

WORK-IN-PROGRESS PAPER

TITLE: THE PARADOX OF OUTSOURCING KEY ACCOUNT MANAGEMENT: AN EXPLORATORY STUDY

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ABSTRACT

Just as strategic procurement has rarely been outsourced (Fernández and Kekäle, 2007), the literature on the outsourcing of the sales function (Anderson, 1985; Krafft et al, 2004) suggests that complex selling roles are most likely to be kept in-house. What could be a more critical core competence within a supplier than managing the creation of value for a powerful customer (Georges and Eggert, 2003; Georges, 2006; Guenzi et al, 2009)? In the literature on key account management, there is much discussion about the skills required to be a successful key account manager (McDonald et al, 1997; Millman and Wilson, 1995 Abratt and Kelly 2002; Homburg et al, 2002; Yip, 2008; Guenzi et al, 2009), and it has been specifically acknowledged that a key account manager needs to be influential within their own organisation (Wilson and Millman, 2003). From a number of theoretical lenses, the logic of employing a key account manager is undeniable.

Nevertheless, there are examples of companies that have outsourced key account management, and while they may be “exceptions that prove the rule”, there is value in appreciating such exceptions. The cases identified are medium-sized companies, which looks like a fit for the generally accepted model of companies using contract sales organisations until they are large enough to bring sales resources in-house (Ross et al, 2005; Zoltners et al, 2006). However, the most celebrated case of a company outsourcing key account management in the UK involved a “radical shift” from employed salespeople into a new sales model deploying “regional account directors” managed via a contractor (pharmatimes, 2011, p30). This paper explores the contexts which explain these exceptions from the lens of competing theories about the boundaries of organisations.

Main contribution

This paper makes a contribution to the literature on key account management by examining alternatives to permanent employment for companies trying to access highly skilled key account managers.

KEYWORDS:

Key account management; outsourcing; transaction cost economics; resource based view; sales resource options; contract sales organisations; marketing channels

INTRODUCTION

The purpose of the research project from which this paper is drawn was to explore the antecedents, contexts and nuances of outsourcing sales activities in the UK, in order to develop a conceptual model of make-or-buy decisions relevant to the sales function. Compared to other functions, there are a variety of business models of outsourcing available to sales managers, and the majority of activities outsourced in practice in the UK, such as lead generation, small scale transactions and end-of-life products, could be described as tactical. The purpose of this paper is to discuss the antecedents, contexts and nuances that lead companies to outsource key account management. Instances of companies outsourcing strategic purchasing and the mirror image of outsourcing key account management raise some interesting questions about the nature of supplier-customer relationships.

Outsourcing services provider Accenture predicted in 2003 that over half of US, UK and French companies would be outsourcing some of their purchasing activities by 2006, with predictions for Italy, Austria, Germany and Switzerland exceeding one third (Arminas, 2003). High profile companies are continuing to sign deals to outsource “indirect” or transactional purchasing, including Hertz (Supply Management, April 2008), Whirlpool (Supply Management, February 2009) and L’Oreal (Supply Management, January 2011).

Purchasing managers expect to achieve cost savings from outsourcing non-strategic purchases (Maltz and Ellram, 1999). Despite the many benefits realised from using third parties at a tactical level, purchasing managers also perceive that in-house is better for strategic sourcing (Maltz and Ellram, 1999). Nevertheless, there are some cases. Thames Water outsourced strategic procurement to Efficio in 2011 (Clark, 2011) and a year later the company’s head of procurement was reported to be very pleased with the results (Leach, 2012). Fernández and Kekäle, (2007) argue that, over time, a completely outsourced model would suit a variety of companies.

A review of the websites of sales outsourcing companies in the UK suggests that sales outsourcing generally mirrors the trends in purchasing. It is usually transactional business that is being outsourced, but a few outsourcing providers claim to offer key account management solutions. If customers are outsourcing strategic sourcing, can or should suppliers consider outsourcing key account management?

Direct employment of key account managers is often assumed. The “owning” of the sales function is expected to lead to shared values, participation in the company, information sharing and working in teams. Salespeople can be quickly switched from one task to another. In return, employed salespeople expect the commitment of employment security, promotion from within, training, fair treatment and a high basic wage, as well as additional incentives (Colletti and Chonko, 1997).

Delegating selling activities to third party organisations has not been embraced as broadly as outsourcing of other activities such as information technology, logistics and facilities management (Anderson et al, 2003). The principles, however, are not very different. Anderson and Trinkle (2005, page 1), in discussing sales outsourcing, are succinct: “To outsource a function is to pay someone else to do it for you.” Throughout history, some manufacturers have delegated customer management to distributors, retailers or other intermediaries in the supply chain (McQuiston, 2001).

