Global Customers Seek Global Firms

Q&A with Noel Capon

Noel Capon talks about how firms can retain and grow their most valued customers by shifting from country-based account management to global account management.

THE WORK OF A GLOBAL ACCOUNT MANAGER IS NOT JUST A SALES JOB. IT'S A LONG-TERM, STRATEGIC, BUSINESS-MANAGEMENT JOB.

—Noel Capon

Q. Why is global account management so critical now?

A. Big companies that operate around the world have realized that a country-by-country approach may not be the most effective or efficient way to manage their procurement. Increasingly, they are developing global procurement organizations and mandating that goods be purchased through that channel; often, they'll use separate structures for local procurement.

Many organizations are outsourcing more and more of their activities. Effectively, they place operations into two categories: what they buy through procurement versus what they continue to do internally. The balance is shifting toward procurement as organizations outsource operations, such as data centers and travel arrangements. This makes procurement more important—saving a few percent on procurement has a major impact on the bottom line.

It's quite a large shift. Imagine if 15 or 20 years ago the boss said to a manager, "Your next position is going to be in purchasing." That was often the kiss of death in terms of career advancement. If today the boss says to a manager, "You're going to procurement"—which is purchasing rebranded—you're a high flyer.

Q. What did customer management look like before global account management?

A. Most multinational firms developed by sending someone abroad to manage their activities in a single country—a country manager who was responsible for revenues and profits in that country. The marketing and sales organizations would typically do their best for customers operating in that country. The customer—the buying company—might get different product variations, because, for example, Argentineans wanted one feature, while the Australians wanted a different feature. For both buyers and sellers, these were multinational operations, not global operations.

Today, on the procurement side, companies are recognizing that it doesn't make sense for them to do all of their buying country by country, for two reasons: First, the price they pay for a given item might vary dramatically by geography. Their supplier might charge more in Argentina than it charges in Australia, or vice versa. Second, there is a lot of product variety. IBM might produce one set of computers for customers in Argentina and a slightly different version of the same computers for customers in Australia.

Buying companies increasingly want to know why they can't get one price schedule across the world. They also believe that standardizing the different varieties they are buying in different countries should help reduce prices. But when they take this question to the selling company, their supplier, there is no one to talk to—the selling is organized by geography.

In short, multinational firms assign country managers to handle many customers in a single country; global firms assign global account managers to handle a single customer's needs all over the world.

Q. So, you make a distinction between multinational and global operations.

A. Globalization means two different things. There have been multinational companies for decades, companies that realized there were opportunities in foreign markets. Both European and U.S. firms have done a great job of moving out of their domestic markets into many countries in the Americas, Europe and Asia, for example. Now Asian firms are doing the same.

We tend to talk about that as going global, but it's more likely that such firms are operating with a multinational—that is, country-by-country—perspective. A global company makes its decisions—and in particular, its procurement decisions—around the world as a whole, rather than country by country.

Q. What risks are involved in developing a global account management program?

A. The strongest internal barriers are found in multinational firms, typically divided into four or five geographic regions, and where individual country managers are measured and rewarded on how well they do in their countries.

What happens when a key customer wants to buy globally? Suppose IBM is selling products and services to Citibank, and Citibank has operations in Argentina. IBM has a global account manager to manage IBM's Citibank business all over the world, and Citibank says that its Argentinean operation is very important. The IBM country manager in Argentina has Citibank as one of his customers, but he also has local South American customers. Perhaps Citibank is not a big deal for him—his local customers are more important to him—and he might not want to put a lot of effort into Citibank, because he's got scarce resources and he's measured and paid on how well he does in Argentina.

That's the core dilemma. If a firm's organizational structure and reward systems are set up for multinational business, global account management has to cut across that.

Q. How can a business make the transition to global account management less challenging?

A. Firms can reorganize to modify the role of countries and country managers and put more emphasis behind the global account manager. The other way is to continue with the multinational organizational structure but work at the margin to make the organization operate more globally. Taking the previous example, if the CEO is constantly saying that big global customers are critical to the company, he has to tell that country manager for Argentina, "I know we pay you on what you do overall in Argentina, but I really want you, no matter what, to make these global customers a key priority. We will make sure you're rewarded for how well we do with those customers."

It takes a lot of resources. All managers want resources, so if you are putting resources into global account management, you're asking, "Is this the right place, or should I be putting resources into R&D or another area?"

Firms also have to constrain the behavior of geographic-area managers and country managers. The global account manager has to figure out how to make that country manager in Argentina put more effort towards the global customer than he or she may want to because of commitments to local customers. Maximizing performance in Argentina is not the same as maximizing performance at Citibank around the world. It takes a lot of leadership from the top to say, "Our global customers are really important, and we are going to support them wherever they want to do business with us."

A firm should not launch a large global account management program from scratch. If it starts off with 50 customers at the same time, the program will fail. I advise doing it slowly: say, a half dozen customers first. Figure it out, get it right and then add new customers incrementally. It's important to understand that it takes a long time for a company to create a system that really works.

Q. The global account management approach is still taking hold. As that happens, what can local markets take from it?

A. A lot of companies have adopted the key/strategic account management approach, which recognizes the 80/20 rule—80 percent of a firm's business comes from 20 percent of its customers. The firm has got to be somewhat more concerned about that 20 percent than with the average customer. In a sense, the global account management approach ratchets that up a notch.

Q. Does that mean that strategic account management is good preparation for global account management?

A. Yes, but you have to be careful. A very good domestic account manager may not be a good global account manager. Several years ago a Fortune 50 firm had a good domestic strategic account management process and realized it had to go global. The firm made its national account managers global account managers. But some of them had never had passports!

It can be difficult to find good global account managers. It's a very difficult job to manage one customer around the world in different time zones and in different cultures—it's much more complex than managing a customer in a single country or even a single region. Until a year or so ago, there was no educational opportunity to develop global account managers. That's why Executive Education here at Columbia Business School worked with the University of St. Gallen in Switzerland to create a world-class four-week Global Account Manager Certificate Program to fill that void.

Managing a global customer is like running a business; your customer is a core asset and requires a lot of investment. Our IBM global account manager for Citibank is managing a business whose revenues could total several hundred million dollars a year. That's why it's critical to understand that the global account manager job is not just a sales job. It's a long-term, strategic, business-management job.

Read More

Capon, Noel, Dave Potter and Fred Schindler. *Managing Global Accounts: Nine Critical Factors for a World-Class Program.* 2nd ed. Bronxville, NY: Wessex, 2008.

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