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Demand for and Use of Global Account Management

David B. Montgomery

George S. Yip

Belen Villalonga

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Cambridge, Massachusetts

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Increasingly, multinational companies are serving customers by coordinating worldwide activities centrally via one person or team in the supplying company. Most commonly called global account management, this approach constitutes a response to the globalization of supplier-customer relationships, and can be viewed as a new frontier in relationship marketing.

In this study, authors Montgomery, Yip, and Villalonga examine the extent to which multinational customers demand global account management and multinational suppliers use it, and the effects of global account management on supplier performance. A study of 191 senior executives' views provides evidence of several trends:

- ❑ Customers' demands for global account management have accelerated in the past five years, and companies expect to strengthen their use of global account management programs in the next five years.
- ❑ Suppliers' adoption of global account management tends to lag customer demand.
- ❑ Uniform prices are *not* the key demand of global account management program customers.
- ❑ The use of global account managers and staff is the most common characteristic of global account management programs today.
- ❑ U.S. companies seem to be responding more frequently (or at least more rapidly) than non-U.S. companies to customers' demands for global account management.
- ❑ The greater the extent to which a supplier's global account management program responds to customers' demands for it, the more favorable the effect on supplier performance.

Implications for Managers

Demand for global account management is already significant and will continue to grow. While most large multinational companies make use of some aspect of global account management, most suppliers seem to lag in their response to customers' demands, and to only partially implement a global account management program.

Thus, those who can implement global account management more effectively should be able to build significant advantages over their competitors.

Suppliers may be reassured by evidence that uniform lower prices are not the key demand of customers of global account management programs. The appointment of global account managers and staff, however, is essential to implementing a global account management program. Finally, the positive effects of global account management on supplier performance imply that, despite the costs involved, global account management programs are sound investments.

David B. Montgomery is S.S. Kresge Professor of Marketing Strategy Emeritus, Graduate School of Business, Stanford University. George S. Yip is Beckwith Professor of Management Studies, Judge Institute of Management Studies, University of Cambridge. Belen Villalonga is a Ph.D. student, Anderson Graduate School of Management, University of California, Los Angeles.

Contents

Introduction	3
Conceptual Models of Global Account Management	5
Globalized Customers.....	6
Customers' Demand for Global Account Management	7
Response to Demand for Global Account Management.....	8
Extent of Global Account Management Use	9
Performance Effect	10
Methodology	13
Questionnaire Design.....	13
Sample.....	13
Pooling	14
Models	16
Specification and Estimation Method.....	18
Variables and Measurements.....	19
t-Tests.....	20
Results and Discussion	23
Model Goodness of Fit.....	23
Structural Relationships.....	23
Demand for Uniform Prices	24
Use of Global Account Managers and Staff	25
Changes over Time in Global Account Management Demand and Use	25
Summary of Results.....	28
Conclusion	29
Limitations and Contributions of the Study.....	30
Implications for Managers.....	30
Future Research	30
Notes.....	31
References.....	33
Tables	
Table 1. Results of ANOVA and t-Tests of Differences in Variable Means across Subsamples.....	15

Table 2. Means, Standard Deviations, Correlations, and Covariances for Models 1 and 2	18
Table 3. Parameter Estimates Relevant to the Hypotheses	23
Table 4. Means, Standard Deviations, and t-Statistics for Differences over Time.....	26
Table 5. t-Tests of Differences in Demand across Groups of GAM Users and Nonusers, Differences in Demand over Time within Each Group, and Differences Between Current Demand for GAM Nonusers and Demand Five Years ago for GAM Users.....	27
Table 6. Summary of Hypotheses and Results	28

Figures

Figure 1. Model of Global Account Management	6
Figure 2. Models 1 and 2 with Standardized Factor Loading and Path Coefficients	17

Introduction

Multinational companies increasingly use a variety of management techniques for coordinating their activities with multinational customers. Examples include AT&T, Bank of America, Citibank, IBM, Hewlett-Packard, Xerox, major accounting firms, advertising agencies, and consulting organizations. Different companies use different terms to refer to this coordination activity, such as “parent account management,” “international account management,” or “worldwide account management,” but the most common denomination for it seems to be *global account management*. (A Nexis search for press releases on this topic for 1996 and 1997 yielded 139 stories under the keyword “global account management,” 67 under “international account management,” 19 under “worldwide account management,” and 9 under “multinational account management.”) But despite its increasing importance, almost no research has been done about global account management (GAM), the major exceptions being Nahapiet (1994) and Yip and Madsen (1996).

Companies around the world have long used national account management to handle their most important accounts. Such national account management approaches include having one executive or team take overall responsibility for all aspects of a customer’s business, whether directly or by coordinating the activities of others (Shapiro and Moriarty 1980; Shapiro 1989). National account management approaches have also been used interchangeably with relationship marketing and management (Jackson 1985; McDonald, Millman, and Rogers 1997). The global account management concept extends national account management across countries, not necessarily to *all* countries in which a company operates, but to the most important ones for the most important customers, and for the most important activities. It constitutes a response to the globalization of supplier-customer relationships, and can be viewed as a new frontier in relationship marketing (Morgan and Hunt 1994; Yip and Madsen 1996).

We define *global account management* as an organizational form and process in multinational companies by which the worldwide activities serving a given multinational customer are coordinated centrally by one person or team within the supplying company. There are three major reasons why this organizational form is gaining importance among companies. First, the *globalization of markets* is one of the most salient trends of the worldwide economy (Levitt 1983; Porter 1986). Evidence increasingly shows that the use of global strategy in response to this trend improves performance (e.g., Johansson and Yip 1994), and global account management magnifies a company’s ability to use most elements of global strategy (Yip and Madsen 1996). Also, in response to globalization forces, multinational companies increasingly use globally uniform marketing strategies, such as global branding and global advertising (Jain 1989; Samiee and Roth 1992; Szymanski, Bharadwaj, and Varadarajan 1993; Yip 1997). Global account management can be viewed as one type of globally uniform marketing. Second, *customer focus* is increasingly recognized as a key element of most successful business strategies, both at the national and international levels (Montgomery and Webster 1997). Customers are the most

direct source of growth and wealth creation for a firm, whereas brands and other valuable resources can be seen as mere instruments with which to build customer equity (Blattberg and Deighton 1996). The combination of these globalization and customer focus trends results in an increasing number of multinational customers with escalating needs for global account management. For instance, many of these customers are seeking suppliers who can treat them as a single entity, i.e., a *global customer*, and provide a consistent service across countries. Such treatment requires shifting the key dimension of organizational structure from geographic markets to customers, i.e., moving towards global account management. Third, when competitors use this organizational form, the threat of losing customers who seek more globally homogeneous treatment provides a strong incentive for a firm to begin doing so itself, i.e., a need for *competitive preemption and response*.

This study seeks to determine the extent to which multinational customers demand global account management and multinational suppliers use it, and the consequences in terms of supplier performance. We develop a theoretical framework related to the one proposed by Yip and Madsen (1996), and analyze two different models based on our framework. The first model concerns the decision to use global account management, which we hypothesize to be dependent on the degree to which a firm's customers are globalized, and on customers' demand for a GAM program or specific features of it. The second model relates these same factors to the extent to which GAM is implemented within firms, and the effect that such implementation has on firm performance. We also develop and test several other hypotheses concerning demand for and use of GAM, including changes over time.

