Co-management of purchasing and marketing: Why, when and how?

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ABSTRACT

This article discusses the theoretical and conceptual foundations for the co-management of purchasing and marketing and thereby provides some answers to the questions, why, when and how purchasing and marketing should be co-managed. It develops a conceptual framework distinguishing between internal and external co-management of purchasing and marketing. Improving value creation and value capture is identified as a necessary “push factor” driving the co-management of purchasing and marketing. Based on resource dependence theory (RDT), we argue that dependence on critical resources is another important “push factor” for the emergence of external co-management. We present a RDT-based typology of co-management constellations showing that co-management is not a one-size-fits-all approach and summarize our findings in five propositions on the co-management of purchasing and marketing. In sum, we conceptualize co-management of marketing and purchasing as a bridging strategy that allows a focal firm to accommodate dependence on critical upstream and/or downstream resources and improves value creation within the supply chain.

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1. From co-existence to co-management of purchasing and marketing

The pivotal role of purchasing and marketing for firms’ value creation and value capture is undisputed (e.g., Ellram & Carr, 1994; Hanssens, Rust, & Srivastava, 2009; Kähkönen & Lintukangas, 2012) and both functions have increased their relevance in recent years. With firms concentrating on their core competencies, the purchasing function has adopted a strategic direction and is now widely recognized as an important source of competitive advantage (Axelsson, Rozemeijer, & Wynstra, 2005; Monczka, Trent, & Handfield, 2005). Faced with fierce competition on a global scale, firms rely more than ever on their marketing capabilities to connect with target markets and capture their share of the value created within customers’ usage situation (Kumar & Shah, 2009).

While purchasing and marketing are receiving increasing attention in collaboration within a firm (internal co-management) and across firms’ boundaries (external co-management), they remain underserved areas (Sheth, Sharma, & Iyer, 2009; Smirnova, Henneberg, Ashnai, Naude, & Mouzas, 2011). Against this background, this article raises the questions why, when, and how purchasing and marketing should be co-managed. Shedding more light on these fundamental questions is important as the co-management of both functions may increase the efficiency and effectiveness of exchange processes and create a competitive advantage for individual firms and value delivery systems in general (Kotler & Keller, 2012). Take the example of the European aircraft manufacturer Airbus. The effective alignment of purchasing and marketing functions within its organization as well as upstream to its suppliers and downstream to its customers is a key success factor for this firm in its constant battle for market dominance with its main competitor Boeing.

The purchasing and marketing functions connect firms with their market environment, both upstream to supplier and downstream to customer markets. From the perspective of a focal firm and by adopting an intra-organizational view, “these two fields represent the extreme ends of a company’s value process and, hence, [appear] hardly related to each other” (Ivens, Pardo, & Tunisini, 2009, p. 853). Consequently, Sheth et al. (2009, p. 865) observed that “purchasing and marketing operate in distinct silos within the organization.” When adopting an inter-organizational perspective and focusing on transactions between different firms as the unit of analysis, however, the coexistence of purchasing and marketing is a sine qua non, because transactions can only take place when the purchasing and marketing functions of different firms interact with each other. By definition, an inter-organizational perspective on exchange processes calls for the joint consideration of purchasing and marketing processes. Indeed, early scholars studying inter-organizational exchanges, such as Webster and Wind (1972a), acknowledged this coexistence and contributed to our understanding of both, purchasing and marketing processes.

Over the last decades, purchasing and marketing have been researched with great success yet predominantly in isolation (Sheth et al., 2009). The advent of the supply chain concept in the 1980s spurred the emergence of a distinct academic discipline studying...
procurement processes from a broader value chain perspective. The supply chain concept holds that firms should align their market-facing activities along the value chain to reap their full value creation potential. This perspective experienced great academic and managerial success, leading to more efficient and effective supply chains and the development of purchasing into the supply chain management (SCM) discipline with its own journals, own departments, and distinct academic profile.