Four well-established theoretical models have been applied to make/buy decisions which affect organisational design. Classical economics is focused on the comparison of production cost versus price in the market; transaction cost economics is focused on the cost of controlling an activity; the resource based view is focused on relative competences internally and externally and how they generate “rent” for the firm; real options theory is focused on the need for flexibility in an uncertain business environment, and therefore favours the replacement of fixed costs with variable costs. When these are applied, most researchers would conclude that both strategic sourcing and key account management should be insourced. Nevertheless, there are some contexts in which outsourced models have worked, and they are worthy of exploration.

LITERATURE REVIEW

When considering the antecedents of outsourcing organisations’ activities, there are four theoretical models which have explanatory power. There is a limited body of literature looking specifically at outsourcing of sales activities, although examples can be found to justify consideration of each in an exploration of factors relevant to the outsourcing of key account management.

Neo-classical economics

The role of price in decisions about the boundaries of the firm is still important. Cost management does matter to firm performance and can make a considerable contribution to the value of a company (Groth and Kinney, 1994). Outsourcing appears to be positively related to the performance of firms aiming to achieve or maintain cost leadership (Gilley and Rasheed, 2000) and notably, cost leaders consider that cost/price comparison is more important than transaction costs in determining outsourcing intensity (Martinez-Sanchez et al, 2007).

There is empirical support for the dominance of cost/price considerations in motivating outsourcing of activities (Kakabadse and Kakabadse, 2000; Smith et al, 2005; Kremic et al, 2006, Moschuris, 2007), and the strength of empirical evidence suggests that it should not be overlooked as an antecedent for outsourcing. However, a focus on executional cost is not necessarily best practice (Anderson S and Dekker, 2009). The cost advantages of third party sales organisations are largely argued from the point of view of payment by results (Landry and Pandrangi, 2005; Ross et al, 2005), which is not relevant in some business models available in the UK, or some regulated sectors. In addition, commission-only arrangements are hardly likely to be attractive to contractors in the case of managing long-term strategic customer relationships, as they are generally smaller organisations unable to absorb the extended risk.

Transaction costs

Both in theory-building (Ouchi, 1980; Wathne and Heide, 2000 Bahli and Rivard, 2003) and meta-analyses of empirical studies (Rindfleisch and Heide, 1997; David and Han, 2004, Geyskens et al, 2006), transaction cost economics has convincing support. The argument for employment where the performance of a contract is difficult to measure is also widely

supported by studies of relationships with contractors that suggest that they must be highly structured, which is expensive (Daugherty et al, 2006) or that relationship stress is probable over time (Halldorsson and Skjott-Larsen, 2006; Jap and Anderson, 2007). Poor relationships with contractors are a strong indicator for back-sourcing (Whitten and Leidner, 2006).

Since transaction cost economics is primarily concerned with the difficulties of contracting for particular activities resulting in hidden risks and costs, it is reasonable to conclude that sales directors would not wish to cede control of key accounts to a third party organisation. Similarly, the main reason given by purchasing managers for not outsourcing strategic purchasing is control ((Fernández and Kekäle, 2007).

In the case of key account management, a core principle of transaction costs economics, that an employed person is more easily controlled than a contracted agent (Coase, 1937) would seem to be important. There are two studies that have examined the outsourcing of the sales function from a TCE foundation. Anderson's (1985) study and Krafft et al (2004)'s which followed a similar design, suggested that the more complex the sales role, the more likely it would be "insourced". 23 years later, the complex, value-creating role of the key account manager is well-recognised (Georges and Eggert, 2008). Anderson(1985) did not find that the importance of key accounts predicted insourcing. Industry consolidation and globalisation since the 1980s may well have changed that condition.

Studies of sales outsourcing have also found support for behavioural uncertainty, i.e. difficulty in measuring the link between activity and performance, as a predictor of both a preference for employing salespeople and a preference for salary-based rewards rather than commission (Anderson E, 1985; Tremblay et al, 2003; Krafft et al, 2004). Coase (1937) contrasts the challenges of managing relationships with contractors with the ease of managing employees, drawing analogies with the master-servant relationship. This attitude seems dated when compared to more recent opinions about the incongruence of goals between employers and employees (Ouchi, 1979; Coff, 1999; Sliwka, 2007). It is productive for customer-facing staff to identify with their employer (Wieseke et al, 2009), but this cannot be taken for granted. Loss of control does occur within the sales function (Phillips, 1982). Indeed, salespeople may be particularly difficult to manage and resistant to change (Jelinek and Ahearne, 2006). Krafft et al (2004) commented on the effect of European Union employment law, which can inhibit the achievement of change.