Conceptual Models of Global Account Management

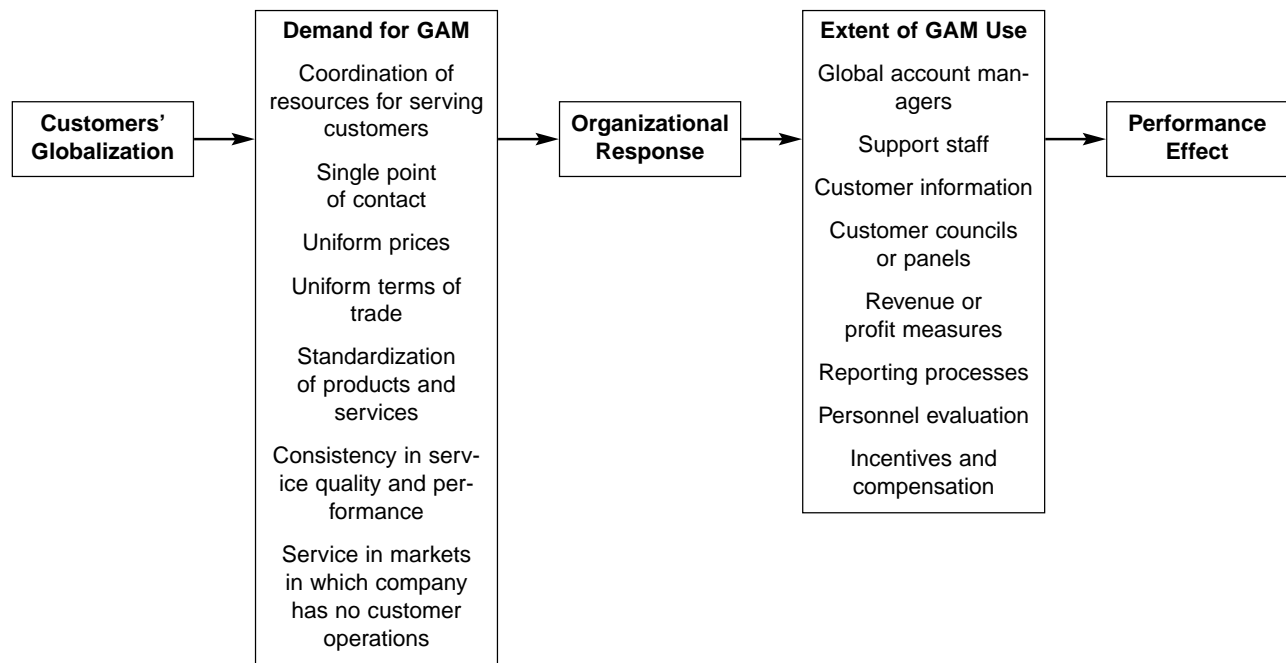
The framework for this study is a variation of the one proposed by Yip and Madsen (1996), which is in turn an adaptation of Yip's (1992) more general globalization framework. Yip and Madsen (1996) focus on the specific global strategy of global account management. They propose that key industry drivers affect the opportunity to use global account management. These drivers include: global (or regional) customers, global distribution channels, transferable marketing, lead countries in innovations, global economies of scale, high product development costs, fast-changing technology, and global competitors. They also propose that key organization and management factors determine a company's ability to develop a global strategy, and explain how each of these factors are affected by the implementation of a GAM program. Yip and Madsen (1996) also describe how GAM magnifies a company's ability to use most elements of global strategy. Finally, they also point to the potential benefits and costs that a GAM program can have.

Yip and Madsen's (1996) work is mainly qualitative and descriptive, including a variety of examples and a more detailed case study. In contrast, our major interest in this paper is in quantifying the different aspects involved in global account management. We also wish to test, across a wide sample of firms and industries, the key relationships suggested by Yip and Madsen on the basis of their observation of a few companies. The essence of their framework is that the use and performance effect of GAM are contingent upon a number of industry- and firm-specific factors. For the purpose of this paper, the framework can be simplified to yield a smaller set of constructs and testable relationships among them. In particular, we examine only one of the industry globalization drivers described: globalized customers, since they are by far the strongest driver for the use of GAM. We focus on two aspects of global customers: their degree of globalization, and the requests they place on suppliers for global account management or features of it. Given customers' demands, we wish to examine two aspects of supplier response. First, do companies respond at all to these requests? Second, in those cases in which companies do respond, to what extent do they do so? We focus on implementation of GAM programs as an organizational response to global customers, i.e., on the changes that a GAM program entails for the organization's structure, management processes, human resource practices, and culture. We do not, however, examine global strategy response as a separate issue, only GAM as one aspect of global strategy. Finally, given that there are both benefits and costs potentially associated with GAM, we are interested in discovering what the net effects are for the companies that actually use it. These issues are summarized in Figure 1, and explained in more detail below.

Some comment is in order regarding the test of a scaled-down model of GAM. Limited respondent time in both the mail and the executive program samples pre-

cludes a more detailed questionnaire. From our pretests and discussions with executives, it became clear that a longer questionnaire would be very likely to have deleterious consequences upon respondent willingness to provide the data. Thus we have chosen to examine the empirical validity of a sub-model whose results might help in recruiting a larger sample at a later date. Further, all methods for estimation and testing of structural equation models are based upon asymptotic theory, for which to be approximately valid the sample size must be sufficiently large. In order to obtain trustworthy parameter estimates, Bentler and Chou (1987) suggest that a rule of thumb for “sufficiently large” is a ratio of sample size to free parameters of at least 5:1. In the present study, the sample size to estimate the extent of use of GAM is 136 while the number of free parameters is 24, which yields a ratio of 5.7:1. In our judgment, more extensive model testing must await the generation of much larger samples. We believe that the results from the present study will be helpful in obtaining cooperation from a larger sample in the future.

Figure 1. Model of Global Account Management



Globalized Customers

Yip and Madsen (1996) suggest that global customers are the strongest driver of a company's need for global account management. These are multinational companies that buy from the firm in more than one country. Traditionally, most of these companies allowed their national subsidiaries extensive independence in their purchasing behavior, but the problems found with this approach (e.g., incompatibility of equipment and standards, and diseconomies in purchasing) have increasingly led them to buy on a more centralized or coordinated basis. Nahapiet (1994) also

notes that, as multinational companies themselves develop more globally integrated strategies, they expect the same from their suppliers. Accordingly, we narrow our focus to those global customers who have begun to coordinate their purchases across countries, i.e., *globalized* customers.

The power of this driver in spurring companies to adopt global account management was particularly notable among advertising agencies during the 1980s, when some of their major clients, such as Procter & Gamble and Unilever, began to embrace a globally integrated strategy, including the increasing use of globally standardized advertising (Peebles 1989). This trend has continued in the 1990s, the most dramatic example, perhaps, being IBM's decision in 1994 to replace over 40 different agencies that were serving IBM around the world and consolidate the company's entire \$400-500 million account at one top-ten global agency, Ogilvy & Mather Worldwide.

Customers' Demand for Global Account Management

As multinational customers seek to develop global supply relationships in support of their own global production and sourcing strategies, they become globalized customers and increasingly demand changes from their multinational suppliers. These changes include various aspects of global account management. The previous research on global account management (Nahapiet 1994; Millman 1996; Yip and Madsen 1996), and a series of interviews (described later) conducted for this study, allowed us to identify the following list of plausible globalized customers' requests for aspects of global account management:

- ❑ *Single Point of Contact.* Globalized customers need a single point of contact within each supplier. This contact then enables better negotiation and management of the relationship.
- ❑ *Coordination of Resources for Serving Customers.* Globalized customers also require better coordination of their suppliers' resources for serving them. Such needs for coordination include meshing of the supplier's global activity network with that of the customer. For example, "just-in-time" production is now practiced on a global basis, placing high demands on customer-supplier coordination.
- ❑ *Uniform Prices.* Globalized customers seek to avoid paying different prices in different countries unless there is cost justification (e.g., transportation, order size, special versions) rather than just market variations (i.e., prices are higher in some markets than others because of supply and demand or historical reasons). Essentially, globalized customers seek globally uniform prices and require an acceptable justification for any deviations.
- ❑ *Uniform Terms of Trade.* Globalized customers also seek uniformity in all terms of trade, and not just price. So they increasingly demand uniformity in such matters as volume discounts, transportation charges, overhead, special charges, etc.

