult and complex task that goes well beyond portfolio segmentation and customer relationship management initiatives of the past decade. In particular, it reverses the familiar *country/product/customer* paradigm of multinational firms, to a successful future *customer/product/country* model.⁶

The implications of this seemingly simple shift are deep and far reaching. For example, the country/nation is at the core of the multinational model: country managers have the responsibility and authority to optimize performance in their countries. However, this model does not work in today's globalizing world. The customer firm wants global purchasing arrangements, not by individual country. Hence the country manager has less power and influence, and the role must change. Indeed, some companies have seen wholesale turnover of country managers unhappy with this evolution.

Ten years of research shows that a few firms have successfully built serviceable GCM programs, but for various reasons many more have failed. Perhaps the programs were inadequately resourced. Perhaps management misunderstood the required organizational realignment, and/or underestimated the importance of systematic implementation. If the firm does not design-in the prerequisites of a successful GCM program, priorities remain unclear, and potential cross-functional and cross-border synergies atrophy. Global relationships are misbalanced and the customer benefits at the supplier's expense.⁷

As one example, Citigroup is now widely praised for having a world-leading GCM program. In the mid-1970s, Citi first recognized the need to globalize customer-facing responsibilities and formed *The World Corporate Group* (WCG). A few years later, internal dislocations were so great that it disbanded WCG to pursue a decentralized strategy. Citi reestablished WCG some years later after struggling to get along without it.⁸

Introducing a GCM program is typically the start of a long and difficult journey that may take 10 to 15 years to be fully functioning and broadly accepted—several times the average CEO's tenure! In this article, we present a four-stage framework for implementing a GCM program and highlight typical implementation paths that emerged from our research. We believe that by fully understanding the implementation process and mastering the actions required to manage various stage-to stage transitions, senior managers attempting to implement GCM will avoid costly trial-and-error.

Global Procurement

In the past quarter century, many firms have approached the challenge of managing their critical customer assets by developing key/strategic account management programs. Frequently, these programs represent an effective organizational response to the increasing concentration of revenues and profits among customers in individual geographic areas, typically nation states. Many firms have successfully developed domestic key/strategic account programs that focus resources on major current and potential customers, and they develop

appropriate strategies, organizational structures, systems and processes, and human resources to better serve them. Indeed, a typical multinational supplier may have many key/strategic account programs, one for each major country in which it sells its products. If one of the supplier's major customers is itself a multinational firm, that firm may show up as a customer in several of the supplier's individual key/strategic account programs at the national level.

However, suppose one of these multinational customers develops a procurement group with global purchasing responsibility. Perhaps the customer is unhappy with service variability across countries and wants the same service in Paraguay as in Spain. Perhaps the customer also believes it can be more effective with fewer suppliers for individual spending categories, can gain efficiencies by reducing product variation, and/or can secure better access to innovations by developing global customer/supplier relationships. Further, perhaps some suppliers are practicing geographic segmentation by setting different prices in different countries. The customer wants single global pricing or, at least, transparent price schedules with solid rationales for price differences across countries. Because global contracts will necessarily be larger than a series of individual country contracts, the customer wants to secure better prices. Regardless of the reason, the locus of responsibility shifts from individual countries, global procurement now seeks greater control over company spending.

When customers evolve to global procurement, the domestic key/strategic account model simply does not work. The supplier has no framework, strategy, organization, or process with which to negotiate an agreement with these global customers. Who would conduct the negotiations? Who would negotiate prices? Indeed, does anyone have responsibility to set a single global price or develop a global price schedule? What processes would the supplier use to provide equivalent service around the world? To put it bluntly, a traditional multinational supplier *cannot* satisfy the needs of a multinational customer that globalizes its procurement, even though both firms operate in similar countries around the world. The supplier will surely lose business to those competitors prepared to make the necessary investment to treat the globalizing multinational customer globally.

The stakes could not be higher for many multinational suppliers. In our global firms' database, the median revenue share earned from multinational customers is 30 percent, but it is much higher for individual firms. Over 50% of Rolls-Royce's total revenues come from just two multinational firms—Airbus and Boeing. Procter & Gamble has a revenue stream well diversified by product and geography, yet 30 percent of revenues come from just 10 customers, including 15 percent from the globalizing Wal-Mart.⁹ Multinational suppliers unable to satisfy customers that are globalizing procurement risk losing significant business.

One of Xerox's U.S.-based "Print-for-Pay" customers was aggressively expanding internationally. The customer was very happy with its domestic-U.S. relationship but was "having trouble" with Xerox's pricing in some overseas operating companies. For example, the managing director of Xerox, South

Africa, told the customer that it could not get better pricing than the largest domestic customers (even though the “Print-for-Pay” customer’s global billings were significantly greater). Relatedly, Xerox’s Japanese prices for servicing customers were three to four times higher than in the United States. These pricing issues threatened Xerox’s relationships with multinational customers that were globalizing their procurement.

However, making the shift will not be easy. Top management at a €150 million German energy provider decided to introduce a GCM program for multinational customers shifting to global procurement. Middle management’s response was very clear: “We have 10-year contracts and excellent, long-term relationships with all major customers. There is absolutely no need for a costly program to address these global customers. And, by the way, we need to keep margins high or we shall not meet our profitability targets. *Our business is different* [emphasis added], and we know all about it.” Seven months later, the firm’s leading customer switched to a competitive supplier. Overnight the firm’s core division lost 26 percent of revenues; the firm overall lost 12 percent, and its share price tumbled.

Conversely, multinational suppliers that are able to successfully address globalizing multinational customers may gain significant benefits. In early 2007, Swiss-based chocolate producer Barry Callebaut announced closer strategic cooperation with Nestlé, Hershey, and Cadbury’s; its share price rose 50 percent overnight.