Despite these possible distortions, the balance of evidence from previous TCE studies suggests that permanent employment would be expected for key account managers, on grounds of the complexity of the role and the long leads and lags between performance and results.

Resource-based view

Another theoretical perspective commonly applied to outsourcing decisions is the resource-based view (Espino-Rodríguez and Padrón-Robaina, 2006), which has been extremely influential in strategic management and is associated with the competencies approach of Prahalad and Hamel, 1990). It has been interpreted as recommending in-sourcing of core competences and outsourcing of non-core activities. Therefore, it has been acceptable to outsource the purchasing of non-critical supplies (Maltz and Ellram, 1999; Fernández and Kekäle, 2007), and to outsource tactical sales (Rogers, 2008; Rapp, 2009), but not acceptable

to outsource strategic procurement or strategic sales. Notably Menguc and Barker (2005) identified the sales employees' ability to collaborate with colleagues as a critical element of the "rent" they deliver to their employers, which is consistent with the view of the key account manager as a leader within their own organisation (Wilson and Millman, 2003).

There is both a body of opinion that differentiation leads to better company performance (Porter, 1996), and some empirical evidence (Selling and Stickney, 1989). The more unique the resources a company utilises in a specific activity, the less likely it is to be outsourced (Espino-Rodriguez and Padron-Robaina, 2006). Skills/knowledge has been described as the only thing that is specific about salespeople (Anderson, 1985). Skills are also recognised as rent generators in the resource based view (Newbert, 2008), and it had been suggested that it is the firm-specific skills of salespeople that accrue highest value (Galunic and Anderson, 2000). These may be associated with knowledge of the nature of the company, its products and customers, or they may be more specific to the individual's relationships within the firm.

Whether it is called company nature (Anderson, 1985), collective learning (Prahalad and Hamel, 1990), identity or essence of an organisation (Santos and Eisenhardt, 2005), firm characteristics (Oh, 2005), or strategic orientation (Rapp, 2009), some companies have strong cultures. Relevant studies have tested the length of time that a salesperson would need to get to know "the way we do things" as an indicator of the relevance of brand ambassadorship in a salesperson's skill set. The complexity of the product/service portfolio is also an indicator of skills/knowledge value (Anderson, 1985; Wilson and Zhang, 2002; Krafft et al, 2004).

It is most pertinent to key account management that the degree to which organisations value customer relationships is a factor which has a particular resonance for the outsourcing or otherwise of customer-facing activities. The reputational risk of outsourcing customer relationship-handling has attracted comment (Johnson, 2007), and it has been observed as a factor restricting sales outsourcing (Weiss et al, 1999). The major studies of sales outsourcing found that knowledge of customers and relationship-building ability are strongly associated with sales insourcing (Anderson and Schmittlein, 1984; Anderson, 1985; Wilson and Zhang, 2002; Krafft et al, 2004). Nevertheless, there is also evidence that agents can provide equal or better value to customers (Guenzi and Troilo, 2007; Palmatier et al, 2007). The agent has a reputation to consider as well (Mukherji and Ramachandran, 2007), and the customer may not necessarily want direct contact with a manufacturer (Wuyts et al, 2004).

Williamson (1979) posited that most skills are transferable apart from inside knowledge and team dynamics. This aspect of a salesperson skills has attracted specific theoretical comment (Wilson and Millman, 2003; Plouffe and Barclay, 2007) and some empirical support (Liu and Leach, 2001; Tellefsen and Eyuboglu, 2002). Nevertheless, knowledge-based activities are increasingly being outsourced (Sen and Shiel, 2006) in other functions (including purchasing), and contract sales organisations are involved in team selling (Jackson et al, 1999).

Because skills, competency and asset arguments seem to focus on defending current differentiation, it is also necessary to explore whether access to external skills is a more attractive proposition when looking to the future. Acquiring new skills through outsourcing has been advocated (Ansoff, 1957; Kim and Mauborgne, 1997; Ruzzier, 2009) and observed (Kakabadse and Kakabadse, 2002; Ghodeswar and Vaidyanthan, 2008). Contract sales organisations do have desirable skills (Ross et al, 2005) which companies may wish to access as a growth option. Core capabilities do not have to be owned ((Fernández and Kekäle,

2007), and where account management skills are regarded as scarce, as in the UK (TBR, 2008), smaller companies may not be able to compete with the development and reward packages offered by larger corporations for account management roles, and therefore need to access third party resources.

As with TCE, the balance of evidence from previous RBV studies suggests that permanent employment would be expected for key account managers, on grounds of the specific skills that are necessary in a differentiated company. However, for smaller companies needing to acquire key account management skills in an economy with a skills gap, a third party option might be desirable to reduce the “ramp-up”/“on-boarding” time associated with new hires. RBV offers both reasons for in-sourcing key account management and explains why some companies have to seek alternative access to these important skills.