- ❑ *Standardization of Products and Services.* Globalized customers increasingly seek to produce standardized products and services and in turn need standardized supplies. Also, companies with global strategies increasingly seek to develop globally integrated organizations and management processes. In turn, they expect standardized products and services in support of their organization and management processes, particularly in the case of productivity tools such as computing and communication products and services.
- ❑ *Consistency in Service Quality and Performance.* Globalized customers seek a high degree of standardization and consistency in their own global operations. Accordingly, they need their suppliers to provide corresponding consistency in service quality and performance. For example, a global airline needs consistency in its suppliers, whether of maintenance or catering services; and a global manufacturer needs consistent servicing of its machinery.
- ❑ *Service in Markets in Which Company Has No Customer Operations.* Globalized customers often operate in more geographies than do their suppliers. Typically, the more geographically spread multinational companies are more likely to demand global account management services. A particularly tough requirement for the supplier is to serve the customer in a geography where the supplier does not have operations. A truly responsive supplier would set up operations in the new geography or else face the threat of losing the entire global relationship by allowing a competitor to serve the customer in that geography.

From the above we derive our first hypothesis.

H₁: The more globalized customers are, the greater the extent to which they demand GAM.

In addition, most multinational customers are increasingly adopting global strategies (Johansson and Yip 1994; Conn and Yip 1997; as well as many references in the business press). Thus we expect demand for global account management to be greater than it was in the past.

H₂: Demand for GAM is greater now than in the past.

Anecdotally, many executives equate GAM primarily with uniform, low prices and see customers' requests for GAM as a request for lower worldwide prices. The executive interviews confirmed this managerial concern. But, as we have described above, there are many more reasons why a globalized customer may desire GAM. So we will test whether uniform prices will indeed be the strongest demand by globalized customers, as feared by many managers.

H₃: Uniform prices is the most demanded aspect of GAM.

Response to Demand for Global Account Management

Obviously, most suppliers will seek to respond to their customer's demands for global account management, although there is evidence that some suppliers resist

global account management because of their fear that its adoption will help the customer to demand lower worldwide prices. For example, Yip and Madsen (1996) cite Xerox as denying customers' requests for GAM if the request is motivated only by a desire to pay uniform prices worldwide. Nevertheless, most suppliers are likely to provide services demanded by their customers.

H₄: The greater the extent to which global customers demand GAM the greater the extent to which it is implemented within the supplier.

On the other hand, we know that companies find particular difficulties in implementing global programs, because of the many organizational changes required. So most multinational companies' global programs lag industry logic and customer demand.

H₅: Most suppliers will adopt GAM with a lagged response to globalized customers' demands.

At the same time, as customers' demands for GAM are increasing (Hypothesis 2), suppliers should gradually increase their use of GAM.

H₆: Most suppliers expect to make greater use of GAM in the future than they do today.

Extent of Global Account Management Use

Global account management is an extensive form of intervention in the organization, involving organization structure, management processes, people, and culture. Based on the previous literature and on the interview phase of this study, we identified eight key aspects of the extent of GAM use, in terms of the existence on a global basis of:

- ❑ *Global Account Managers.* Perhaps the single most important way to implement GAM is to designate a global account manager with dedicated responsibility for a global account. Typically managers are located in the customer's headquarters' country.
- ❑ *Support Staff.* A global account manager cannot operate alone but requires support staff. For example, Hewlett-Packard's GAM program provides for support staff at H-P's own headquarters while the global account manager is based near the customer's headquarters.
- ❑ *Revenue or Profit Measures.* Evaluating and compensating global account personnel depends on knowing the performance of global accounts, particularly revenues and profits, on a global rather than national or regional basis. The creation of such global performance measures is a difficult, yet very necessary, aspect of implementing GAM.
- ❑ *Reporting Processes.* More generally, a GAM program needs to have reporting processes on all aspects of a global account, not just on revenues and profits, but also on customer satisfaction, wins and losses, and use of global account services in different geographies.

- ❑ *Customer Information.* An effective GAM reporting process will result in extensive information about the customer globally, and provide a basis for improving performance for both the customer and the supplier. Furthermore, an effective GAM program provides for the central collation of previously dispersed or uncollected customer information.
- ❑ *Personnel Evaluation.* Managers directly involved in GAM programs, as designated global account managers or staff, need to be evaluated on a global rather than national or regional basis. In addition, managers indirectly involved, such as country managers and sales personnel, need to have a global customer component added to their primarily national or regional evaluation basis. Changing evaluation systems is known to be highly difficult.
- ❑ *Incentives and Compensation.* Changing the evaluation system has the objective of changing and rewarding behavior. Incentives and compensation provide some of the most powerful influences on managers' behavior, particularly in sales situations. Much previous research has shown how country managers have failed to change their behavior to support global strategies when their compensation continues to be set on a national basis. But changing the compensation system turns out to be one of the most difficult challenges for globalizing companies (Johansson and Yip 1994).
- ❑ *Customer Councils or Panels.* Lastly, a GAM program is very much a dyadic relationship, requiring extensive and continuing feedback from customers to suppliers and vice versa. Companies may implement customer panels or councils as part of their GAM program.

We believe that all of the above aspects of GAM are important but that suppliers will find it easier to implement the structural and people aspects than the various necessary management processes.

H₇: The use of global account managers and global account support staff will be greater than other aspects of GAM programs.

Performance Effect

The research on the performance consequences of global strategy has provided limited evidence, all in favor of, or at least neutral toward, global strategy. Roth and Morrison (1990) found no significant difference in profit performance among businesses facing (1) global integration pressures, (2) local responsiveness pressures, and (3) both pressures. A narrower study, by Kotabe and Omura (1989) found that the market share and profit performance of 71 European and Japanese firms serving the U.S. market was negatively related to the extent to which products were adapted for the U.S. market, i.e., businesses with globally standardized products performed better. More broadly, Johansson and Yip (1994) found a strong positive relationship between the use of global strategy and superior performance in terms of relative market share and relative profitability. Morrison (1990) found that in his sample of global industries, companies with a "global, combination" strategy had the best performance on measures of return on assets and those with an "international, product innovation" strategy had the best performance on return

on investment, while the companies with the worst fit—“domestic, product specialization” strategy—had the poorest performance. Nahapiet (1994) argues that the use of GAM should create value through coordination above and beyond the incremental costs. Accordingly, we propose that the use of GAM should have favorable effects on company performance in terms of customer satisfaction, retention, and gain, and company revenues and profits.

H₈: The greater the extent to which a supplier’s global account management program responds to customer’s demands for it, the more favorable the effect on supplier performance.

Methodology

To test our framework and hypotheses we developed a questionnaire that was completed by 191 senior international executives in 165 multinational companies, conducted t-tests, ran a regression analysis, and specified and tested two structural equations models. These models are used to test hypotheses 1, 4, and 8. Hypotheses 2, 3, 6, and 7 are tested through t-tests conducted directly on the raw data. Hypothesis 5 is tested using a linear regression model.

Questionnaire Design

We developed the questionnaire through an iterative series of interviews and pretests with seven senior international executives from the following companies: Andersen Consulting, AT&T, Hewlett-Packard, MasterCard, McKinsey, Price Waterhouse, and World Partners (an alliance between AT&T and overseas partners to provide global telecommunications services). We repeated this pretesting and subsequent modification process three times before mailing the final version. The questionnaire had three parts, covering: customers' demand, extent of use of GAM programs, and performance effects. Most of the items used a seven-point Likert-type scale. In addition, the initial section about the respondent included information about the degree of globalization of both the company and its customers. *Multinational customers* were explicitly defined within the questionnaire as those who buy from the company in more than one country *regardless* of whether they coordinate purchases across countries. *Coordinated multinational customers* were defined as those who buy from the company in more than one country *and* who coordinate purchases across countries.