The reality is very clear: for multinational suppliers to survive and grow in the 21st century, they must make the necessary investments to address the challenges of multinational customers that are globalizing their procurement operations.

Evolutionary Stages of Global Customer Programs

There are four evolutionary stages of formal GCM programs. Our consortia research uses two dimensions, developed from an analysis of 39 global account programs, to characterize GCM program implementation—*program scope* and *organizational commitment*. Program scope captures program size, specifically the number of global accounts and their percent of total firm revenues. Organizational commitment involves the number of global account managers (GAMs), GAM job assignments (part-time versus full-time), training and development spending, information technology (IT) investment, and senior executive support. Figure 1 shows the four stages and illustrates the typology with the main characteristics for each dimension.¹⁰ We easily placed most global customer management programs in one of these categories.¹¹

- **Pilot**—Many firms make a limited formal entry into global customer management. Typically, they are in a testing phase and have not yet made a serious commitment to a GCM initiative. The GAMs frequently report to country organizations, leading to many conflicts about resource allocation in general and travel budgets in particular. Coverage of the selected cus-

FIGURE I. Stages of GCM Program Implementation

GCM Implementation Stages/ Characteristics	No Formal Program or GCM Skunk Works	formal program			
		Pilot	Dead-End	Spring-board	Embedded
Program Scope	—	Limited	Broad	Limited	Broad
No. of global customers	very low	low typically < 10	high typically > 30	medium typically < 20	high typically > 30
Percent of revenue compared to total	very low	low typically < 10	high typically > 30	medium typically < 20	high typically > 30
Organizational Commitment	—	Limited	Limited	Deep	Deep
No. of global account managers (GAM's)	very few	low typically < 10	high typically > 30	medium typically < 20	high typically > 30
Job assignment of GAM's	on top of regular job	part-time	part-time	full-time	full-time
IT investments	none	low	low	high	high
GAM education and development	none	low	low	high	high
Senior executive support	none	low	low	high	high

tomers is often spotty; either global account managers are not assigned on a full-time basis, or they must cover multiple global customers.

- **Dead-End**—Someone in senior management got the message—managing global customers is important. The firm may place a senior manager in charge of the GCM program with the message: “Get moving! Identify our top 100 global customers and make the relevant key/strategic account managers into GAMs.” Extra resources? “No!” Education and training for the newly appointed GAMs? “No!” Frequently, the program is insufficiently thought-through without broad agreement about individual roles, and firms in this stage often experience escalating tensions as they attempt to develop global customer organizations side-by-side with in-place geographic organizations.

TABLE I. Typical Characteristics of an “Embedded” GCM Program

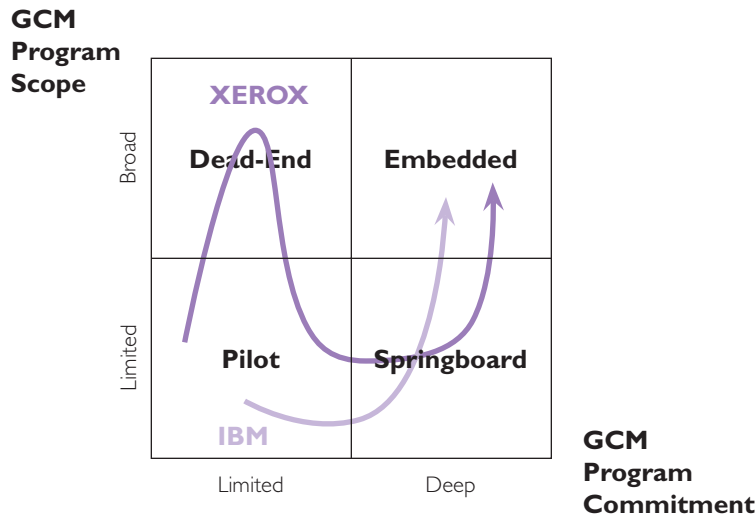
Program Scope	Organizational Commitment
<p>Program Roster Size</p> <ul style="list-style-type: none"> • 30+ officially (board) nominated global accounts • 30+ percent of total firm revenue from global accounts • 80+ percent of relationships have partner status <p>Coverage Model</p> <ul style="list-style-type: none"> • Separate line organization for GCM program • GAM reporting levels above country organization • FTE/customer ratio = 1:1 or n:1 <p>Empowerment Resources</p> <ul style="list-style-type: none"> • GAM's have resource allocation authority • GAM's have own budget for customer solutions/R&D • Program steering and funding at corporate level • Central pricing unit balancing local and global views 	<p>Strategic Capabilities</p> <ul style="list-style-type: none"> • Concise, tailor-made strategies for each global customer • Senior management actively involved in global relationship building • Able to generate new business for global customers <p>Functional Capabilities</p> <ul style="list-style-type: none"> • Consistent solutions, across units and regions • Processes synchronized with global customers • Transparent total value of global customer relationships <p>Organizational Capabilities</p> <ul style="list-style-type: none"> • Actively managed GAM talent pool • Local organizations aligned with global strategy to deliver global promise • Open-book information sharing with global customers

- **Springboard**—The firm understands the importance of global customers. It knows that GCM programs are much more complex than domestic key/strategic account programs and require significant investment. As a result, the firm moves cautiously to select global customers and develop the appropriate systems and processes and human resources. It may significantly change its organizational arrangements while developing a new structure to accommodate global customers. GCM program introduction inevitably brings mistakes, so the firm focuses on developing and testing.
- **Embedded**—The firm has successfully tested and expanded its GCM program to embrace a substantial fraction of corporate revenues. It has made significant investments and has integrated the program into its organizational fabric. The GCM program is a company priority, receives continual top management attention and involvement, and is here to stay.