Real options theory

Changes in the business environment can decrease the value of a company’s organisational configuration and make it worthwhile changing ((Fernández and Kekäle, 2007). Boston Consulting Group’s Kachaner (2009) notes the value of variabilisation of costs in a recession. Miranda and Kim, 2006; Diez-Vial, 2007 and Martinez-Sanchez et al, 2007 suggest that an uncertain business environment will lead to companies outsourcing more activities to reduce risk. Indeed, managers should be concerned with building flexibility as a capability (Scott et al, 1988; De Leeuw and Volberda, 1996). A qualitative study in the UK pharmaceutical industry noted sales managers quoting flexibility as a primary rationale for outsourcing sales (Rogers, 2009). However, flexibility is also associated with granularity in outsourcing, or out-tasking (Krishnamurthy et al, 2009), so researchers might still expect to see long-term relationships with customers managed by employees, even if other elements of the sales function are outsourced.

The concept of flexibility as a route to profitability is aligned with real options theory, first applied to financial borrowing (Myers, 1977) but adapted in 1993 by Sanchez to organisational design. Foss (1998) argues that the appeal of real options theory is that it is future-oriented and explains how firms can build capacity. There is recent empirical support for the value of flexibility to business performance (Jack and Raturi, 2002; Fantazy et al, 2009), but there is also well-grounded scepticism with Pagell and Krause (2004) arguing on the basis of a substantial study that neither flexibility nor outsourcing helps with environment uncertainty or performance.

Much of the literature on real options theory concentrates on production economics or outsourcing of back-office services. Flexibility is a relatively under-explored rationale for sales outsourcing. The desire for it might explain the outsourcing of some sales activities, but not necessarily key account management, where stability seems preferable.

A mediating factor

Even with the capability to outsource and a choice of suppliers, companies may still be constrained by “industry norms”, which may be reflecting what is assumed to be possible or perceptions of what “best practice” companies do. Even though misalignment of activities and governance forms are likely to lead to lower profitability and failure (Macher and Richman, 2008), firms will tolerate their “status quo” organisational design until outcomes are really unacceptable (Shimizu and Hitt, 2004). Uncertainty in the business environment

seems to encourage imitation of perceived industry benchmarks (DiMaggio and Powell, 1983; Kock ,2005; Miranda and Kim, 2006).

Quasi-collusive behaviour is likely to have sub-optimal results (Kock, 2005; Gimeno et al, 2005). Such behaviour may be prompted by government, industry regulators, the financial media, or global companies standardising their supply chains (Deephouse, 1996; Guler et al, 2002), or companies may be pursuing some kind of competitive balance (Gimeno et al, 2005; Barreto and Baden-Fuller, 2006). Whatever the prompt, a desire to avoid organisation change and/or to avoid stepping out of line from perceived industry norms may affect outsourcing decisions.

In the case of sales outsourcing, Weiss et al (1999) found that perceptions of the relative reputational capital of their own employer versus competitors were relevant to sales managers’ decisions about using third party sales. They would not outsource if they perceived that “best practice” companies did not outsource. Contradicting the findings of Barreto and Baden-Fuller (2006), but consistent with DiMaggio and Powell (1983), Kock (2005) and Miranda and Kim (2006), Anderson (1988) found that observing industry norms in the case of sales outsourcing was appropriate in uncertain times, in that it was associated with better results, but this was not the case in stable economic conditions. It seems therefore, that in the harsh economic climate in the UK in 2008-2012, it might be expected that sales managers would be aware of industry norms of sales outsourcing and be endeavouring to observe them.

Given the evidence for the influence of industry norms in resourcing decisions, it is even more likely that key account management would be in-sourced. Nevertheless, since there are risks of constrained performance in mimetic isomorphism, an aspiring market leader might choose to challenge “norms”.

Summary

Overall, there is much in the extant literature about the organisational design of firms to suggest that, as highly skilled value creators for strategic customers, key account managers should be individuals employed by companies on permanent employment contracts. The table below summarises the sales specific studies which suggest a “norm” for the insourcing of key account management.

