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SALES & MARKETING INSIGHTS

Five Challenges to Building a Successful Key Account Management Team—and How to Overcome Them

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Medical device companies have been slow to embrace the commercial stakeholder, but with organic growth crawling to a halt, margins shrinking and payers tightening purse strings, makers of medical products are considering new key account management (KAM) programs or reassessing current ones.

However, KAM programs both old and new have delivered unsatisfactory results. Part of the reason lies in the sales force: Not that your sales force is bad, but you might be hiring the wrong people for key account management or not giving them proper support.

This paper considers what's at stake for medical device companies in key account management, while showing five barriers to building a strong KAM team and ways to overcome these challenges.

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Introduction

Why medical technology companies need key account management, and why teams struggle to deliver

The makers of medical technology have been slow to embrace the commercial stakeholder. But the need is no longer deniable. Organic growth has slowed to less than one-third of what it was in 2009.[1] At the same time, product differentiation has narrowed and payers are experiencing tremendous pressure on costs. Western governments are paying 51% to 80% of the bill for health care despite enormous levels of debt. As populations age and budgets fray, the business of health care is no longer strictly about features, benefits or perhaps even outcomes.

These trends create an enormous increase in the power of economic stakeholders. Regional authorities, purchasing groups, trusts and networks are gaining decision-making power at the expense of hospitals. Key account selling is one way the med device industry has responded. Yet performance remains unsatisfactory: Missteps in designing, building and developing the organization—combined with unrealistic expectations—have translated into disappointing results.

The reasons for success or failure usually depend upon the people doing the selling. Success in sales is about people, and relationships play a critical role in a successful sales process. This is especially true in key account selling: People are the crucial asset.

We have identified five common challenges in hiring, developing and managing sales talent for key accounts selling teams. This paper will illustrate these challenges, and show ways to overcome them. Overcoming these challenges can help medical device companies cope with the turbulent market conditions endemic to the industry, and develop significant advantages over the competition.

Challenge No. 1: Shortage of available talent

Historically, it's been all about doctors—salespeople sell to clinicians, illustrate features and proper use to clinicians, and share studies and outcomes with them.

However, selling to commercial stakeholders requires skills and backgrounds that the industry generally lacks. Most companies in the industry focus on the clinician, and are flush with clinical-selling prowess. But the skills to sell to a commercial stakeholder, to build partnerships and relationships with senior, nonclinical roles, are scarce commodities.

To alleviate this shortage, companies sometimes look for sales talent in industries like high-tech and consumer goods. But talent imported from other industries often has difficulty adapting to the clinically driven model of medical technology sales. And so the industry, accustomed to valuing clinical know-how and medical knowledge above all else, devalues outside recruits.

The solution to this conundrum is to maintain high standards and design a robust, standardized selection process. Research has shown testing and structured interviews are the best predictors of success in the field (see Figure 1).[2]

Figure 1. Testing and structured interviews are far more predictive of recruiting success than other measures.

Personnel Measures	Validity (correlation coefficient)
Work sample tests	0.54
Employment interviews (structured)	0.51
Employment interviews (unstructured)	0.38
Reference checks	0.26
Job experience (years)	0.18
Training/Experience ratings	0.11
Education	0.10
Interest	0.10
Age	0.01

For this reason, we recommend a structured process that includes an experiential interview in which an expert—a specially trained peer or future manager—discerns a candidate's applicable experiences, based on a clear definition of the role, skills and competencies. In addition, a case study simulation will allow you to see an interviewee's skills in action (see Figure 2).