Table 1 summarizes key characteristics of a fully Embedded GCM program. Management can use this profile to identify the degree of GCM implementation and decide which areas need further work before transitioning into the next stage.

Company Transitions among Evolutionary Stages

Firms that have decided to implement a formal global account program often ask the simple questions: “Why are there four stages? Can’t we go from Pilot to Embedded in a single bound?” It seems reasonable in theory, but we

FIGURE 2. GCM Programs—The IBM and Xerox Experience

have not found a single case where the firm made this transition. After Pilot, all our database firms transitioned either to Springboard, or to Dead-End; the Dead-Enders typically returned to Pilot before transitioning to Springboard. After a successful period in Springboard, most firms moved to Embedded, but at varying speeds.

A simple 2x2 matrix formed from high and low values of our two dimensions—program scope and organizational commitment—produces the four implementation stages in Figure 2. We illustrate the two most common implementation paths with examples from IBM and Xerox.¹²

The IBM Experience

During a 15-year period starting in the early 1980s, IBM transitioned its GCM program through the Pilot, Springboard, and Embedded stages. Previously, locally based salespeople with international accounts worked out informal deals with their managers to recognize efforts that secured revenues in other geographic areas. Later, as IT and telecommunications systems were increasingly integrated, and as customers needed more global coordination, IBM began a limited formal GCM program.

For its Selected International Account Program, IBM also built an international operations organization to coordinate sales activities, and software to track global revenue streams. It also began a formal system to compensate sales representatives for the global revenues they produced. As customer demand for global consistency increased and the international operations organization grew, IBM placed a limited number of large revenue-producing global accounts into its Top International Account Program. Several executive letters asked salespeople and

management around the world to treat these top customers with *special interest*. The program had few formal operational guidelines, limited training, and minimal executive involvement. In terms of GCM stages, this was clearly a Pilot.

As the 1990s approached, IBM realized it needed a more formal approach to address global customers. Clients like CitiGroup were asking for greater coordination of product/service delivery across countries around the world and for deeper industry knowledge in remote locations. IBM initiated a project in the finance industry whereby global sales executives for finance-industry customers reported into a new finance-industry sales group rather than to country managers. As this Springboard project's success became evident, IBM restructured the entire global sales organization. Within two years, it increased program scope to 150 accounts by adding industries, their accounts, and the assigned sales executives. By 1995, senior executives were responsible for individual industries across geographies, and the role of country managers was much reduced. IBM also increased organizational commitment by adding supporting infrastructure, a customized "Global Client Executive" development program for members of its global sales force and senior management involvement. In time, IBM's product, services, and software organizations evolved to support the global accounts. This was now an Embedded program.

By 2000, demands from IBM customers had evolved from buying products and services globally to focusing on solutions and outsourcing. A scope and commitment review of its GCM program led IBM to a new sales coverage model that put global customers into tiers. IBM reduced first-tier GCM accounts from 150 to around 60. (The second tier consisted of about 4,000 large customers; the final tier covered the vast majority of IBM's remaining customers.) Account team resources for the 60 first-tier accounts increased significantly. Senior executives leading these teams were given broad authority to set global policy, prices, and customer support. IBM's CEO, Sam Palmisano, reviews each account annually; and the top executive team supported, and built infrastructure around, the new organizational model. IBM also gave second-tier GAMs increased authority, and various brand organizations provided greater support. The industry structure continued, but IBM added service organizations to support these accounts.

IBM earns significantly higher wallet share from first-tier global customers than from others. Hence, senior management views the program as highly successful. IBM continues to put major efforts into nominating and selecting global accounts (but does not plan to increase the total number); industry sector general managers make the final decisions based on information—growth, share, customer satisfaction, and percentage of outsourced business—from both finance and the geographies. The process for managing global customers is now highly integrated with the geographies, which view their role as securing resources and driving revenue growth. Both the geographies and industry sectors receive rewards for success with global customers.

To summarize, in the early 1980s, IBM had no GCM program when it introduced the limited-program-scope/limited-organizational-commitment Pilot program—the Selected International Account Program. Its Springboard was the

limited-program-scope/deep-organizational-commitment program in the finance industry, introduced in the late 1980s. From this Springboard, IBM developed its Embedded program combining both deep program scope and organizational commitment. This program was in place by the mid-1990s, but IBM has continued to evolve to meet environmental changes and address internal pressures.

The Xerox Experience

Visionary executive Howard Katzen developed Xerox's Global Customer Program (GCP) in 1989 with the backing of several internationally experienced senior executives. Four factors combined to launch the six-account Pilot program: a common vision shared by these executives; insight into emerging customer needs; Katzen's deep involvement with American Express, Xerox's major global customer; and recognition of a significant opportunity to gain competitive advantage. Katzen's personal relationships with senior Xerox geographic heads, including joint venture subsidiaries (Fuji Xerox [Japan] and Rank Xerox [Britain]), secured endorsement for the global program as an overlay to their organizations.

By the mid-1990s, the GCP consisted of 65 accounts. Xerox invested in a management information system covering more than 60 countries, implemented a rudimentary contracting process, and improved global account manager quality. Senior management attention increased, but the initiative was little known within Xerox. The main GCP driver was Katzen's "old boy" network, providing the leverage for individual global account managers to get things done for their customers. Essentially, the GCP evolved to broad program scope but limited organizational commitment in evolving from Pilot to Dead-End.

In the late 1990s, Xerox's global account roster was 125 accounts. Customer demands strained the program and tested Xerox's geographic area executives' commitment. Lack of consensus about program scope and lack of clarity about senior management support frustrated global customers and GAMs. Although somewhat successful, Xerox's program had become too large, in part because political expediency allowed inappropriate accounts to join. Promises to customers outstripped Xerox's investment in program depth and it was stuck in a Dead-End.