Sample

The population for this study consists of multinational companies from all over the world. Our sample comes from four different sources: one mailed survey and three convenience samples from senior-level executive education programs conducted at Stanford and UCLA business schools, all during 1997. In all four samples, respondents were nearly all at the level of vice president or higher. The specific sources are the following:

1. *Mail Survey*: A survey was mailed to heads of international operations or CEOs in 800 U.S. companies that were included in the *1996 Directory of U.S. Firms Operating in Foreign Countries*. From the 1,500 companies that were originally included in this directory, we selected those that were present in at least three continents (including North America) and had more than one thousand employees. We received 57 useable responses, all, by prior selection, from companies with significant global operations.
2. *Stanford Senior Executive Program*: Participants in the program, who represented companies from all over the world, were asked to complete the sur-

vey. From the 119 responses that were received, we selected 68 useable responses from companies with significant global operations.

3. *Stanford Marketing Management Program*: 42 participants in a different program responded, of which 36 represented companies with significant global operations. Only these were analyzed in this study.
4. *UCLA Advanced Executive Program*: 35 participants responded with 30 useable responses from companies with significant global operations. Again, we only considered these companies for our study.

Among the 217 responses received and selected as representative of our population of interest (global companies), 191 respondents answered the questions about customers' demands *and* company *and* customer information. Since this is the minimum information required for our analyses, we dropped the other 26 responses even when we had some information about the company or its customers (i.e., one of the three sections mentioned). Thus, 131 responses gave some answers to the section on GAM use, indicating some use of GAM. We can, therefore, infer that at least 63 percent (131/217), and at most 69 percent (131/191), of our sample of qualifying companies with significant global operations make some use of GAM.

Within these 191 useable responses, however, one clear pattern of missing data emerged: 55 of them contained no answers to the sections about GAM use and performance effect. We can see no particular reason why executives who have been able and willing to respond to the former sections would be incapable or unwilling to respond to the latter. We, therefore, take this pattern as evidence of companies not using GAM at all.

The respondent multinational companies come from 33 different countries spread across all the regions of the world: North, South, and Central America; Western and Eastern Europe; East Asia; Africa; and Oceania. On average, the companies have operations in four of these regions. U.S. companies make up 70 percent (133 out of 191) of the sample. Median company revenues are \$1,956 million (just below the U.S. *Fortune 500* cutoff of 1997). The average percentages of revenues from international (customers that buy in at least one foreign country), multinational (customers that buy in multiple countries), and coordinated multinational customers (customers that coordinate their international purchases across countries) are, respectively, 46 percent, 26 percent, and 13 percent. Note that these definitions are nested.

Pooling

In order to assess the appropriateness of pooling all the subsamples for the estimation of the structural models, we carried out, for each of the 10 variables in the models, one-way analysis of variance (ANOVA) across the four subsamples. The results of these tests are shown in the first three columns of Table 1. We describe these variables and their measurements later in this paper. As the third column of Table 1 indicates, none of the F-statistics was significant. Therefore, we cannot reject the null hypothesis of no differences across subsamples. These results were confirmed by t-tests of differences between each of the four subsamples and the

pool of the other three, for each variable. The t-statistics from these tests appear in the next four columns of the same table (i.e., columns 4 to 7 of Table 1). Of these 40 tests (4 subsamples x 10 variables), only one was almost significant ($t = 1.94$): the one concerning the difference in GAM use between the mailed survey group of respondents and the pool of the other three subsamples. We also used t-tests to examine the differences in each variable between the U.S. and non-U.S. groups. These are reported in the last column of Table 1. The only significant t-statistic was again the one about the difference in GAM use.

Table 1. Results of ANOVA and t-Tests of Differences in Variable Means across Subsamples

Variables in Structural Models	ANOVA			t-statistics ^{b,c}				
	w = Within groups d.f. ^a	F (3,w)	p-val	Mail vs. others	SEP vs. others	MMP vs. others	AEP vs. others	US vs. non-US ^d
1 Customers' Globalization	169	1.09	.35	.15	1.55	-.93	-1.17	1.94
2 Coordination	171	.24	.87	-.73	.15	.17	.54	.19
3 Uniform Trade Terms	175	.08	.97	-.16	-.13	.50	-.17	-.47
4 Consistent Service	177	.37	.77	-.79	-.01	.06	.94	.05
5 Manager/Team	142	.27	.85	-.14	.57	.20	-.78	.31
6 Customer Involvement	142	1.16	.33	-.97	-.16	1.56	-.15	.40
7 Perf.Eval./Reporting	138	.43	.73	.89	-.01	-.31	-.38	.94
8 Personnel Eval./Comp	146	1.11	.35	.12	-.77	1.48	-.69	.68
9 GAM Use	187	1.63	.18	2.78*	-.79	-1.29	-.83	3.07*
10 Performance Effect	134	.70	.55	-.16	-.36	1.09	-.88	1.65

N = 191

* = significant at the 1% level.

^a We report the within-groups degrees of freedom (w) since these vary across our 10 variables, depending on the number of missing data for each. The between-groups degrees of freedom are obviously 3 for all variables, and the total degrees of freedom are equal to $w + 3$.

^b Differences are taken in the order indicated, e.g., a positive value of t in the US vs. non-US comparison indicates a larger mean for US companies.

^c The t-statistics reported in this table have been computed using the *pooled* formula (Moore and McCabe 1993; Hays 1988). However, we also computed them in the alternative standard way, i.e., *separate* t-tests, and obtained similar results (i.e., the only significant statistic was for the GAM use variable and the mail sample).

^d Includes the mail subsample.

We can be reasonably confident that all our subsamples are drawn from a common population, and can be pooled. However, the significance found in those two t-statistics (Row 9 of Table 1) is worth commenting on. First of all, the fact that the two of them are significant, as opposed to just one, is hardly surprising, since the mailed survey subsample is the only one composed 100 percent of U.S. companies and, on its own, accounts for 43 percent of the total number of U.S. companies in the full sample. In addition, we have defined "GAM Use" as a dummy variable that takes on a value of 1 when questionnaire respondents answered the sections on GAM use and performance effect, and a value of 0 when they did not. Considering this definition of the variable, and the relationship between the two results, two explanations for them seem plausible. First, mail respondents were probably less likely than participants in an executive education program to return