On the downside, both academic disciplines lost sight of their common grounds and the linkages between purchasing and marketing are receiving little attention in the current literature. It is indicative for the lack of exchange between the two disciplines that few marketing scholars attend SCM conferences or publish in SCM journals and vice versa. This lack of communication and exchange of ideas is surprising as purchasing and marketing study two sides of the same coin.

Encouraged by this special issue of *Industrial Marketing Management* on the co-management of purchasing and marketing, we believe that it is time to revisit the conceptual and managerial linkages between the two domains. Several groups could gain from a more lively exchange of ideas:

- Marketing and SCM scholars could benefit from the development of joint concepts and methods and they might effectively challenge or underscore existing knowledge from the other domain’s perspective.
- From a managerial perspective, the alignment of purchasing and marketing (labeled as “co-management” within this article) has the potential to improve value creation and value capture, both, within a focal firm and across firms that are connected in a supply chain.

The objective of this article – written by two authors from SCM and B-to-B marketing – is to stimulate a lively academic dialogue between the two domains and to help firms to improve the co-management of purchasing and marketing. Towards this end, we first define co-management of purchasing and marketing and disentangle its intra-organizational and inter-organizational mode. We then position key marketing and SCM concepts within our framework. Next, we introduce resource dependence theory (RDT) as theoretical foundation for understanding the co-management of purchasing and marketing. Based on RDT we develop a typology for purchasing–marketing co-management which describes different constellations that are illustrated with case examples. We summarize our findings in five propositions on the co-management of purchasing and marketing and conclude with a discussion of implications and limitations of this research.

### 2. Defining co-management of purchasing and marketing

The buying function (purchasing and supply) is responsible for acquiring resources from factor markets that are required for value creation. The marketing and sales function, in turn, relates a focal firm to its customers in order to capture value in the market place. Both functions are needed to initiate business relationships (Edvardsson, 2006) and interact with each other.

We refer to the co-management of purchasing and marketing as the alignment of the activity links, resource ties, and actor bonds (Håkansson & Snihota, 1995) in the relationship among buying and selling functions within and across firms with the objective to create superior value for the firms (Dyer & Singh, 1998; Ghosh & John, 2005). Co-management of purchasing and marketing can occur, for example, through the sharing of information or the coordination of tasks (activity links), the transfer of know-how or financial resources (resource ties), and the definition of joint goals or mutual commitment (actor bonds).

For example, take aircraft manufacturer Airbus who recently faced increasing pressure from large airline customers, such as Emirates, to upgrade the A380 with new engines. Engine suppliers consider new engine developments for the A380 challenging due to poor sales of the aircraft. Hence, the aircraft manufacturer needs to connect technical, market forecast and industrial activities with suppliers to assess technological as well as commercial feasibility of a potential new engine for the A380 (activity links). Should engine suppliers consider the downstream customer’s request, they would have to join forces with the aircraft manufacturer commit and share resources for the development, marketing and sales of the engine and upgraded aircraft (resource ties).

Finally, aircraft manufacturers and engine suppliers could engage in long-term interaction through sales, or maintenance, repair and overhaul (MRO) arrangements (actor bonds).

Co-management can take place within an organization and/or across firms. Intra-organizational co-management involves the alignment of purchasing and marketing functions within a focal firm, while its inter-organizational counterpart links the purchasing function of the focal company to its suppliers and its marketing function to its customers. This leads to the two types of co-management: internal and external.

Fig. 1 depicts our conceptual framework of the co-management of purchasing and marketing. It highlights that co-management can come in two different forms (internal co-management as an intra-organizational challenge and external co-management as an inter-organizational task). Fig. 1 also shows that we adopt the perspective of a focal firm for the purpose of our analysis. This focal firm may be positioned upstream or downstream along the supply chain, e.g. it could be a supplier of parts or components, an original equipment manufacturer, or a distributor. Depending on the power-dependence constellation, co-management of purchasing and marketing can be initiated by the focal firm or a more powerful member of the supply chain (Homburg, Wilczek, & Hahn, 2014).