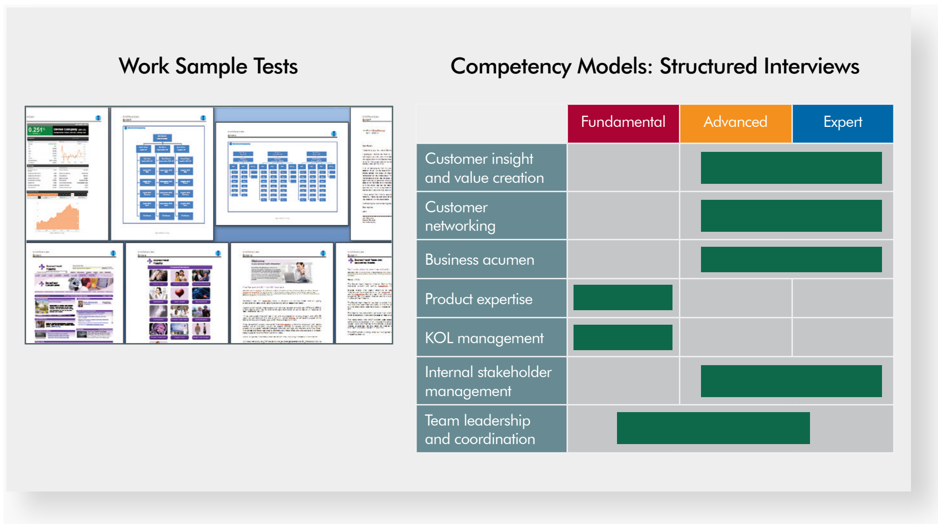

Figure 2. Combined with structured interviews, case study simulations and work sample tests help predict a potential key account manager's performance.

These structured interviews truly gauge how effective a candidate will function in medical technology sales, specifically as part of a key account management structure. Through this process, companies can determine traits and effectiveness in ways that experience in key account management or in medical technology sales cannot.

One important caveat: Often the skills companies seek turn into a laundry list of too many items. The list of skills becomes so long that no candidate could ever possess all of them. The mentality becomes simply to check as many boxes as possible in evaluating a candidate.

Ultimately, the challenge is to understand the skills that truly matter. In our experience, the most important areas are understanding the customer's goals and appreciating the broader context of the customer's needs, then being able to tailor a value proposition.

Challenge No. 2: Team Development

Finding the right people for key account management roles is crucial to success, but their development is just as important. Most salespeople will be either wizened veterans stuck in their ways or new talent open to new ideas but short on experience. We call this the Old Goat–Young Gun Paradox, which roughly means you can't become a key account manager without a lot of experience, but if you have a lot of experience, you don't necessarily want to become a KAM.

Solving this paradox requires finding people with the right raw skills and inclination to work in key account management, and to arrive at a mix of old and new. And since key account management is fundamentally an apprenticed skill, it is essential to expose the team to as many experiences as possible, and do so methodically.

Although not a complete solution, semiannual or quarterly "Key Account Manager Summits" help practitioners share experiences and solve problems. Because target accounts—and company goals for those targets—will change, so should KAM teams and approaches. Summits give KAM teams the opportunity to refresh and refine their skills.

In addition, companies can develop skills by observing how clinical organizations facilitate education and key opinion leader development. Asking an aspiring expert to teach others can be a powerful way to share experiences and improve the mastery of the teacher. The side benefits of this exercise are respect, familiarity and improved teamwork between the KAMs and the broader sales force.

Taking these steps in development will result in a productive, coherent and functional key account team. While there is no simple answer to solving the Old Goat–Young Gun Paradox, with the right approach companies can take advantage of both the wisdom of experience and the enthusiasm of youth.

Challenge No. 3: Managing scale and expectations

Being outmaneuvered on several large regional deals in Spain or a buying group contract in Germany creates a powerful incentive to build a key account organization—and do so as quickly as possible. However, nearly 80% of organizations are dissatisfied with their key account organizations.[3] A major cause: growing scale too quickly beyond customers' needs or what the available talent can achieve.

Our research has found that accounts are often not organized internally for a single account manager. "One face to the customer" is confusing when customers' faces include clinicians, hospital administrators and regional health officials. Most customers aren't equipped to take advantage of opportunities such as large accrual deals, portfolio rebates, procedure-based pricing and outsourced service contracts. Only a subset of customers is ready to benefit and is sufficiently interesting to warrant a key account management approach.