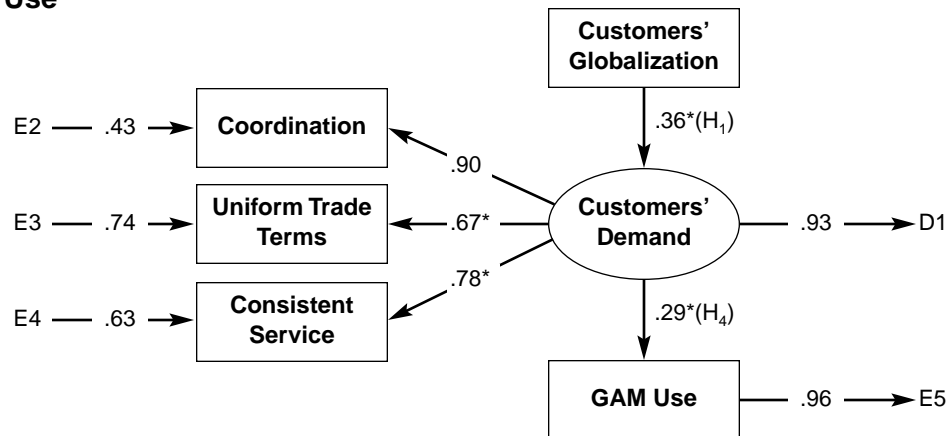
an incomplete questionnaire. This would explain the first result (significant difference for mail respondents vs. other subsamples). And, since the mail subsample accounts for a large proportion (43 percent) of the total number of U.S. companies in the full sample, this result would in turn be driving the second result (significant difference for U.S. vs. non-U.S. groups). Second, responding or not to the GAM part of the questionnaire probably reflects the use or absence of GAM programs, and U.S. companies are currently making more use of it than companies from other countries. If that were the case, then, it would directly explain the second result. And, since the mail subsample is composed 100 percent of U.S. companies (the other three are only 71 percent, 90 percent, and 81 percent), the second result would drive the first one. To discriminate between these two possible explanations, we conducted a t-test of differences in GAM use between U.S. and non-U.S. companies *excluding those* (U.S. companies) *from the mail subsample*. This test provides support for the second explanation (U.S. vs. non-U.S. difference), if it yields a significant statistic, and for the first explanation (differential survey completion) if it does not. The test results in a t-statistic of 2.21, therefore eliminating the first alternative, and providing additional support for our interpretation of incomplete responses as evidence of absence of GAM programs. It also provides the interesting result that, while there are no significant differences between U.S. and non-U.S. companies regarding features of customers' demand for GAM, there are significant differences in its use by companies. More specifically, the differences refer to the proportion of companies within each group of companies (U.S. and non-U.S.) that are using GAM programs, not in the extent to which companies that are using such programs are actually using each of their specific features. This suggests that U.S. companies are responding more frequently (or at least more rapidly) than non-U.S. companies to similar customers' demands.

Models

To test the hypothesized relationships among the model constructs, we specified two different structural equations models. Model 1, shown in Figure 2, concerns the decision to use global account management (versus not using it at all), which we hypothesize to be dependent on the degree of globalization of the firm's customers, and on their demand for a GAM program or specific features of it. It therefore addresses hypotheses 1 and 4, using the information that was available for our full sample of 191 responses. Table 2 reports the means and standard deviations for all the measured variables and factor indicators, as well as the correlation and covariance matrices.

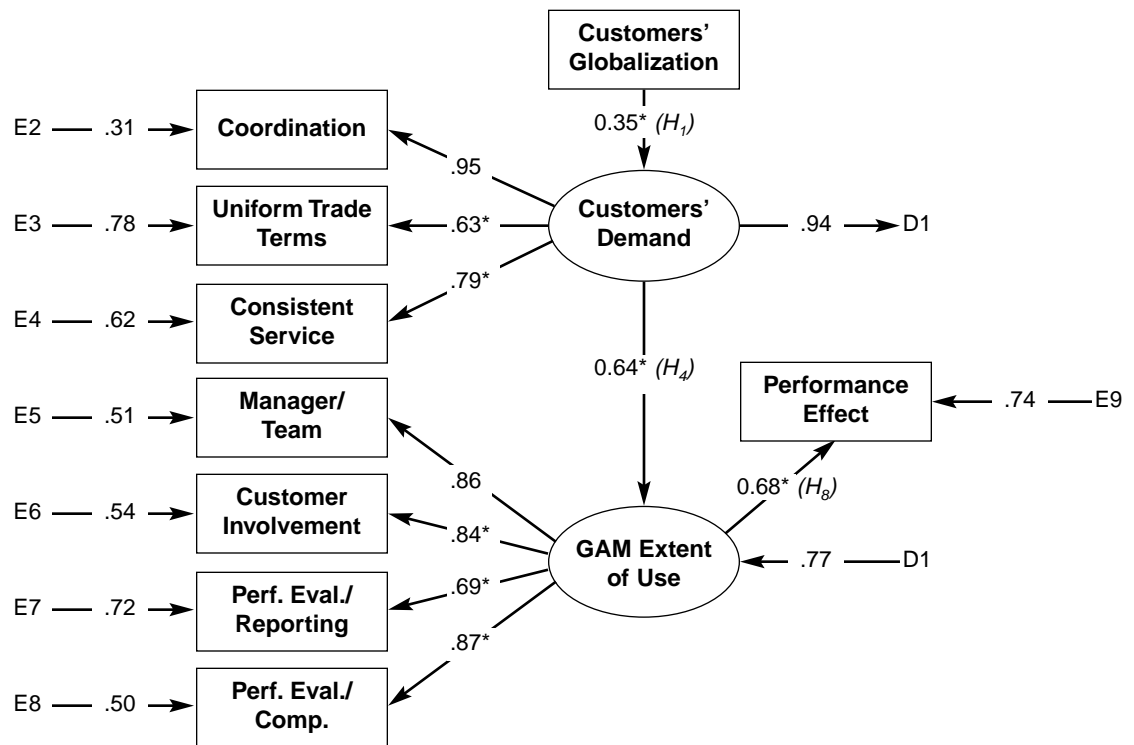
Figure 2. Models 1 and 2 with Standardized Factor Loading and Path Coefficients

Model 1: GAM Use



N = 191

Model 2: GAM Extent of Use and Performance Effect



N = 136

NOTE: All coefficients are significant at the 1% level. Asterisks indicate whether the parameter was free (*) or fixed for estimating the model.

Table 2. Means, Standard Deviations, Correlations, and Covariances for Models 1 and 2^a**Model 1 Variables**

Variables	Means	S. D.	1	2	3	4	5
1 Customers' Globalization	1.47	1.73	3.01	.75	.90	.57	.04
2 Coordination	3.20	1.32	.33	1.75	1.26	1.39	.16
3 Uniform Trade Terms	4.32	1.61	.32	.60	2.61	1.27	.18
4 Consistent Service	3.23	1.48	.22	.71	.53	2.19	.12
5 GAM Use	.73	.45	.05	.27	.24	.17	.20

N = 191

Model 2 Variables

Variables	Means	S. D.	1	2	3	4	5	6	7	8	9
1 Customers' Globalization	1.53	1.65	2.72	.71	.72	.55	.83	.72	.53	.68	1.10
2 Coordination	3.45	1.37	.31	1.87	1.23	1.53	1.13	1.02	.92	1.24	1.00
3 Uniform Trade Terms	4.57	1.53	.29	.59	2.34	1.18	.91	.70	.98	.90	.83
4 Consistent Service	3.39	1.49	.22	.75	.52	2.22	.98	.79	.67	.94	.73
5 Manager/Team	4.12	1.71	.29	.48	.35	.38	2.92	1.81	1.63	2.20	1.54
6 Customer Involvement	3.56	1.46	.30	.51	.31	.36	.73	2.14	1.32	1.85	1.29
7 Perf.Eval./Reporting	5.43	1.51	.21	.44	.42	.30	.73	.60	2.29	1.51	1.06
8 Personnel Eval./Comp	3.50	1.70	.24	.53	.35	.37	.76	.74	.59	2.89	1.55
9 Performance Effect	3.87	1.55	.43	.47	.35	.31	.58	.60	.45	.59	2.40

N = 136

^a Correlations are reported in the lower triangle of each matrix. Covariances are shown in bold in the upper triangle of each matrix.

Model 2, also in Figure 2, relates customers' globalization and demand to the extent to which GAM is implemented within firms, and to the effect that such an implementation has on firm performance. It therefore addresses Hypothesis 8, in addition to hypotheses 1 and 4. Hypothesis 8 is only relevant when companies use GAM to some extent, which limits the sample size available for testing it to 136. Means, standard deviations, correlations, and covariances for this dataset are also given in Table 2.