Authors	Theoretical angle	Type of study	Main findings
Anderson (1985)	Transaction costs	Empirical	Complex sales will be insourced
Wilson and Zhang (2002)	Resource based view in comparison with transaction costs	Empirical	Complexity of product and client relations importance associated with insourcing sales
Krafft, Albers, Lal (2004)	Transaction costs	Empirical	Complex sales will be insourced
Ross, Dalsace, Anderson (2005)	Cost advantage	Review and commentary	Considerations beyond cost are advisable
Menguc and Barker (2005)	Resource based view	Empirical	Collaborative skills of salespeople

			generate rent
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There is limited evidence in the sales literature that real options and neo-classical cost advantage are indicators of outsourcing; their effect seems to be associated with tactical sales scenarios. There is little doubt that well-established theoretical models such as transaction cost economics and the resource based view would predict the integration of key account management into the firm. There is relatively little comment in sales-specific studies about contextual variations. It is therefore worthwhile exploring examples both where the predictive value of theories are confirmed and where, even if the theory may still have value, different results are observed.

METHODOLOGY

The purpose of the research project from which this paper is drawn was to explore the antecedents, contexts and nuances of outsourcing sales activities in the UK, in order to develop a conceptual model of make-or-buy decisions relevant to the sales function. It was therefore necessary to interview senior sales managers with experience of making resourcing decisions, to ascertain their perceptions and their behaviour. According to government statistics, there are 149,000 marketing and sales directors in the UK (ONS, 2012). Given the balance of enterprise in the UK, many will be working for fairly small organisations.

Telephone interviews were conducted with 29 UK-based sales directors. Gaining access to sales professionals for research purposes has always been difficult (Carter et al,2008), and in the past few years the time pressures on senior managers has made access even more challenging (Cycyota and Harrison, 2006; Carter et al, 2008). The respondents were primarily drawn from the alumni of a sales management programme, their contacts and the Sales Leadership Alliance. All of the respondents had more than six years' experience in sales management. A reasonable balance was achieved across industry sectors (manufacturing, healthcare, information technology, professional services and technical services), EU/US ownership of companies, and types of customer portfolio. Most respondents were from companies in the top ten in their industry sub-sector, with multi-million pound turnovers. Efforts were made to include sales directors with experience of outsourcing and those who do not generally use it as part of the resourcing mix, therefore the sample design is primarily judgemental. For the most part, it was in the companies defined by the respondents as medium-sized or niche where the outsourcing of KAM occurred or had been used in the past.

Given that there is a limited amount of previous literature about the use of contract sales organisations in the UK, there is still room for theoretical development, therefore a qualitative approach was taken to this study. Establishing some contexts and patterns of actual behaviour alongside attitudes and perceptions enables some progress in developing a conceptual model of make or buy in the sales function. The research instrument chosen was a semi-structured interview, following quintamensional design (Gallup, 1947), which includes specific questions about behaviour and context as well as open questions to elicit the respondent's perceptions in their own words of the role of cost, control, competences and flexibility in resourcing decisions. Probing was used to check the strength of feeling of respondents on particular topics. Follow-up questions, based on prior literature, were also

used to explore the role of particular indicators within theoretical constructs, such as the complexity of tracing outcomes to behaviour, which indicates “behavioural uncertainty” in transaction cost economics. To enhance the reliability and validity of the method and reduce bias in analysis, a team of specialist interviewers were used, working under the supervision of, and in collaboration with, the main researcher.

The difficulties of accessing robust sample populations for sales research has been noted by previous researchers (Carter et al, 2008) and therefore a qualitative method is suitable because it can provide insight into alternative viewpoints of sales managers about outsourcing with a purposeful sample of 29, and it takes up relatively little of the respondent’s time. 29 interviews for 45-65 minutes generated a considerable body of data, which was analysed using Nvivo software. Semi-structured interviews are believed to be the best way to access the norms and values of respondents, who can express themselves through their own words (Knox and Burkard, 2009). “We interview when we want to know something about what another person has to say about his or her experience of a defining event, person, idea or thing” Nunkoosing, 2005, p 698.

Qualitative research seems particularly appropriate when the researcher needs to access high level decision makers, also known as organisational elites. It is extremely difficult to achieve reasonable sample sizes for quantitative research when the number of qualified respondents is small. However, the challenge of conducting interviews with corporate elites has received little attention (Welch et al, 2002). An elite interviewee can be described as “an informant (usually male) who occupies a senior or middle management position; has functional responsibility in an area which enjoys high status in accordance with corporate values; has considerable industry experience and frequently also long tenure with the company; possesses a broad network of personal relationships and has considerable international exposure” (Welch et al, 2002, p 613). Organisational elites are extremely busy people (Delaney, 2007). These descriptions fitted all of the respondents in this study.