Given that fact, market conditions in Europe and the United States have made customers open to new approaches. We expect customers will reorganize and, in time, become better suited to key account selling from medical technology companies. But this won't happen overnight.

So companies must manage scale and expectations. Don't compromise personnel quality or build beyond the need, as it's better to keep the organization undersize and in demand. The organization can grow in step with customers' growth. While there is a risk of falling behind the competition, the pitfalls of scaling too rapidly carry far more risk. KAM teams should start small, but be structured to accommodate growth—add resources and additional target accounts as the KAM organization (and the sophistication of more of the customer base) grows.

Challenge No. 4: Empowering the KAM team (or at least to appear empowered)

Most commercial stakeholders prefer "one face," a single individual who can handle all of their needs. But in our research, stakeholders also want this single individual to have negotiation authority. In the eyes of administrative stakeholders, key account managers who cannot connect the broad needs of the customer with the resources of the broader company also lack value, while those KAM teams with deal-making authority bring significant value to the relationship.

But giving KAMs the power to close deals is not a simple mandate: Most med tech companies are organized into divisions, and commercial negotiations require trade-offs between competing priorities. In addition, financial and compensation systems are generally ill-equipped to handle KAM solutions, which are often unique in their terms and cross business lines. Companies need to construct win-win solutions without punishing divisions that sacrificed in order to complete those solutions.

Fortunately, we have found two practical solutions to help work around this delicate issue:

- First, the practical reporting lines of the KAM team need to align to how the customer makes decisions. Often, this means they should not report inside a division. A better practice is to have KAMs report to country leadership.
- Second, support for the KAMs is crucial, which means developing a process in which KAMs can complete deals. This usually entails preauthorization for KAMs, as well as an approval and divisional crediting mechanism. While the KAM may not be empowered to do any deal, a formal mechanism that preapproves deals creates the *impression* of KAM empowerment.

Challenge No. 5: Building long-term relationships

Long-term relationships form the foundation of successful key account management, but anyone who has sold to large accounts knows building relationships takes time. Managing expectations and scale is critical. Perhaps more important, long-term relationships demand stability, and, as a result, companies should define the KAM role as a career role, not as a stepping stone to promotion.

Profiles and career aspirations need to match this perception. As an organizational designer, it can be hard to institutionalize longevity and low turnover into a relatively new type of role. One practical way is to design the compensation plan in a manner that establishes KAM as a long-term job. This means the following:

- Overall compensation must be commensurate with a senior position; often KAMs will be paid more than first-line sales managers.
- Due to the lumpy nature of business results and long selling cycles, variable compensation percentages ("mix") should be lower than first-line sales managers and considerably lower than reps.
- Variable compensation should be designed around long-term profitability and growth; qualitative activity (such as number of meetings) should be avoided; commission plans carry too much risk to be practical.
- Metrics should be set high and long-term so that the KAM is thinking about what is best for the organization, not how to game a specific outcome.

A high-performing KAM should remain in his or her position more than five years and compensation should be designed around a similar long-range notion. Consider elevating the role, involving them in knowledge sharing and development initiatives, and providing other growth opportunities. Ideally, however, they will continue to work many of the same accounts, but perhaps in an elevated capacity.

Conclusion

In the end, key account management is not an activity, organization or role—it is a capability. It is a way of doing business.

As economic considerations permanently alter the med tech market, key account management will be essential to the success of large med tech companies with large portfolios and impressive capabilities.

But key account management is not a single step. It is a series of critical moves to develop and support the people of the key account organization to ensure they create value. The ultimate benefit not only accrues to the organization but also to customers, who will enjoy the long-term value that a medical device company creates.

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1. Michael Weinstein et al., "Sector Outlook for 2012," J.P. Morgan MedTech Monitor (2012).
2. Frank L. Schmidt, "The Validity and Utility of Selection Methods in Personnel Psychology: Practical and Theoretical Implications of 85 Years of Research Findings," Psychological Bulletin 124, No. 2 (1998) 262-274.
3. ZS Associates, Eyeforpharma and Cegedim, survey of 208 participants (2010).

About the Authors

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