Specification and Estimation Method

Structural equations modeling is best conducted in the form of comparison among different plausible models that are nested within each other (Bentler 1995; Cudeck and Browne 1983). This has become common practice within the marketing field (Bagozzi 1980; Baumgartner and Homburg 1996). It is also becoming the standard approach within strategic management (Ariño 1995; Hoskisson et al. 1993; Johansson and Yip 1994; Simonin 1997) and international business (Fornell, Lorange, and Roos 1990; Wathne, Roos, and von Krogh 1996; Yip, Johansson, and Roos 1997), wherein structural equations modeling applications have only recently began to appear, and to which this study also relates conceptually. In particular, Anderson and Gerbing's (1988) decision-tree framework has proved helpful in a number of studies, and its use is recommended in Baumgartner and Homburg's (1996) meta-analysis of structural equations modeling in marketing and consumer research. Therefore, we used this procedure to justify empirically the specification of our two conceptual models. The method of estimation used was

robust maximum likelihood as implemented in the EQS structural equation software package (Bentler 1995; Bentler and Wu 1995).

Variables and Measurements

We used the following variables and measurements for the structural models:

Customers' Globalization. By customer's *globalization* we mean the extent to which a firm's customers make use of global strategy. Accordingly, this variable is best measured from the information we have by the percentage of company revenues accounted for by *coordinated multinational customers* (i.e., those multinational customers who coordinate purchases across countries). The percentage figure has been divided by 10 to yield a measure within a value range more similar to the rest of the variables. We prefer this measure over, for instance, the percentage of company revenues accounted for by *multinational customers*, which would be indicating the *degree of multinationality* of a firm's customers, but not the *extent to which they are globalized*, which corresponds more precisely to the description of the "global customers" concept given in the Yip and Madsen (1996) framework. The rest of the variables used are based on seven-point Likert-type scale items or on averages of these.

Customers' Demand. The survey measured seven aspects of customers' demand for GAM. We grouped six of these items into three different composites, which is a common practice in structural modeling when the number of original indicators is larger than three or four (Baumgartner and Homburg 1996). The only survey measure dropped was the extent to which customers request being serviced in a market in which the company did not have significant customer operations. Given that this request is inherently less frequent than any of the others, the correlations of its measure with all the other variables were much lower than those among the rest of the variables. Hence, we operationalize customers' demand as a latent variable measured by three indicators, which in turn result from aggregating two or three questionnaire items of related meaning. We computed the Cronbach's alphas of each of these indicators, as well as that of the composite of the three indicators, as a measure of their internal consistency. Since alphas based on correlation and covariances matrices in general differ (though only slightly in our case) we conservatively report here the covariance matrix-based ones, which represent a lower bound to the internal consistency of the raw-score sum (Bentler 1995). All of them are above .70, thus satisfying Nunnally's (1978) minimum criterion for internal consistency.

1. *Coordination.* This variable averages three of the survey measures on the extent to which multinational customers request: (1) GAM overall, (2) greater global coordination and integration of resources for serving customers, and (3) a single point of contact. Alpha = .80.
2. *Uniform Trade Terms.* This variable averages two of the survey measures on the extent of requests for: (1) more uniform prices charged to them in the different countries in which the company serves them and, (2) more uniform terms of trade other than price. Alpha = .88.

3. *Consistent Service*. This variable averages two of the survey measures on the extent of requests for: (1) greater standardization across countries in products or services, and (2) more consistency in service quality and performance. Alpha = .83.

The Cronbach's alpha of the composite of these three indicators is .80.

GAM Use. Dummy variable = 1 when questionnaire respondents answered the sections on GAM use and performance effect, 0 when they did not (but did answer the sections about customers' demand, and company and customer information). Mean score was .73, i.e., 73 percent of the total sample was judged to use GAM.

GAM Extent of Use. Latent variable measured by four indicators, each in turn being the average of two measures:

1. *Manager/Team*: (1) managers, directors, or similar positions responsible for a global account, and (2) support staff or team for the global account. Alpha = .86.
2. *Customer Involvement*: (1) customer information about the global account, and (2) customer councils or panels. Alpha = .71.
3. *Performance Evaluation/Control*: (1) revenue/profit measures for the global account, and (2) reporting processes for the global account. Alpha = .90.
4. *Personnel Evaluation/Compensation*: (1) evaluation of the personnel involved, and (2) global personnel incentives and compensation. Alpha = .73.

The Cronbach's alpha of the composite of these four indicators is .88.

Performance Effect. Respondent's evaluation of what has been the overall effect of their company's GAM programs. We also aimed for a more comprehensive measure of performance in the questionnaire, where we asked about the approximate percentage improvement in performance over the last five years attributable to GAM programs in terms of (1) customer satisfaction, (2) revenues, and (3) profits. But the extent of missing responses for these three items led us to use the single, overall indicator of performance in our analysis.

t-Tests

Hypothesis 3 is tested using one-sample, matched-pairs t-tests of differences between the questionnaire item "demand for more uniform prices" and each of the other demand elements (more uniform terms of trade, greater standardization of products and services, etc.), as well as with the average of all those other elements. Hypothesis 7 is tested using similar tests of differences, first between the item "use of global account managers" and each of the other elements of GAM use and their average, and second, between the item "support staff" and each of the others (and their average).

Hypotheses 2 and 6 are also tested through t-tests conducted directly on the raw data. For our two key constructs (GAM Demand and GAM Use), the questionnaire

included information about two different points in time: customers' demand ("five years ago" and "now," and GAM extent of use "now" and "in five years." We did not include this time dimension in the models analyzed, as our sample size is not large enough to allow the estimation of a structural equation model that could potentially include "customers' demand five years ago" and "GAM extent of use in five years" as additional factors. We did, however, analyze these time differences using t-tests, testing hypotheses 2, 5, and 6. We carried out four distinct sets of t-tests of differences between means: (1) one-sample, matched-pairs t-tests of differences between the two points in time for each of the questionnaire items concerning customers' demand, (2) one-sample, matched-pairs tests of differences between the two points in time for each of the questionnaire items regarding the extent of use of GAM, (3) two-sample t-tests of differences between the subsample of GAM users and nonusers (those for whom the dummy variable GAM Use equals one and zero, respectively), for each of the questionnaire items concerning customers' demand, and (4) two-sample t-tests of differences between the subsample of GAM nonusers now and the subsample of GAM users five years ago for these same items.

Hypothesis 5 is additionally tested using a linear regression of suppliers' Overall Use of GAM Programs Now on customers' Overall Demand for GAM Five Years Ago. These two "overall" measures were specific items on the questionnaire.

Results and Discussion

The results support seven of our eight hypotheses.

Model Goodness of Fit

Applying Anderson and Gerbing's (1988) two-step approach (the measurement model first, then the full model) yielded statistically valid results for both models. The results of the hierarchical tests involved in this procedure led us to conclude that both of our proposed theoretical models represent a preferred and parsimonious specification.¹ Model 1 resulted in a scaled chi-squared statistic with an associated probability value of .11, which is indicative of a reasonably good fit. The four other goodness-of-fit indices considered (Bentler-Bonett Normed and Non-Normed, Standard and Robust Comparative Fit Indices) yielded values of .97, .97, .99, and .98, respectively, thus suggesting a very good fit under these criteria. The standardized coefficients and factor loadings from the estimation are shown in Figure 2. All of them were significant at the conventional significance levels. Model 2 had an acceptable level of fit, with a scaled chi-square probability value of .057. The goodness-of-fit indices listed above yielded values of .94, .97, .98 and .98, which also suggest a good fit of the specified model to our data. Again, all the coefficients were statistically significant, and are reported in standardized form in Figure 2. We defer the discussion of their magnitude until the next subsection, to interpret their meaning with respect to our hypotheses.