In 1999, Xerox introduced a two-tier structure so as to focus more deeply on a limited customer group. This initiative was largely unsuccessful because Xerox did not secure the culture change for treating these customers appropriately around the world. In 2003, Xerox made another attempt by focusing on the *Global 15* (five accounts each from Japan, the U.S., and Europe) as a Pilot within the existing program. By shifting from Dead-End via Pilot, Xerox set the stage for evolving to Springboard. In 2005, Xerox expanded the *Global 15* to *Global 35* and, in 2006, elevated the top seven accounts by placing VP-level executives in charge. By then, Xerox was evolving to the Embedded stage under Anne Mulcahy, its sales-oriented CEO.

Alternate Paths

The Xerox experience was quite different from IBM's; in program development terms it is several years behind. Perhaps this lag relates to both firms' near death experiences? IBM almost failed in the early 1990s and its GCM program followed a Pilot to Springboard to Embedded path. Its current program should be viewed as one of Lou Gerstner's enduring legacies. Xerox's most severe troubles, and a very public CEO firing, occurred about a decade later; its GCM program followed the more tortuous Pilot to Dead-End to Pilot to Springboard to Embedded path.

The core message from these illustrations is quite simple: A GCM program can evolve in many different ways, some more desirable than others. Most importantly, a firm that is very clear about program scope is more likely to develop a successful GCM program that, in turn, will support the firm's transformation to a more customer-centric organization.¹³

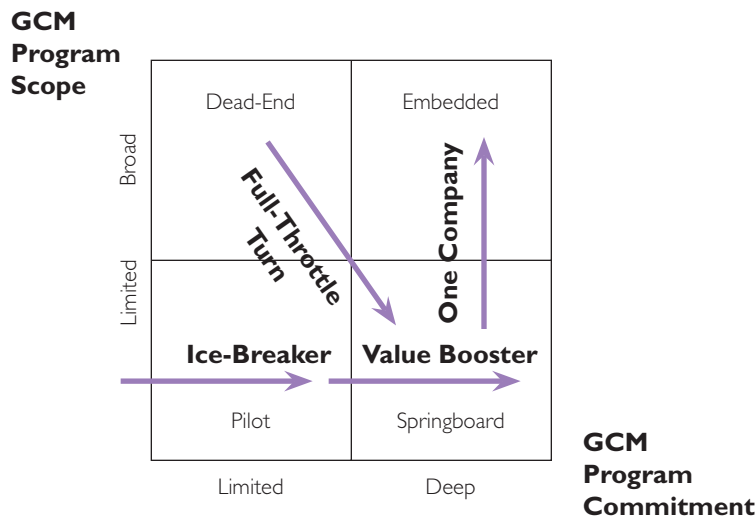
Strategies for Unlocking GCM Potential

We have shown that the most customer-focused GCM programs are Embedded—broad program scope and deep organizational commitment. Using the IBM and Xerox examples, we also showed that the path to reach the Embedded stage may be tortuous. Most firms are not there; they either have no GCM program or they are at Pilot, Dead-End, or Springboard. Our review of 33 firms that sought to develop GCM programs to better serve global customers identified four types of stage change that ultimately lead to an Embedded program. On average, these firms spent three to five years per stage and took 10 to 15 years to become Embedded. Figure 3 illustrates the four GCP stage changes we observed.

The Ice-Breaker

When customer globalization is not an issue, the firm operates without a GCM program. Then the following often occurs: One or more multinational customers becomes dissatisfied with some aspect of the firm's performance in one or more countries and complains to its account manager, "You do it in XXX, why can't you do it in YYY." At some point, an enterprising account manager uses wile and guile to serve the customer by working around the firm's formal organizational structure and communication channels. She or he taps into informal networks and/or forms relationships with colleagues based in functional units and/or with account managers responsible for the same customer in other geographies.

At some point, management becomes aware of customer discontent and/or account managers' entrepreneurial efforts. Perhaps it provides resources to account managers in various countries, or it appoints a manager of international accounts to give some focus to the firm's efforts with multinational customers. However, there is no formal GCM program and the firm does not institutionalize successful approaches with individual customers. After some years, management realizes that this approach is insufficient and invests in a Pilot program. The

FIGURE 3. Strategies for Unlocking GCM Program Potential

three key tasks are: selecting accounts for the Pilot, laying the foundations for making the GCM a distinct organizational activity, and recruiting GAMs.

The firm can use many criteria for selecting customers, such as current and/or potential revenues, profitability, cross-selling potential, and the supplier's importance to the customer.¹⁴ Typically, it appoints a global account director to design the program and interface with geographic and product leaders. Existing reporting and decision-making processes must be adjusted to give the GCM initiative a seat at the corporate table and to empower GAMs and related personnel to act for program members. Because these changes are substantial, the process is typically evolutionary. The firm must also develop criteria for recruiting and selecting global account managers and link them to the chosen customers.

Microsoft, which began introducing GCM in 2000, offers a good example of the *Ice-Breaker*. Selected customers are global industry leaders, depending heavily on (and early adopters of) IT, with sufficiently large revenue potential to justify Microsoft's resource allocation. Other important criteria are willingness to collaborate extensively, to share information for developing new products and processes, to establish multilevel relationships with Microsoft, and to have a high degree of global coordination such that corporate-level agreements are implemented in the geographies.

Microsoft introduced a new layer of management to coordinate the various efforts required to bring about the change in organizational focus and keep the GCM program high on senior management's agenda. Senior leadership encourages top managers to nurture relationships with influential decision makers at the selected global accounts and is active in ensuring that initiatives receive the resources they require.

