The Importance of Firms' Interaction Capability for Firm-Customer Relationship Effectiveness: A Key Account Management Perspective

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Abstract

Why do some business relationships deliver consistently higher organic competitive advantage than others? Effectively managing key customer relationships is important for firms' success, but remains a challenging task for key account management. Scholars and managers have long known that relationships between firms and their customers are important and beneficial, and thus, are at the core of business-to-business management (e.g., Anderson and Narus 1990; Cannon and Perreault 1999; Ulaga and Eggert 2006). To date, however, we do not have a full understanding about how to conduct the strategically most important relationships so that they realize their full potential and contribute most effectively to firms' value creation. In a recent study among BtB firms, 85 percent of respondents viewed strategic partnerships as essential to their businesses success – and over 40 percent faced challenges to keep the partnership active and mutually rewarding (The CMO Council 2014). Why do some relationships deliver consistently higher competitive advantage than others? Obviously, firms' vary in their ability to create and preserve the advantages obtained in key customer relationships.

Our research addresses the following research question: How can firms effectively manage their key customer relationships to create competitive advantage? To this end, we suggest an important firm-specific characteristic termed firms' interaction capability. In line with Johnson and Ford's call (2006) for a relationship-specific theory of capability, we define firms' interaction capability as firms' ability to relate successfully to other organizations. Beyond firms' interaction capability, we account for prior research by adding the set of five key relation-specific characteristics proposed by Dyer and Singh (1998) – asset specificity, knowledge sharing, synergy sensitivity, self enforcement, and legal contracting – to impact the effectiveness of a firm's customer relationships, which in turn increases the firm's market performance and, ultimately, financial performance. We empirically test our model by using structural equation modeling with data from 316 key account managers responsible for strategically important relationships within their firms. Most notably, we find the new firms' interaction capability concept to have a strong effect on relationship effectiveness, besides knowledge sharing and self enforcement as the more prominent relation-specific characteristics.

Overall, this research provides further empirical steps toward advancing a comprehensive, interaction-based theory of value creation in firm-customer relationships. From a theoretical perspective, it conceptualizes and integrates firms' interaction capability into a conceptual model on drivers of firms' relationship effectiveness. From a methodological perspective, it is first to develop a sound measurement of firms' interaction capability and to provide empirical support to the validity of extant wide-spread, interaction-related theoretical considerations.

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