Structural Relationships

Hypothesis 1 refers to the relationship between customers' globalization and customers' demand for global account management. Hypothesis 4 is about the relationship between customers' demand for GAM and the extent to which companies actually use it. Hypothesis 8 addresses the relationship between GAM extent of use and firm performance. All three hypotheses suggest expected positive signs for the relationships to which they refer. As Figure 2 indicates, each of the three regression coefficients from Model 2 can be used to test our three hypotheses 1, 4, and 8, and the two regression coefficients from Model 1 can be used to test the hypotheses 1 and 4 within a larger sample of firms. The relevant results for testing the hypotheses are contained in Table 3.

Table 3. Parameter Estimates Relevant to the Hypotheses

Hypotheses	Models	Relationship	Estimates	Standardized Est.	t-stats.	Robust t
1	1	Customers' Globalization to Customers' Demand	.25	.36	4.81	4.28
1	2	Customers' Globalization to Customers' Demand	.27	.35	4.05	3.31
4	1	Customers' Demand to GAM Use	.11	.29	3.79	3.98
4	2	Customers' Demand to GAM Extent of Use	.72	.64	7.21	7.58
8	2	GAM Extent of Use to Performance Effect	.71	.68	8.99	9.36

As Table 3 shows, all the coefficients are positive and statistically significant, thereby confirming our expected relationships. The strongest relationship observed is the effect of GAM extent of use on performance, with a standardized path coefficient of .68. The variance explained by the structural equation corresponding to this relationship, i.e., the regression of performance on the GAM extent of use factor, is also the highest obtained in this study ($R^2 = .46$). Our measure of performance was the respondents' assessment of what the overall effect of GAM programs had been. Our finding suggests that this effect is strongly related to the extent to which the company has implemented the different features of these programs. While this may seem like an unsurprising finding, it is important to note that the implementation of a GAM program entails an organizational change and, as such, may encounter the resistance of some of its members. The experience of Citibank in the 1980s illustrates how such resistance may threaten the viability of a GAM program and lead to a waste of resources that had been invested in GAM, and to the damage of relationships with customers (Yip and Madsen 1996). Since the issue of obtaining net benefits is not so straightforward, it is encouraging to find that the overall balance from the use of GAM programs by the companies in our sample has been positive.

The second strongest relationship observed, with a standardized coefficient of .64, was that between the extent of use of GAM and customers' demand for it. The R^2 from the corresponding structural equation was .40. The relative strength of this association contrasts with that of GAM *use* (vs. "not use", as it was defined) with customers' demand, which is the weakest of all five relationships reported in Table 3 (.29). In fact, the equation yields a very low R^2 of .08. Taken together, these findings imply a certain threshold effect. That is, it seems to take time for companies (particularly for non-U.S. companies) to start seeing to their customers' requests for GAM. Once they begin to do so, however, they respond effectively to this type of request. Such behavior on the part of companies would be consistent with the existence of high setup costs for GAM programs, including barriers from organizational resistance. Once such costs have been incurred, or the initial resistance overcome, strengthening the different features of these programs, or extending its application to other customers, would be relatively much less costly. Determining whether this conjecture is actually the explanation to our findings represents a future research opportunity.

Finally, the relationship between customers' degree of globalization and their requests for GAM is at an intermediate level of strength, compared to the others (the standardized coefficients for it from Models 1 and 2 are .36 and .35, respectively). In fact, the R^2 from the structural equation of the customers' demand factor is rather low in both cases (.13 in Model 1 and .12 in Model 2). This suggests that adding further variables might improve the specification. In this sense, our finding encourages further research about this issue, for which looking at the other globalization drivers identified by Yip and Madsen (1996) may provide a reasonable starting point.

Demand for Uniform Prices

The t-tests of differences between “demand for more uniform prices” and each of the other demand elements yielded significant *negative* statistics for most of the demand items, as well as for the average of those elements, both when evaluated *now* and *five years ago*.² This shows that, contrary to Hypothesis 3, which was based on executives’ *a priori* perceptions of GAM demand, uniform prices is *not* the most demanded aspect of GAM (Spearman rank correlation of .87). These results provide statistical support for what may be observed from Table 4—that the rank order of the different elements of GAM demand is quite consistent over time. The only exception is the t-statistic for the difference between requests *now* for “more uniform prices” and for “service in a market in which the company has no customer operations.” This is hardly surprising since, as we have already noted, the latter request is inherently less frequent than any of the others; in fact, a t-test of the difference between that item and the average of all other elements of demand yielded highly significant negative results for both *now* and *five years ago*. In sum, we find no evidence supporting Hypothesis 3. In fact, uniform pricing was ranked only sixth of seven GAM aspects five years ago, and tied for fourth/fifth of seven today. Other factors appear to be more important to customers in requesting GAM status, especially consistency in quality and services and standardization of products and services.

Use of Global Account Managers and Staff

On the other hand, the tests of differences between “use of global account managers and support staff” and each of the other elements of GAM use yielded significant positive statistics for most pairwise elements, and compared to the averages. Thus, Hypothesis 7 is statistically supported. It is perhaps worth noting that, as Table 4 shows, the use of global account managers in *future* GAM programs is directionally expected to lose relative importance with respect to customer information and revenue/profit measures. The corresponding t-statistics are both negative. However, neither statistic is significant. So Hypothesis 7 can be considered to be supported with no exception. Again, there is substantial evidence of overtime consistency with the rank order correlation between relative GAM use today versus five years from now ($R_s = .90$)

Changes over Time in Global Account Management Demand and Use

Table 4 reports on two groups of t-tests of changes over time in demand for and use of GAM. Table 5 reports on two further groups of t-tests comparing over time GAM users’ and nonusers’ responses to customers demands.

Table 4. Means, Standard Deviations, and t-Statistics for Differences over Time

Questionnaire Items	Period 1 Mean	Period 2 Mean	Mean of Differences	Std. Dev	t
a) Customers' Demand Now vs. 5 Years Ago^a	5 Yrs Ago	Now			
a.1 GAM overall	2.3	4.2	1.8	1.4	18.1
a.2 Single point of contact	2.7	4.4	1.7	1.5	15.7
a.3 Coordination of resources for serving customers	2.7	4.6	1.9	1.3	20.2
a.4 Uniform prices	2.6	4.4	1.7	1.5	16.3
a.5 Uniform terms of trade	2.7	4.2	1.6	1.4	16.1
a.6 Standardization of products and services	2.9	4.7	1.8	1.3	18.1
a.7 Consistency in service quality and performance	3.4	5.1	1.7	1.4	17.1
a.8 Service in markets without customer operations	2.6	3.9	1.2	1.6	10.0
b) Extent of Use of GAM In 5 Years vs. Now^b	Now	In 5 Yrs			
b.1 Manager responsible for global account	4	5.4	1.4	1.2	13.7
b.2 Support staff	4.1	5.6	1.5	1.3	14.4
b.3 Evaluation of personnel involved	3.2	4.9	1.7	1.5	14.0
b.4 Global personnel incentives and compensation	3	4.6	1.6	1.4	13.8
b.5 Revenue/profit measures	3.9	5.5	1.6	1.4	13.1
b.6 Reporting processes	3.6	5.1	1.5	1.3	14.0
b.7 Customer information	3.8	5.5	1.6	1.5	12.7
b.8 Customer councils/panels	3.3	5.1	1.8	1.1	18.9
b.9 Programs overall	4.1	5.4	1.3	1.2	13.0

^a N = 191^b N = 136

As Table 4 indicates, the first two groups of tests resulted in positive, significant differences for every variable, thus providing evidence of an increasing trend over time for both customers' demand for GAM (Hypothesis 2) and companies' use of it (Hypothesis 6). The third group of tests, whose t-statistics appear in columns 6 and 8 of Table 5, also resulted in significant differences in the expected direction, i.e., customers' demands for features of GAM were greater for those respondents that answered the *GAM extent of use* section of the questionnaire than for those who did not. This lends additional support to our assumption that the fact of completing that section of the survey is evidence of using GAM to some extent versus not using it at all. In view of these differences, we also repeated our first group of t-tests for each of these subsamples separately. These are summarized in columns 10 and 12 of Table 5. Similar results to those from the pooled sample were obtained, i.e., increasing trend in customers' demand not only affects those companies that are currently using GAM, but also those that are not using it (yet?). Finally, our fourth group of tests is reported in the last column of Table 5. The tests yielded positive significant differences for all questionnaire items, except for the last one, for which differences were positive but insignificant. This item refers to customers' requests for services in a market in which the company did not have customer operation and, as such, represents a kind of request of a more exceptional nature than the others. Overall, the results from the fourth group of tests suggest that companies that are not using GAM yet are, however, receiving greater levels of demand for it than those companies received five years ago by current GAM users.