Senior management is also engaged in recruiting and selecting GAMs. Microsoft encourages its global business managers to be innovative and provides them with their own budgets. Because they work across Microsoft's businesses and functions, a ten-person support team at Microsoft headquarters and a broader group of 150 workers worldwide assists in marshalling firm resources, and assisting in various tasks such as joint account planning and drawing up contracts.

Full-Throttle Turn

In the Dead-End stage, the firm engages in a GCM program with broad focus but limited depth. It satisfies no one, neither global customers who fail to receive value nor internal constituencies that expected improved revenues and profits. The stage change back to Pilot requires a determined decision to refocus the GCM program, a dedicated execution team, and a realistic view of the implementation timeline. Our research mirrors the Xerox experience. Firms in the Dead-End stage typically refocus on five to fifteen global customers with crystal-clear commitment from top management. Selecting very important and highly visible global customers sends a clear signal to the organization, and concentrating available resources on fewer accounts prepares the way for substantial breakthroughs.

To master the *Full-Throttle Turn*, the firm must accomplish three critical tasks. First, the GCM program must be a visible corporate priority and be budgeted for at least three years. Second, the dedicated task force head must report at a high organizational level. Third, expenses for full-time GAMs should be paid centrally; when charge-backs occur, each country's share should relate directly to local revenues generated from global customers.

In the late-1980s/early-1990s, freight and logistics firm DHL (now a unit of Germany's Deutsche Post AG) realized that several large customers were centralizing their supply chains to purchase goods and services globally. To address these changes, in 1995, DHL implemented a GCM program designed to bring about firm-wide change for 27 global customers. However, DHL made little change to its geographic structure and put minimal effort into preparing GAMs for their new roles. Furthermore, the GAMs reported to country managers who had little interest in securing revenues outside their geographies. GCM performance fell short of expectations, customer satisfaction suffered, and the program drifted into the Dead-End stage.

In 1997, DHL underwent a firm-wide restructuring that sent the GCM program from Dead-End to Springboard. The renamed program, Global Customer Logistics (GCL), now with only 20 customers, had its own organization. GCL's senior managers were better able to marshal company resources and attract and train strong internal candidates for GAM positions; in turn, GAMs received broader internal support. As GCL demonstrated improved profitability, senior program managers celebrated even small successes so as to maintain positive momentum for firm-wide change.

Value-Booster

Firms that successfully implement a Pilot program via an Ice-Breaker strategy are well-placed to craft a *Value-Booster* stage change. Typically, the firm scales-up and enhances its successful Pilot. It determines specific goals and financial objectives for GAMs and their teams, cultivates deeper relationships with select global customers, and develops joint account planning and product development. The firm identifies best-practice systems and processes for working with global customers, and invests to make them applicable for all program customers. For example, Microsoft developed standardized methods and tools that its headquarters-based global accounts team uses to assist GAMs with joint account planning and global contracts.

A major European IT provider offers a good example of a Value-Booster stage change. It launched a GCM program in 1999 and worked in an ice-breaking mode for several years. In 2002, the firm developed common templates for global customer plans, required GAMs to follow similar planning routines, and implemented a system to more easily develop joint targets and goals with customers. The global account unit also developed widely adopted processes and tools to support teamwork among departments and divisions.

This Value-Booster effort led to major success with a global soft-drink customer from which it had secured revenues in an uncoordinated way for several years. In its new mode, a study team evaluated the customer's entire business with the goal of helping it become more competitive. The completed study and several inter-firm meetings led to numerous ideas for closer collaboration. The IT provider and customer together drew up a list of future IT needs that avoided unnecessary and/or costly equipment purchases. The IT firm also helped its customer decide which IT functions to outsource. Since 2003, the IT provider's revenues from this customer have grown *tenfold*. The soft-drink firm increased its revenues by securing greater presence in its supplier's employee-catering locations.

Across the board, Pilot and Value-Booster efforts allowed the IT provider to triple its revenues from global customers. Senior managers remain closely involved in the GCM program. They help focus customer dialogue on operational issues but, more importantly, are deeply involved in shaping a joint future with customers. The firm actively helps GAMs achieve targets and develop skills (such as financial entrepreneurship and leadership) via an annual evaluation and training process. The IT provider is getting ready to stage-change from Springboard to embed the GCM program throughout the firm via a One-Company initiative. Board members have agreed to review the GCM program's top 50 account plans annually. As a result, GAM performance goals and incentives will be more carefully aligned with corporate goals.

One-Company

By evolving from Value Booster to Embedded, the firm dedicates resources to work continuously with global customers to satisfy their immediate needs and help them attain future goals. By being tightly integrated into the

firm's senior management echelon, the GCM program head and the GAMs have considerable clout in working with the firm's business, geographic, and functional organizations.

A key challenge we discovered was that most firms focus on the *One-Company* stage change too early. The Embedded customer-centric governance sounds tempting, but the firm must have the appropriate systems and processes (such as customer profitability measurement and cross-functional cooperation mechanisms) in place. Failure to appropriately scale up from Springboard brings delivery and credibility problems, and sobering disappointments.

Consider X-Co, one of our consortium firms. The GCM program head and chief marketing and sales officer tried to convince the (soon-to-retire) CEO and his executive team that only a major organizational change in handling global customers would deliver forecast revenues and profits. After one year's heated debate, the executive committee decided not to implement such a change—internal resistance was too great. As a consequence, the GCM program stalled instead of becoming a true growth engine, and effectively retreated to the Pilot stage. The pragmatic solution was to await the new CEO when the climate for change would be more propitious.