Stephens (2007) described telephone interviews with elite and ultra-elite respondents as a valid and useful methodological tool, particularly relevant for geographically dispersed samples. As has been mentioned, telephone interviews are likely to maximise convenience for busy organisational elites such as sales managers. Telephone interviewing has been neglected in many texts about qualitative research, or treated as less attractive than face to face interviews (Novick, 2008). However, there are studies that report that telephone interviewing results in comparable quality of data and it has some specific contextual advantages (Fenig et al, 1993; Wilson et al, 1998; Sturges and Hanrahan, 2004; Musselwhite et al, 2007; Stephens, 2007).

Reliability and validity

The reliability of a study’s results depends on whether they would be replicated in a retest (Cresswell, 2003). This is a particularly challenge for qualitative studies, but efforts have been made to ensure transparency that would enable another researcher to replicate the method. It was considered desirable to use third party interviewers alongside the lead researcher to minimise the degree to which the researcher’s experience and knowledge could influence data collection and interpretation. As recommended by Sin (2010) the researcher recognises their own preconceptions and “takes deliberate measures systematically to minimise their influence on the research process” (p310). Data was recorded comprehensively and software was used to assist analysis.

The process of the research included feedback loops with respondents to ensure that their views had been captured correctly. To ensure validity, open questions were used for “why” issues and probes and closed questions to establish context. Any study must take care to search for disconfirming evidence (Frankel and Devers, 2000), and it is the search of disconfirming evidence that identified three cases where key account management was or had been outsourced.

This paper examines the exceptional responses within this study. Lincoln and Guba (1985) recommend a number of procedures to enable qualitative studies to contribute to the understanding of cause and effect concerning a research topic, one of which is triangulation. Although limited, a case study in the public domain provided another example of the outsourcing of key account management which served as a useful comparison.

Researchers need to take care in claiming to what degree their findings can be applied to contexts other than the study situation, and this is particularly true of qualitative studies. Although in qualitative studies meaning is assumed to be bound to the scope of each particular study, aspects of research produced in one context may be transferable or be meaningful in other contexts (Baxter and Eyles, 1997). Once the contexts of these exceptional cases are considered, they might indeed suggest that as exceptions, they explain the more commonly observed cases. Clearly, these are not generalisable results. This is a subset of an exploratory study which is intended to provide a framework for further study on this topic.

FINDINGS

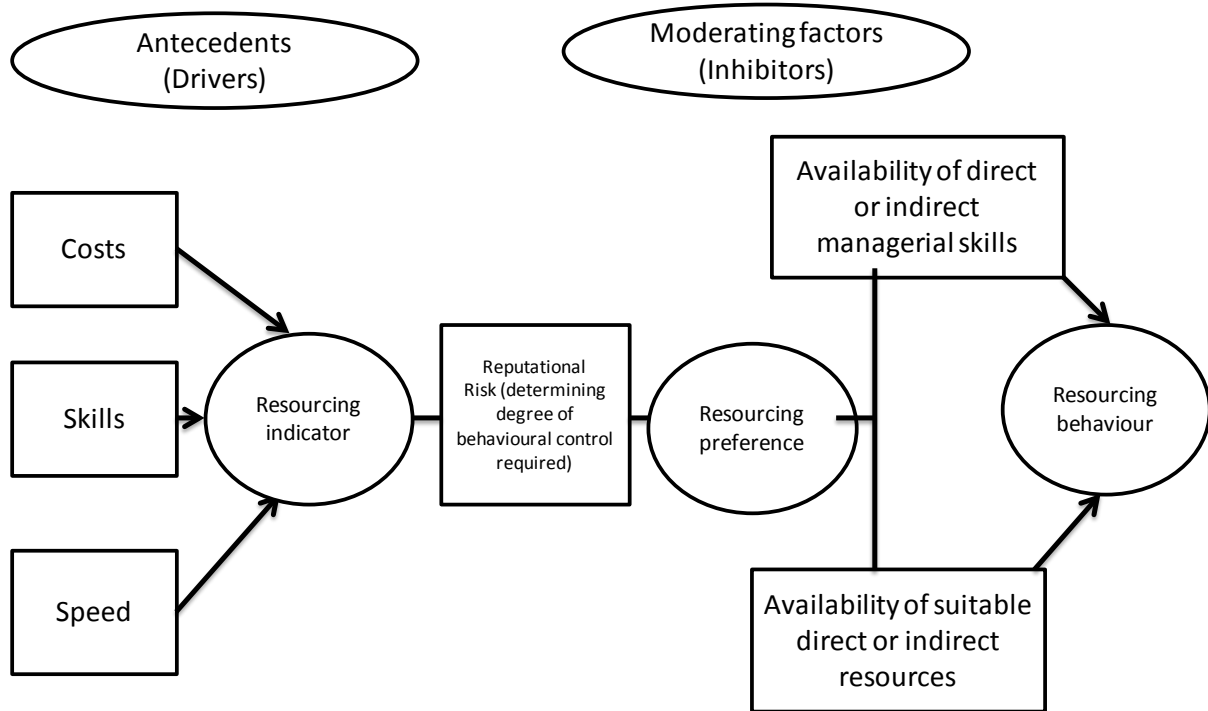
Overall, the research supported all the predictive assumptions of TCE and RBV in that it was predominantly transactional selling that was perceived by respondents to be suitable for outsourcing. In companies with a wide portfolio of products, territories and customers, there will be some products, customer segments and territories where presence is desirable, but using joint ventures, agents, channels or contractors is pragmatic. Also, there are some parts of the sales process that are commonly outsourced. Lead generation and qualification were mentioned by a majority of respondents, but some were increasingly interested in third party sources of sales administration and support. This meant that the predictive assumptions of TCE and RBV that key account management would be insourced were supported by most of the interview data. In particular, the long-term approach and strategic nature of key accounts coupled with the high levels of skills and development invested in key account managers were quoted as reasons to employ them.