Table 5. t-Tests of Differences in Demand across Groups of GAM Users and Nonusers, Differences in Demand over Time within Each Group, and Differences Between Current Demand for GAM Nonusers and Demand Five Years Ago for GAM Users

N (users) = 136 N (nonusers) = 55

Taken together, the results from the last two groups of tests indicate the following relationships for each of the two constructs examined:

- ❑ For Customers' Demands:

$$GAM\ Nonusers\ Five\ Years\ Ago < GAM\ Users\ Five\ Years\ Ago * GAM\ Nonusers\ Now < GAM\ Users\ Now$$

- ❑ For GAM Extent of Use (GAM users subsample only):

$$Now < Future\ (in\ Five\ Years).$$

These findings support Hypothesis 5 that most suppliers will adopt GAM programs at a slower pace and to a lesser extent than demanded by their customers. As a further test of this hypothesis we conducted a simple regression of Suppliers' Overall Use of GAM Programs Now on Customers' Overall Demand for GAM Five Years Ago. The regression coefficient was .32, significant at the 5 percent level.

Summary of Results

In summary, seven of our eight hypotheses have been supported, the exception being Hypothesis 3 on uniform prices being the most demanded aspect of GAM. Table 6 lists the hypotheses and results.

Table 6. Summary of Hypotheses and Results

Hypotheses	Tests	Results
H ₁ : The more globalized customers are, the greater the extent to which they demand GAM.	Models 1 and 2 in Figure 2 and Table 3	Supported
H ₂ : Demand for GAM is greater now than in the past.	Table 4	Supported
H ₃ : Uniform prices is the most demanded aspect of GAM.	t-test against other elements of demand	Not supported
H ₄ : The greater the extent to which customers demand GAM, the greater the extent to which it is implemented within the supplier.	Models 1 and 2 in Figure 2 and Table 3	Supported
H ₅ : Most suppliers will adopt GAM with a lagged response to globalized customers' demands.	Table 5 plus regression of Use Now on Demand Five Years Ago	Supported
H ₆ : Most suppliers expect to make greater use of GAM in the future than they do today.	Table 4	Supported
H ₇ : The use of global account managers and global account support staff is greater than other aspects of GAM programs.	t-tests against other elements of GAM use	Supported
H ₈ : The greater the extent to which a supplier's GAM program responds to customers' demands for it, the more favorable the effect on supplier performance.	Model 2 in Figure 2 and Table 3	Supported

Conclusion

The results of our structural equation analyses show that the use and performance effect of global account management in multinational companies is positively and significantly related to customers' demand for it, which is in turn related to the extent to which a company's customers are globalized. This provides support for the analytical framework proposed by Yip and Madsen (1996), of which both of our conceptual models were simplifications.

In addition, our descriptive analyses provide evidence of several empirical trends. First, there has been an accelerating change in customers' demands for global account management in the last five years. This is evidenced by significant differences between the two points in time for each of the questionnaire items concerning customers' demand. These significant differences have not only been found for the pooled sample, but also for the subsample of firms that did not seem to be using GAM programs at all. A second relevant finding is that companies expect to considerably strengthen their use of GAM programs in the next five years. This was shown in the significant differences existing between the two time points for each of the questionnaire items regarding the extent of use of GAM. As a third issue, we have evidence of positive and significant differences between customers' demands now of GAM users and customers' demands five years ago of GAM nonusers. In light of the relationships our structural models have uncovered, this finding suggests that, in addition to the expected intensification of GAM use by current users, there is likely to be an increase in the number of users in the near future. Fourth, our results confirm the common pattern of companies' global strategies lagging drivers such as customer demands. This implies opportunities for quicker-acting firms and threats to slower ones.

Fifth, we also found that, while important, contrary to common managerial wisdom, uniform prices are not, and have not been, the most frequently demanded aspect of GAM programs. This suggests that multinational customers do take a more complex and sophisticated view of what a GAM relationship should provide. Furthermore, this finding should encourage suppliers that have been reluctant to implement GAM programs for fear of pressures for price reduction.

On the other hand, we did confirm that appointing GAM managers and staff is the most common aspect of current GAM programs, ahead of nonstructural aspects such as information systems and evaluation processes. But this seems likely to change, as companies become more experienced in their use of GAM programs. Our data show evidence that in the future, other such aspects, such as customer information and revenue/profit measures, may become more important. This suggests that users need to take an evolutionary view of GAM programs.

Sixth, another interesting finding is the existence of a country effect with respect to the use of GAM. Specifically, U.S. companies seem to be responding more frequently (or at least more rapidly) than non-U.S. companies to similar customers' demands.

Finally, our data show that the overall impact of GAM up to now has been relatively moderate (as shown in Table 2, the average of the performance effect variable was 3.87, on a 1-7 scale). Given the evidence of increasing trends for both customers' demands for GAM and company response to those demands, the confirmed positive relationship of these two variables with performance effect (one directly, the other indirectly) suggests that the overall impact of GAM on company performance is also likely to increase in the near future.

Limitations and Contributions of the Study

The primary limitation of our study probably lies in the use of single informants from suppliers only, raising the possibility of both bias and common methods variance, particularly between estimates of customers' demands and suppliers' use, and between current GAM use and expected future GAM use. There are two mitigating factors. First, the differences we found were all very large and highly significant. So there is strong evidence for real effects even if possibly exaggerated. Second, four completely independent samples produced almost identical patterns of data.

The primary contributions of our study lie in providing the first empirical measures and tests of an important phenomenon. Our calibration has provided specificity to hitherto only general awareness and knowledge of GAM.

Implications for Managers

This study has strong implications for all multinational companies that sell to other multinational companies. Demand for global account management is already significant and will grow. While most large multinational companies (63 percent of our sample) make use of some aspect of global account management, most also seem to lag in their response to customers' demands. Furthermore, they seem to only partially implement the various parts of a full GAM program. So there is significant opportunity and threat for most multinational companies. Those who can implement GAM more effectively should be able to build significant advantages over their competitors. In terms of specifics, companies can assuage their fears that uniform, lower prices are the key aspect expected by customers of GAM programs. Indeed, effective implementation of a multidimensional GAM program should reduce such demands. On the other hand, it does seem key to appoint global account managers and staff. Without these pivotal roles, other aspects of GAM are inadequate. Lastly, the positive effects of GAM programs on supplier performance imply that, despite the costs involved, GAM programs make sound investments.

Future Research

Our study suggests further research in at least three directions. First, studies can be conducted on both sides of the customer-supplier dyad. Do customers view GAM programs in the same way? Second, future studies can explicitly collect data from multiple levels in both customer and supplier organizations, distinguishing particularly among corporate level, division or business level, and country level managers. Third, differences by company nationality should be examined, particularly among American, European, and Asian companies. Fourth, drivers other than globalized customers should be included.

Notes

1. A table summarizing these results and a more detailed discussion are available from the authors.
2. Results of these tests are available from the authors.

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