One of the oldest (if not, the oldest) global account programs is Citigroup's. Today, Citigroup enjoys a fully Embedded GCM program, but initial account management efforts started at Citibank in the late 1960s when client specialists began developing and coordinating marketing plans for large customers. Citibank formed a specialist division to serve global clients in 1975 and, despite the World Customer Group (WCG) struggles we described previously, today operates a Global Relationship Banking business that serves almost 2,000 clients.

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

However, as we pointed out at the beginning, it can take 10 to 15 years for a company to implement a GCM program fully. DHL has reached the Embedded stage—but only after 12 years. Through its GCM program, now dubbed Global Customer Solutions, DHL coordinates marketing and sales, operations, networks, information systems, finance, and administration for select global customers on a worldwide basis. The program, whose clients constitute DHL's 100 top customers (typically *Fortune 500* companies), applies well-tested tracking measures such as account profitability to each customer.

DHL also uses a broader scale to judge the overall success of its GCM effort. It credits the GCM initiative with making the company a leading logistics

provider that offers global delivery capabilities. Looking strictly at the books, DHL says that compared with four or five years ago—roughly the point at which it transitioned from the Springboard to the Embedded stage—revenues from its globally managed accounts has grown at a faster rate than the overall industry.

Benefits of Getting Global Customer Management Right

Companies should strive to reach the Embedded stage embracing broad global account program scope and deep organizational commitment. Those firms that get global account management *right* can realize significant benefits. Montgomery and Yip's study described positive effects of global account programs—about 20 percent customer satisfaction improvement and 15 percent revenue and profit increases.¹⁵ Many anecdotal sources, such as the annual SAMA performance award, report that well-orchestrated programs frequently double revenues within three to five years. Research with our consortia companies showed high-performing firms enjoying 22 percent increases in customer satisfaction, nine percent increases in annual profits, and higher likelihoods of customer recommendations. Global program customers report above-average cost savings, more innovations with real commercial potential, and stronger competitive standing in their own markets. We also found that One-Company firms with Embedded programs outperformed their competitors by a factor of four to five in global revenue share. Getting global customer management right really does increase the firm's chances of business success.

Conclusions

To master the journey to GCM program implementation and achieve superior performance, companies should follow three principles that they apply simultaneously:

- ***Consider GCM a Long-Term Investment***—Developing GCM capabilities, establishing strong customer partnerships, and realizing new business opportunities entails a gradual process that includes both successes and failures; it is not a simple, short-term sales optimization. To harness the full potential of GCM, top management must be committed and must persevere by considering GCM as an investment in long-term growth. Firms should choose a long-term GCM implementation approach and work gradually from the Pilot stage via Springboard stage to the Embedded stage, and they should always consider the implications on global leadership in terms of revenue, profit, and market share in their industries. On the operational side, GCM program management should emphasize communication and continuously celebrate even small GCM successes to maintain positive change momentum until bottom line benefits are accrued.
- ***Foster Intra- and Inter-Unit Coordination***—Implementing GCM represents a fundamental shift toward customer-centric forms of collaboration. Although a company with mostly local customers and a limited product range may find that traditional functional processes work perfectly well,

companies that provide complex solutions to global customers require cross-functional, customer-centric processes. Based on the experience of research consortium firms, our advice is for firms to treat GCM as a companywide change initiative, not a project that pertains only to the sales force. Together with top management, GCM program managers must actively promote the initiative to ensure continuous buy-in across business units and functions. Employing the four-stage change types—Ice-Breaker, Full-Throttle Turn, Value-Booster, and One-Company—will help them achieve the transition process towards the Embedded GCM stage faster. Furthermore, formal de-escalation processes can help mitigate tensions that arise from time to time during transitions.

- ***Pursue an Evolutionary Adaptation Approach***—Implementing a GCM program is not a project with a fixed end; it is an initiative that, depending on a company’s initial situation, will significantly change the way it does business. Achieving superior GCM performance requires a continuous learning process; it is a fallacy to plan for the “perfect” GCM organization right from the start. Companies in the Pilot stage should not attempt to develop highly sophisticated customer management IT systems that absorb critical resources; they must instead launch pragmatic and solid pilot programs that enable them to initiate and benefit from elements of their GCM program as quickly as possible. When starting, firms should commit resources, at both the program and the single customer level, in a reversible manner to maintain flexibility. This approach allows them to respond to the changing needs of global customers more quickly and at lower costs. In the more advanced stage of GCM implementation—the Springboard stage—firms should focus on getting the basics of internal collaboration right, before talking about a fully customer-centric governance model.

Making GCM programs really work is not a one-off effort, nor can it be a costly trial-and-error process. Rather, it requires a continuous-learning perspective to synchronize the supplier’s globalization pace with one of its most important assets: its global customers. Pursuing an incrementalist approach may lead to some degree of success, but the benefits of getting it right the first time are substantial. If companies can fully embed a GCM program and establish a solid link with corporate strategy development and execution, the rewards in additional revenues and profits they enjoy will far exceed their investment in GCM. Moreover, the benefits of successfully implementing a GCM program can make the difference between company success and failure. If global customers are not serviced and managed by appropriately established GCM programs, companies face the real threat of not only missing substantial growth potential, but losing all the customer’s business to competitors who have mastered GCM implementation better. For that reason, executives at all levels should start thinking early on about how they can get the most out of their GCM programs to drive customer-centricity and thus shareholder value. In the words of Schneider Electric’s CEO, Jean-Pascal Tricoire: “If you are fit for Global Customer Management, you

TABLE 2. Characteristics of Firms in the Global Company Database (1/3)

FIRST RESEARCH TRACK CONSORTIUM FIRMS		
Firm	Main Industry	Home Country
1	Consumer Goods	USA
2	Financial Services	USA
3	Chemicals	USA
4	Professional Services	USA
5	Information Technology	USA
6	Information Technology	USA
7	Advertising	USA
8	Transportation and Logistics	Denmark
9	Information Technology	Germany
10	Automotive	France
11	Electronics	France

are fit for global business! However, global account management has two consequences: First, it is a growth driver; second it is a change driver.”¹⁶

APPENDIX

Research Design

During the past five years, we have hosted a series of five research consortia at Columbia Business School and St.Gallen University with a total of 39 global firms. Each consortium was designed to work with a select group of non-competing companies to explore current and future practices of GCM program implementation. Given the sensitive nature of the topic and the obvious difficulties of obtaining data from one of the most secret areas of a company’s business, namely, its customer portfolio, we designed a step-wise approach with three complementary research tracks.