A model was developed and is being discussed with respondents. At the time of writing, three respondents have endorsed the model and two have suggested including changes in the business environment as the prompt for reviews of costs, skills and flexibility. Work is continuing on the definition of the constructs.

The model shows how a cost review, identification of a skills gap or a desire for greater flexibility will prompt a sales manager to consider accessing additional or alternative resources. Concern for reputational risk will determine the degree of desirable control over those resources, which is often where the preference for insourcing is rooted. However, whichever resourcing option is preferred, implementation of outsourcing will depend on

whether the sales manager feels that there are skills available to him to manage the resource (say, a channel manager for outsourcing, or an accomplished coach for insourcing) and whether or not there are suitable suppliers (if outsourcing) or recruits (if insourcing). Notably, it seems to be the lack of access to suitable recruits that has prompted the outsourcing of key account management, even where employment might have been the resourcing preference.

Resourcing decisions in the sales function



The advantage of this being a qualitative study was that it was possible to explore the examples of outsourcing that are exceptional. Using contract sources for key account managers was unusual, but done for very plausible reasons consistent with theoretical approaches.

Example 1 was a dominant player in a service industry sub-sector providing technical certification services to manufacturers. The company was growing through acquisition and had some challenges in turnover of sales staff. The sales manager was starting to use third parties, particularly to acquire language skills, but also because it was generally difficult to find the right level of sales skills. He perceived that the partners chosen were cheaper, although less skilled and more difficult to manage. Although personal relationships were important, and non-selling activities were part of the role, he perceived that contractors could be brought up to equivalent skills levels, and that they would be influenced by the value of working with the major brand in the sector.

He believed that he was gaining flexibility by using contractors, and mentioned that some contractors had been taken on as employees. In terms of the company's performance, he estimated that they were somewhat better than competitors on customer retention, improving

share of purse with key accounts and improving customer advocacy, so it would appear that customer relationships were not undermined by the use of contractors in key account roles.

This case is consistent with the findings of Kakabadse and Kakabadse (2002) and Ghodeswar and Vaidyanthan (2008) that skills can be acquired through outsourcing and Foss' (1998) argument for real options theory (flexibility) as a means to build capacity. The respondent had thought about reputational risk and concluded that his company's brand name will be attractive to third parties in building their own reputation, as observed by Mukherji and Ramachandran (2007).

Example 2 was established in 2001, and was a dominant player in a sub-sector of the financial services industry. With fluctuating demand, partly caused by public sector policy changes, the sales manager recognised the need for flexibility in the sales function. The sales function was contracted out, and the sales manager was very pleased with the skills that he was able to access through the third party, having had difficulty trying to recruit. He described the degree of success as "incredibly positive", although it was more expensive than employment. He felt strongly that the contractor had a strong pool of resources and was able to match his requirements closely.

Personal relationships were important, and non-selling skills were needed. The contract staff proved to be good brand ambassadors, so there was some concern about the possibility of incumbents being moved on to other contracts by the contracting firm which could have disrupted relationships with customers. The sales manager for the client firm reported that improving share of purse and customer advocacy was moderately better than competitors. In this case, the contractors were eventually taken on as full-time employees. This company was a start-up, albeit a well-funded national player in its niche, and the approach of starting a business with an outsourced sales force is not so unusual (Zoltners et al, 2006). Zoltners et al (2006) urge smaller companies to ensure they have systems and supervision to manage their outsourcing partner, and contracts which can be terminated quickly, so that the partner does not constrain their growth. In this case, the contract staff had been tested extensively and then employed, giving the employer the best of both worlds.

Here again, the example is consistent with both RBV and real options theory where the possibility of building capability and capacity through outsourcing is acknowledged. In this case it is noticeable that the sales manager found the contract option to be more expensive than employment.