To get a better grasp of the co-management concept, we first discuss its academic foundation and then distinguish between its two forms, internal and external co-management.

#### 2.1. Co-management

The notion of ‘co-management’ has predominantly been used for investigating the management of natural resources considering ecological, economic and societal influences, where the latter involves resource users and the government (e.g., Natcher, Davis, & Hickey, 2005; Plummer & Armitage, 2007). In co-management, “[d]ifferent levels of organization … have comparative advantages in the generation and mobilization of knowledge acquired at different scales. Bridging organizations provide a forum for the interaction of these different kinds of knowledge, and the coordination of other tasks that enable cooperation: accessing resources, bringing together different actors, building trust, resolving conflict, and networking” (Berkes, 2009, p. 1692).

For the purpose of our research, we apply the idea of co-management to the purchasing and marketing interface. Indeed, creating networks, establishing social capital, cooperating, sharing power, building trust, resolving conflicts etc. are at the heart of relationship marketing (e.g., Grönnroos, 2004; Palmatier, Dant, Grewal, & Evans, 2006) and buyer–supplier relationship management (e.g., Vemoucke, Vereecke, & Boyer, 2014; Wagner, 2011). Another commonality between the traditional application of the ‘co-management’ concept in the management of natural resources (e.g., Berkes, 2009; Plummer & Armitage, 2007) and the management of supply chains, supply networks and downstream markets (e.g., Pathak, Day, Nair, Sawaya, & Kristal, 2007; Wollin & Perry, 2004) is the “complex adaptive systems” view where individuals, groups, organizations or markets are connected and interact with each other.

Finally, in the ‘co-management’ of natural resources some parties might be more dependent on the natural resources than others, or some parties might have the power and control over resources that others require (e.g., Plummer & Armitage, 2007). Likewise, the co-management of purchasing and marketing hinges on resource and power dependence considerations within the buying firm and in the
buyer–supplier relationship (e.g., Ketchen & Hult, 2007; Petersen, Handfield, Lawson, & Cousins, 2008). We will therefore refer to RDT (Pfeffer, 1981; Pfeffer & Salancik, 1978) as theoretical foundation for studying the co-management of purchasing and marketing (see Section 4).

As co-management can be an intra-organizational challenge as well as an inter-organizational task, we discuss both modes in more detail in the next paragraphs.

2.2. Internal co-management

Internal co-management as the alignment between different functions within a firm has received research attention from scholars studying cross-functional integration (e.g., Eng, 2005; Moses & Åhlström, 2008). However, most of these efforts involving purchasing focused on integration between purchasing and R&D (e.g., Atuahene-Gima, 1995; Lakemond, van Echtelt, & Wynstra, 2001), purchasing and operations (Ellegaard & Koch, 2012; Pagell, 2004), respectively manufacturing (Dale & Cunningham, 1983) or logistics (e.g., Ashenbaum & Terpend, 2012; Håkansson, 1982) Qualitative, survey.

Similarly, efforts involving marketing were mainly concerned with the integration of marketing and sales (e.g., Guenzi & Troilo, 2006; Rouziès et al., 2005), marketing and R&D (e.g., Griffin & Hauser, 1996; Gupta, Raj, & Wilemon, 1986), marketing and operations (Mollenkopf, Frankel, & Russo, 2011; Verma, Thompson, Moore, & Louviere, 2001), respectively manufacturing (Hausman, Montgomery, & Roth, 2002) or logistics (Stank, Daugherty, & Ellinger, 1999). These studies on intra-organizational cross-functional integration have in common that they regular emphasize the positive implications on relationship, project and organizational performance of the integration efforts, and the need to actively manage the integration efforts by setting up appropriate structures.

To date, the purchasing–marketing interface has received little attention (Ivens et al., 2009). Table 1 summarizes the literature on the purchasing–marketing alignment and interface management.