In the first research track, we conducted a consortium with a qualitative study focus to explore the critical factors of GCM program success and develop case studies. In total, 11 U.S. and European firms participated and provided us with GCM program profiles and a roadmap of GCM program implementation and success factors. In the second research track, we conducted four consortia with a total of 22 companies. The main focus at this point was a more quantitative-oriented analysis of GCM programs. Similar to the first study, all firm profiles indicated a multinational company, and many were the undisputed leaders

TABLE 2. Characteristics of Firms in the Global Company Database (2/3)

SECOND RESEARCH TRACK CONSORTIUM FIRMS		
Firm	Main Industry	Home Country
1	Industrial Machinery and Components	Switzerland
2	Industrial Machinery and Components	Switzerland
3	Steel	Austria
4	Industrial Machinery and Components	Liechtenstein
5	Information Technology	USA
6	Financial Services	USA
7	Information Technology	USA
8	Consumer Goods	Japan
9	Information Technology	UK
10	Information Technology	UK
11	Industrial Machinery and Components	Denmark
12	Industrial Machinery and Components	Germany
13	Information Technology	Germany
14	Chemicals	Germany
15	Industrial Machinery and Components	Germany
16	Industrial Machinery and Components	Germany
17	Financial Services	Germany
18	Industrial Machinery and Components	Switzerland
19	Industrial Machinery and Components	Switzerland
20	Industrial Machinery and Components	Switzerland
21	Chemicals	Switzerland
22	Industrial Machinery and Components	Liechtenstein
Total	22 Consortium Firms	

in their industries. GCM program directors, global account managers, and senior management of the consortium companies attended meetings and workshops. For a description of the basic demographics of the researched companies, please refer to Table 2.

Years of GCM Program Age	No. of Global Customers	No. of Full-Time Global Customer Managers	Percentage of Corp. Revenue through GCM
2	6	3	25
3	12	1	10
5	10	2	15
4	10	5	20
3	40	40	10
2	10	1	15
5	80	60	40
3	12	5	15
10	50	50	5
3	50	34	25
3	18	3	10
2	15	2	15
4	43	43	15
6	12	6	25
5	36	36	30
4	8	4	25
5	1200	150	25
5	25	5	40
8	15	10	50
5	12	2	35
3	10	10	15
5	17	5	25
Average 4	77 (23 w/o no. 17)	22 (15 w/o no. 17)	23

A cornerstone of our research work was in depth assessment of each consortium member's GCM implementation stage, which we conducted by exploring GCM program capabilities at the strategic, the functional, and the organizational level. Based on this information, we benchmarked the results in

TABLE 2. Characteristics of Firms in the Global Company Database (3/3)

THIRD RESEARCH TRACK FIRMS (BENCHMARKS AS NOMINATED BY SECOND RESEARCH TRACK FIRMS)		
Firm	Main Industry	Home Country
1	Financial Services	USA
2	Travel and Hotel	USA
3	Information Technology	USA
4	Information Technology	USA
5	Transportation and Logistics	Germany
6	Consumer Goods	USA
Benchmarked Advanced Firms		

COMPARISON BETWEEN SECOND AND THIRD RESEARCH TRACK FIRMS		
Track	Number of Firms	
Second	22 Consortium Firms	—
Third	Benchmarked Advanced Firms	—

*Two outliers from Financial Industry eliminated for comparison reasons

the third research track against six best-in-class companies with highly advanced GCM programs as nominated in a step-wise process by their peers in the consortiums. Each of these six companies was then invited to present their GCM experiences and challenges to the consortium members during a two-day conference at St.Gallen University. Taking all three research tracks together, we conducted more than 30 face-to-face workshops and over 50 personal interviews to analyze GCM program implementation paths and develop stage transition strategies across firms.

Notes

1. Raymond Vernon, *In the Hurricane's Eye: The Troubled Prospects of Multinational Enterprises* (Cambridge, MA: Harvard University Press, 1998).
2. *The Wall Street Journal*, August 16, 1991; *The Economist*, December 7, 1996; *Purchasing*, November 18, 2004; *Financial Times*, June 15, 2007; *CPO Agenda*, March 12, 2008.

Years of GCM Program Age	No. of Global Customers	No. of Full-Time Global Customer Managers	Percentage of Corp. Revenue through GCM
36	1400	250	35
8	27	12	40
15	60	50	30
25	100	100	40
10	100	150	20
9	21	21	25
Average 17	284 (62 w/o no. 1)	97 (67 w/o no. 1)	32

Years of GCM Program Age	No. of Global Customers*	No. of Full-Time Global Customer Managers*	Percentage of Corp. Revenue through GCM
4	23	15	23
17	60	67	32