Example 3 was a medium-sized company in the fairly stable healthcare market. The main reason given for using contractors to manage key accounts was to fill skills gaps and achieve flexibility. Contract staff were regarded as more expensive, although the cost base was more flexible, and they were also perceived to be more difficult to manage. The sales manager pointed out that recruiting was hard work and took up a lot of time. He did feel that employed staff had a greater sense of belonging, and were generally more skilled, but he had noted that in his sector, due to recent redundancies by large companies, some highly skilled people were choosing to work for contractors because they could offer some prospect of redeployment from project to project.

It was important to provide value for customers, but he noted that it was becoming more difficult to link the strength of a relationship with a customer with product preference; customers required much more information. The advantage of contractors is that they were

prepared to change quickly. Customer retention and improving share of purse was moderately better than competitors, and improving customer advocacy was better still. These performance factors are interesting given that the sales manager felt that the value of personal relationships was declining and the focus on the customer was on knowledge. This presumably created an environment in which knowledgeable contractors could do as well as knowledgeable employees.

Although not so obviously using contractors to underpin growth, this sales manager is still focused on skills and flexibility. He emphasises, despite perceptions that his market is stable, the need for contractors because of their positive attitude to change, and he draws attention to the increasing availability of highly skilled individuals working for contractors, consistent with the observations of Ross et al (2005).

The similarities between these three cases are striking. Although it could be argued that these examples sound more like key account selling than key account management because of the size and development phase of the case companies, they are still examples of resourcing innovation in the management of important customers. Two of these companies did have a growth imperative, and contract staff enabled them to move forward. Each had specific angles to consider. Example 2 did not have much history, so the contractors were effectively developing key accounts, and if successful, they were recruited. Example 1 was filling a specific skills gap in a time of rapid growth and minimising reputational risk through leveraging its own brand with the contractors, again with the possibility on “on-boarding” at some stage. Example 3, perceiving less relationship-dependent business and more knowledge-dependent business, was primarily concerned with access to skills to fill gaps while avoiding the hassle of recruitment. Generally, these sales managers knew that they might be paying more and that they had less control, but these problems were off-set by the value of accessing skills in a flexible way. Both example 2 and example 3 mentioned that European employment law complicated control issues. Although clients generally build key performance indicators into contracts, the contract sales organisation must manage its people in its own way.

CONCLUSIONS AND IMPLICATIONS

This paper explores three examples of outsourcing key account management observed in a wider study of sales resourcing which set out to explore the antecedent, contexts and nuances of sales outsourcing. With companies beginning to outsource strategic procurement, the possibility of outsourcing the management of strategic customers should be explored by researchers. The examples found in the research described here all involve smaller companies that may not have the pulling power in the recruitment market of more prestigious brands, but may be able to access account managers who, for a variety of reasons, are working for third party organisations. These arrangements appear to have been relatively short-term, with some of the contractors becoming permanent employees in due course. They may wish to reduce the risks associated with permanent recruitment in a volatile economic climate. All are examples of acquiring capabilities, and sometimes capacity, through third parties. This is consistent with the Resource-based View that competences can be acquired from third parties and subsequently integrated into the organisation. The requirement for flexibility in uncertain times or the need for rapid change in response to market requirements can also be observed, consistent with real options theory.

The main point of these examples is to demonstrate to companies that may have difficulties acquiring high level key account management skills that there are choices. Some third party organisations work on the basis of relatively long-term agreements, such as agents and resellers for products or markets, which might be an inflexible as employment (Zoltners et al, 2006). Contract sales organisations or agencies for staff offer a variety of short-term and long-term agreements. The possibility of locating individuals able to develop long-term relationships with customers seems to be reasonable. These examples also demonstrate that while current theoretical models may predict a “norm” for sales resourcing, the resource-based view in particular could also predict unusual outcomes.

Future Research

From where things stand today, it might be assumed that these minority cases will remain exceptions that prove the rule. What is the future of supplier-customer relationships in supply chains, if a trend emerged for companies to outsource relationship with strategic suppliers and strategic customers? The logical conclusion to customers outsourcing supplier relationship management and suppliers outsourcing key account management would be a supply chain in which consultants negotiate with consultants. Although supply chains are already more like supply networks, there is a risk that indirect negotiation of value could dilute inter-organisational trust, leading to the stifling of innovation and supply chain integration.

The role of researchers in this field is to examine cases of outsourcing business relationships, and preferably over an extended period of time. Of particular interest would be any example of brand owners in dyads where both strategic sourcing and key account management are outsourced. Since the instances are limited, only case study research seems feasible.

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