2.3. External co-management

External co-management as the alignment between organizations is a central notion of inter-organizational research in marketing and the foundation for the relationship marketing literature (Dwyer, Schurr, & Oh, 1987; Palmatier, 2008; Sheth & Parvatiyar, 1995). Purchasing has also long promoted the alignment with suppliers beyond the first tier (Dubois & Fredriksson, 2008; Mena, Humphries, & Choi, 2013), and SCM the alignment across all tiers in the value chain to eliminate frictions at the interfaces between organizations and to focus all activities on the creation of customer value (Cooper, Lambert, & Pagh, 1997; Stock, Boyer, & Harmon, 2010). As such, Christopher (2005, p. 5) has defined SCM as “… the management of upstream and downstream

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Table 1
Overview of literature on the purchasing–marketing interface.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Type of study</th>
<th>Major aims or findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Håkansson (1982)</td>
<td>Qualitative, 800 interviews</td>
<td>The IMP interaction model considers intra-organizational relationships between purchasing and marketing, which are embedded in the inter-organizational exchange relationship (p. 59)</td>
</tr>
<tr>
<td>Naumann, Lincoln, and Williams (1984)</td>
<td>Survey, n = 312</td>
<td>The observed relative influence of marketing and purchasing across Webster and Wind’s (1972b) purchase phases varies Relative influence of purchasing increases as the purchase situation changes from new buy, to modified rebuy and straight rebuy, while the influence of marketing shows no statistically significant difference across purchase situations</td>
</tr>
<tr>
<td>Cunningham and Homse (1986)</td>
<td>Survey, n = 59</td>
<td>Interpersonal contacts between the supplier’s marketing team and the buyer’s purchasing DMU shape the inter-organizational contact between the supplier and buyer Interpersonal contacts vary in terms of frequency, breadth and level</td>
</tr>
<tr>
<td>Williams, Giunipero, and Henthorne (1994)</td>
<td>Conceptual</td>
<td>The goal of both – purchasing and marketing – must be the facilitation of the exchange process in the value chain Improvements in cross-functional collaboration between purchasing and marketing is beneficial</td>
</tr>
<tr>
<td>Hawes, Baker, and d’Amico (2006)</td>
<td>Conceptual</td>
<td>Purchasing professionals should participate in the “universal marketing function” of the firm to enhance the effectiveness of their purchasing organization</td>
</tr>
<tr>
<td>Ivens et al. (2009)</td>
<td>Conceptual</td>
<td>“[I]nteractions and interdependencies between customers and suppliers – may have [an influence] on the strategic role, organization, capabilities and performance of the marketing and purchasing functions.” (p. 851) Articles dealing with the nature and consequences of the integration between marketing and purchasing, however, are scarce.” (p. 853)</td>
</tr>
<tr>
<td>Sheth et al. (2009)</td>
<td>Conceptual</td>
<td>Marketing solutions (instead of products) and customer-centricity demand better alignment and integration of marketing and purchasing departments</td>
</tr>
<tr>
<td>Smirnova et al. (2011)</td>
<td>Survey, n = 148</td>
<td>“A new era of closer alignment and integration between purchasing and marketing has just begun.” (p. 870) “Interfunctional collaboration … contributes to the creation of sustainable advantages via improved external partnerships and facilitating demand chain integration.” (p. 54) Interaction between purchasing and marketing has a positive impact on purchasing and marketing collaboration as well as on customer orientation</td>
</tr>
</tbody>
</table>
relationships with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole.” Further and beyond, Lusch, Vargo, and Tanniru (2009, p. 20) argue that “the disciplines of marketing and supply chain management should converge around the concept of a value network”, since value creation requires the management of relationships with multiple suppliers and multiple customers.

In practice, an alignment encompassing the entire value chain – as proposed by many SCM definitions (“cradle to grave”), is hardly ever seen. From a theoretical stance, it offers the strongest potential for improving the efficiency and effectiveness of the value chain. However, its implementation in business practice often remains a fiction rather than reality. The more “distant” in the value chain the supplier or customer is from the focal firm, the more challenging it becomes to obtain information, establish mutual trust, create transparency, and most importantly, control opportunistic value capture of individual organizations (Piecyr, 2009).