- Noel Capon, Dave Potter, and Fred Schindler, *Managing Global Accounts*, 2nd edition (Bronxville, NY: Wessex, 2008), p. 12.
- For more information about the Strategic Account Management Association (SAMA) see <www.strategicaccounts.org>.
- Global customer management (GCM) is a systematic process for attracting, retaining, and growing the firm's most important global customers. Compared to domestically based key/strategic account management, GCM is much more complex because it deals with multiple countries, multiple cultures, and multiple time zones. For a general review of key/strategic account management, see N. Capon, *Key Account Management and Planning: The Comprehensive Handbook for Managing Your Company's Most Important Strategic Asset* (New York, NY: The Free Press, 2001). For work on GCM programs, see Capon, Potter, and Schindler, op. cit.; H.D. Hennessey and J.-P. Jeannet, *Global Account Management: Creating Value* (Chichester: John Wiley & Sons, 2003); G.S. Yip and A.J.M. Bink, *Managing Global Customers: An Integrated Approach* (Oxford: Oxford University Press, 2007).
- For more on the shift from traditional structures like product divisions, geographic-area divisions, and product/geographic area matrices to global customer-centric organizations, see C. Homburg, J.P. Workman, and O. Jensen, "Fundamental Changes in Marketing Organization:

- The Movement Toward a Customer-Focused Organizational Structure," *Journal of the Academy of Marketing Science*, 28/4 (Fall 2000): 459-478; J. Birkinshaw, O. Toulan, and D. Arnold, "Global Account Management in Multinational Corporations: Theory and Evidence," *Journal of International Business Studies*, 32/2 (2001): 231-248; J. Birkinshaw and S. Terjesen, "The Customer-Focused Multinational: Revisiting the Stopford and Wells Model in an Era of Global Customers," working paper SIM15, London Business School, London, May 2002.
7. For further discussion of the challenges and issues of GCM, see D.B. Montgomery and G.S. Yip, "The Challenge of Global Customer Management," *Marketing Management*, 9/4 (Winter 2000), 22-29; D. Arnold, J. Birkinshaw, and O. Toulan, "Can Selling Be Globalized? The Pitfalls of Global Account Management," *California Management Review*, 44/1 (Fall 2001): 8-20; M. Harvey, M.B. Myers, and M.M. Novicevic, "The Managerial Issues Associated with Global Account Management: A Relational Contract Perspective," *Journal of Management Development*, 22/2 (2003): 103-129.
 8. G.S. Yip and T.M. Madsen, "Global Account Management: The New Frontier in Relationship Marketing," *International Marketing Review*, 13/3 (1996): 24-42; R.D. Buzzell, "Citibank: Marketing to Multinational Customers," Harvard Business School, case no. 9-584-016, 1984.
 9. Boeing and Airbus seem to be large domestic versus global customers but Rolls-Royce's challenge concerns the global footprint of their direct customers—Rolls-Royce's indirect customers. Because many airlines operate on a global basis and require 24/7/365 service, Rolls-Royce must have a more global approach than just dealing with large domestic accounts. P&G has a related situation with its major customer, Wal-Mart. It has developed strong inter-firm relationships and benefits from a global as well as a U.S.-domestic perspective. Furthermore, the increasing globalization of P&G's other top-ten retail customers drives development of a well-orchestrated global account program.
 10. During the consortia, the authors and sales leaders developed and grouped nine criteria (quantitative and qualitative) into two dimensions—program scope and program commitment—to describe global account programs. (See also Figure 1 and Section Appendix.) These criteria led to the four-stage program typology and alternate implementation paths. IBM clearly fits into the Embedded category: its program is large (> 60 customers) and generates significant revenues (>20 percent of total). IBM assigns full-time GAMs, requires successful completion of a certification program, leverages global customer insights, assigns senior executive sponsors, and demonstrates deep organizational commitment. By contrast, we identified one group of firms that embarked on small programs (5-10 customers) earning less than 10 percent of revenues with minimal investment in people, processes, or systems—Pilot. Another group had many more global accounts but also had limited organizational commitment—Dead-End. Our approach is sympathetic to Yip and Bink, whose organizational solutions approach indicates that the loose coordination of newly installed programs typically migrates to stronger control.
 11. Other researchers have modeled global account management. Almost a decade ago, Montgomery and Yip [op. cit.] developed a framework of program drivers and explored performance outcomes. Arnold, Birkinshaw, and Toulan [op. cit.] explored program characteristics and developed implementation considerations. Wilson, Speare, and Reese described multiple program stages based on individual buyer-seller relationships—pre-GAM, early GAM, mid-GAM, partnership GAM, and synergistic GAM [Note: In this framework, GAM is a contraction of "global account management"]. K. Wilson, N. Speare, and S. Reese, *Successful Global Account Management* (London: Kogan Page, 2002). Hui Shi, Zou, and Cavusgil developed a conceptual capability model and potential performance links. L. Hui Shi, S. Zou, and S.T. Cavusgil, "A Conceptual Framework of Global Account Management Capabilities and Firm Performance," *International Business Review*, 13/5 (2004): 539-553. More recently, Yip and Bink [op. cit.] focused on supplier-customer integration abilities to determine best-fit organizational solutions. Our framework builds on these insights but takes an implementation-oriented perspective to help firms master the transition to become truly customer-centric on a global basis.
 12. Capon, Potter, and Schindler, op. cit, pp. 42-45.
 13. For discussions of the different stages of organizational alignment, see G.S. Day, "Aligning the Organization with the Market," *Sloan Management Review*, 48/1 (Fall 2006): 41-49. He argues that companies move through a series of stages of evolution, depending on a variety of strategic and operational priorities

14. For a practical example of a multi-item global customer selection criteria set, see G.S. Yip and A. Bink, "Managing Global Accounts," *Harvard Business Review*, 85/9 (September 2007): 103-111.
15. Montgomery and Yip, op. cit.
16. Jean-Pascal Tricoire, Chairman and CEO Schneider Electric SA, Keynote Address at the Strategic Account Management Association's Pan-European Conference, Paris, February 11, 2008.

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