

# Global Account Management

---



John F. Tallitsch  
Managing Director

# Why Do Companies Expand Beyond National to Global Account Management?

- **Because multinational customers seek strategic partners who:**
  - understand specific international business needs; and
  - are able to deploy solutions on a global basis.



# Benefits of Successful Global Account Management.

- Speaking to customer with one voice, avoiding internal conflict.
- Increased ability to gain revenue through customers' international expansion.
- Efficiency gains and reduced costs – scope and scale economies.
- Leveraging customer knowledge.
- Learnings – e.g., sharing best practices.
- Good service leading to reputational benefits – that can be transferred to new strategic regions or industries.
- Links across regions that institutionalize customer relationships.
- Raising customer switching costs – e.g., supply chain elevates interdependencies and competitive distinction.

# Risks and Costs of Global Account Management.

- **Lowest national price, terms and/or conditions become the global standard.**
- **Pricing inconsistent with local service requirements – e.g., lower price than historical and higher service commitment.**
- **Loss of internal support and conflict with geographic managers – from diminished roles of geographic managers.**
- **Restructuring the organization to accommodate global customers – incurring additional fixed costs.**
- **Implementing controls and communication channels between all levels of management and across geographies.**
- **Hiring appropriate managers and resources with skills and knowledge to work in foreign environments.**

# Similarities Across Successful Global Account Management Frameworks.

- **Cross-country reach – not necessarily to all countries, but:**
  - to most important ones;
  - for most important customers; and
  - for most important activities.
- **Goal – coordinated, consistent worldwide service.**
- **A global account management structure.**
  - One point of contact.
    - Through assigned Global Account Manager (GAM).
    - Resident near customer's headquarters.
  - Focused account team.
  - Coordinated cross-country sales/service resources.
- **Solutions-oriented, value-added or interdependency-oriented customer/supplier relationship.**
- **Account information systems track account details and activity country-by-country.**

# Dimensions of GAM Compensation.

## ■ GAM responsibilities:

- worldwide customer sales, support and satisfaction;
- assurance company is:
  - perceived as one company at all customer locations; and
  - organized and staffed to service opportunities in global account.
- leading dispersed resources assigned to support account.



# Dimensions of GAM Compensation.

## ■ Performance metrics:

- worldwide performance of global account (revenue, costs, profitability);
- revenue and profit management span:
  - account quota by country; and
  - country quota by product/service.
- cost management:
  - encompass full costs – e.g., staffing, cost-to-serve, discount expenses; and
  - compiled and held separately country-by-country.
- may include metrics pertaining to company's overall global account program – to ensure:
  - transfer of learnings associated with working with customers; and
  - efficiency gains and reduced costs are realized.

## Two GAM Compensation Profiles.

	Consumer Products Company		Medical Instruments Company	
<b>Critical Sales Success Factors</b>	Product innovation and supply chain execution		Engineering and manufacturing capabilities, outsourcing	
<b>Sales Objective</b>	Use new products to renew sales in "tired" products		Grow sales significantly through high-value systems sales	
<b>Team Performance Goals</b>				
<i>Excellent</i>	102% of Quota		130% of Quota	
<i>Outstanding</i>	106% of Quota		140% of Quota	
<b>Target Performance</b>				
<i>Total Pay</i>	\$140,000	<u>Salary/Incentive Mix</u>	\$140,000	<u>Salary/Incentive Mix</u>
<i>Incentive</i>	\$20,000	86/14	\$60,000	57/43
<i>Base Salary</i>	\$120,000		\$80,000	
<b>Excellent Performance</b>				
<i>Total Pay</i>	\$165,000		\$215,000	
<i>Incentive</i>	\$45,000	73/27	\$135,000	37/63
<b>Outstanding Performance</b>				
<i>Total Pay</i>	\$190,000		\$290,000	
<i>Incentive</i>	\$70,000	63/37	\$210,000	28/72