Against this background, co-management of purchasing and marketing focusing on the alignment with first-tier suppliers and direct customers seems more realistic in practice than the normative prescription of external relationships with suppliers and customers to deliver superior customer value (Kohli, Jaworski, & Kumar, 1993). Additional advantages can arise if a firm is able to extend its customer orientation to customers beyond the first tier (Wagner, 2010). It should be noted, however, that customer orientation as a normative prescription is contingent on buyer markets where supply outweighs demand. If the focal firm operates in a seller’s market where customer demand is higher than the available supply, customer orientation loses importance and efficient operations and distribution systems become key success drivers.

Supplier orientation is the flip side of customer orientation. In contrast to customer orientation, it has received limited attention in the marketing literature. Supplier orientation emphasizes upstream external co-management together with internal co-management to disseminate knowledge about suppliers’ capabilities within the focal organization (Hult, Ketchen, Adams, & Mena, 2008) and it is most important when the focal firm faces upstream seller markets. The purchasing literature has suggested supplier oriented purchasing behavior (SOPB) to help the buying firm in “understanding and satisfying the needs of targeted suppliers and fostering the development of mutually beneficial buyer–seller relationships.” (Humphreys, Williams, & Goebel, 2008, p. 328) Activities of SOPB as means for buying firms to implement supplier orientation and functioning relationships with key suppliers center around professional purchasing, supplier assistance, buyer–supplier communication, responsiveness towards suppliers, and effective processes (Dubinsky & Ingram, 1982; Humphreys et al., 2008).

In sum, customer and supplier orientation both involve internal co-management but differ in their downstream versus upstream direction of external co-management requirements. While customer and supplier orientation stress intelligence generation and dissemination, co-management goes beyond these activities and also includes common goal setting and coordination tasks between the marketing and the purchasing functions within and across organizations.

3.2. Supplier value/supplier lifetime value vs. customer value/customer lifetime value

Generating superior customer value is the ultimate objective of co-management and SCM (Christopher, 2005). Customer value resides in core benefits and add-on benefits for the customer, and in purchasing price, acquisition cost as well as operations cost sacrifices (Menon, Homburg, & Beutin, 2005). When a firm is able to generate value for a customer, the customer will likely be more loyal, buy more frequently and have a higher lifetime value (Berger & Nasr, 1998). Given these expected benefits, firms increasingly go beyond selling products, services and solutions, and instead, engage in value-based selling by “understanding and improving the customer’s business in a proactive manner.” (Töytäri et al., 2011, p. 494) Value-based selling requires that the firm comprehends its customers’ business models, creates a value proposition and communicates and delivers the value to the customer. To manage this, salespeople need support from internal departments (including

3.1. Upstream market orientation vs. downstream market orientation (supplier orientation vs. customer orientation)

Market orientation is a core construct of the marketing discipline, where market-oriented activities have a positive influence on firms’ competitive advantage and performance (Jaworski & Kohli, 1993; Narver & Slater, 1990; Slater & Narver, 1994). It can be conceptualized from two perspectives: upstream and downstream. Upstream market orientation was defined by Langerak (2001, p. 223) as “the intelligence generation and dissemination activities that are necessary to understand how the know-how and skills of suppliers can be used to create superior customer value”, and likewise, downstream market orientation (customer orientation) as “the intelligence generation and dissemination activities that are necessary to understand what customers value.”

Marketing adopts the downstream perspective and emphasizes customer orientation as a necessary condition for firm success in buyer’s markets. The marketing concept holds that in the long run, only those firms will survive that satisfy customers’ requirement more effectively and efficiently than their competitors. Customer orientation calls for external alignment with customer firms to gain an in-depth understanding of their preferences and requirements as well as internal alignment to disseminate customer knowledge within the organization (Kohli, Jaworski, & Kumar, 1993). Additional advantages can arise if a firm is able to extend its customer orientation to customers beyond the first tier (Wagner, 2010). It should be noted, however, that customer orientation as a normative prescription is contingent on buyer markets where supply outweighs demand. If the focal firm operates in a seller’s market where customer demand is higher than the available supply, customer orientation loses importance and efficient operations and distribution systems become key success drivers.