# Two GAM Compensation Profiles.

	Consumer Products Company	Medical Instruments Company
<b>Critical Sales Success Factors</b>	Product innovation and supply chain execution	Engineering and manufacturing capabilities, outsourcing
<b>Sales Objective</b>	Use new products to renew sales in "tired" products	Grow sales significantly through high-value systems sales
<b>Team Performance Goals</b>		
<i>Excellent</i>	102% of Quota	130% of Quota
<i>Outstanding</i>	106% of Quota	140% of Quota
<b>Portion of Overall Incentive Opportunity</b>	<ul style="list-style-type: none"> <li>- Overall Account Performance               <ul style="list-style-type: none"> <li>- 75% at Quota declining to 68% at Outstanding</li> </ul> </li> <li>- Product Category Performance               <ul style="list-style-type: none"> <li>▪ 25% at Quota and Excellent</li> <li>▪ 32% at Outstanding</li> </ul> </li> <li>- Pay/Performance Accelerator               <ul style="list-style-type: none"> <li>▪ Above quota opportunity for product category rises somewhat faster than team award</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Overall Account Performance               <ul style="list-style-type: none"> <li>- 45% at Quota declining to 15% at Outstanding</li> </ul> </li> <li>- Product Performance               <ul style="list-style-type: none"> <li>▪ 55% at Quota</li> <li>▪ 77% at Excellent</li> <li>▪ 85% at Outstanding</li> </ul> </li> <li>- Pay/Performance Accelerator               <ul style="list-style-type: none"> <li>▪ Above-quota opportunity for product category rises faster than team award</li> <li>▪ Out-perform bonus picks up the pace of product incentive escalation</li> </ul> </li> </ul>

# GAM Compensation Success Factors.

- **Performance and activity tracking/reporting:**
  - reinforces geographic and account responsibilities of assigned resources;
  - facilitates balance of geographic, product and customer sales strategies; and
  - enables GAM decisions independent of geography.
  
- **Pay strategy and incentive systems encourage cooperation across country, national and global account managers.**
  - GAMs linked to worldwide account performance.
  - Country-resident sales resources connected to both:
    - country-specific global account results; and
    - worldwide account performance.
  
- **Compensation linked to the profitability of the overall account relationship – compelling a focus on long-term relationship profitability rather than transactions.**

# A Clear Performance-crediting Policy Facilitates Quota Setting and Ensures Proper Payment.

	Description	Advantages & Disadvantages	Impact on Quota Allocation
<b>Single Credit</b>	<ul style="list-style-type: none"> <li>■ Credit only one resource for sale.</li> </ul>	<ul style="list-style-type: none"> <li>■ Simple.</li> <li>■ Easy to administer.</li> <li>■ Doesn't work in team environment.</li> </ul>	<ul style="list-style-type: none"> <li>■ Quota setting is business as usual.</li> </ul>
<b>Split Credit</b>	<ul style="list-style-type: none"> <li>■ Each resource involved in sale receives partial recognition.</li> <li>■ Role in sale, resources involved and policy determine split.</li> <li>■ Percentage credit totals 100%.</li> </ul>	<ul style="list-style-type: none"> <li>■ Provides recognition/reward – based on contribution.</li> <li>■ Encourages teaming.</li> <li>■ Crediting disputes can arise.</li> <li>■ Pressures quota allocation accuracy.</li> </ul>	<ul style="list-style-type: none"> <li>■ Split credits must be included in GAM and team quotas.</li> </ul>

# A Clear Performance-crediting Policy Facilitates Quota Setting and Ensures Proper Payment.

	Description	Advantages & Disadvantages	Impact on Quota Allocation
<b>Double or Multiple Credit</b>	<ul style="list-style-type: none"> <li>■ Credit multiple resources involved in sale.</li> <li>■ Role in sale, resources and policy determines credit.</li> <li>■ Total credit 100% – ≥200%.</li> </ul>	<ul style="list-style-type: none"> <li>■ Can increase cost of sales.</li> <li>■ Pressures quota allocation accuracy.</li> <li>■ Masks performance against business plan.</li> <li>■ Quota &gt; business plan can be confusing.</li> </ul>	<ul style="list-style-type: none"> <li>■ Sum of quotas greater than business plan.</li> </ul>
<b>Full Recognition</b>	<ul style="list-style-type: none"> <li>■ Each account, geographic and country resource receives full credit.</li> <li>■ Total credit ≥100%</li> </ul>	<ul style="list-style-type: none"> <li>■ Optimizes cooperation.</li> <li>■ Increases cost of sales if not rigorously modeled and calibrated incentive.</li> <li>■ Works best in higher volume and attractive margin situations and where efficiencies can be captured in cost-to-serve.</li> </ul>	<ul style="list-style-type: none"> <li>■ Quota setting is business as usual.</li> </ul>