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purchasing and SCM) to be able to develop and sell the value proposition to customers (Terho, Haas, Eggert, & Uлага, 2012).

As Möller and Törnroén (2003, p. 110) observe, “the issue of supplier value could be seen as a ‘mirror problem’ to that of analysing customer value.” Likewise, Ramsay (2005, p. 554) states that “[t]he benefits enjoyed by firms as customers have been labelled ‘customer value’ in the marketing and strategic texts, and it seems reasonable therefore to give the title ‘supplier value’ to benefits accruing to firms in their role as suppliers.” Besides revenues and profits generated with the customer, value for the supplier can also reside in intangibles such as knowledge or intellectual property generated in innovation projects with customers (Coley, Lindemann, & Wagner, 2012; Smals & Smits, 2012).

In both concepts, the value created in the exchange relationship with a supplier respectively customer is assessed and actively managed. An underlying premise of our co-management framework is that value creation with suppliers and customers through an external co-management is higher when an internal co-management of purchasing and marketing is in place.

3.3. Key supplier management vs. key account management

Key account management is defined as “the performance of additional activities and/or designation of special personnel directed at an organization’s most important customers” (Workman, Homburg, & Jensen, 2003, p. 7). In marketing practice, key account management is a widely employed instrument for aligning with important customers and improving value creation. Key account managers create value for their customers in two different ways: by increasing the fit between their organization’s value offer and customer’s needs (external function) and by coordinating the complex, customer-related processes within their own organization (internal function) (Gorges & Eggert, 2003).

The same logic also underlies key supplier management, where “[k]ey suppliers are increasingly seen as strategic assets of buying companies which need careful nurturing to fully utilize their potential for value creation.” (Ivens, van de Vijver, & Vos, 2013, p. 135) Key supplier management deals with dyadic activities and processes at the buyer-supplier interface and the allocation of resources towards key suppliers (Henneberg, Pardo, Mouzas, & Naudé, 2009) and “can be interpreted as the mirror image of key account management” (Ivens et al., 2013, p. 135).

Key account and key supplier management can be understood as special forms of purchasing and marketing co-management. While they are discussed either with an upstream or downstream direction in mind, co-management takes a broader view and recognizes the need to align with important value chain partners in both directions. Likewise, Henneberg et al. (2009) observe that firms should try to match or manage value strategies towards customers and supplier.

3.4. Boundary spanning

Both, purchasing as well as marketing are “boundary spanning units that link the organization with its environment.” (Jemison, 1984, p. 131). The tasks of boundary spanning functions are (1) to obtain information from the outside and to selectively disperse this information within the organization, (2) to identify and satisfy the needs of important stakeholders – including customers and suppliers – in order to create value for the organization, and (3) to manage the acquisition of critical resources from the outside (Aldrich & Herker, 1977; Jemison, 1984). Boundary spanning functions have more influence on and participate in strategic decisions (Jemison, 1984).

The marketing function holds responsibility for obtaining information about the customer markets and establishing links to and managing relationships with customers (Hult, 2011). Similarly, the purchasing function obtains information from supply markets, selects suppliers and manages supplier relationships (Hallenbeck, Haataluoma, & Bates, 1999). While the boundary spanning nature of purchasing and marketing underlines the strategic importance of both functions, an effective co-management of purchasing and marketing can create further benefits and value for the firm, since the boundary spanning links to two important stakeholders are aligned (Piercy, 2009).

4. Co-management of purchasing and marketing from a resource dependence perspective

We draw on RDT (Pfeffer, 1982; Pfeffer & Salancik, 1978) as a theoretical lens for understanding why and when co-management of purchasing and marketing occurs. RDT “has become one of the most influential theories in organizational theory” (Hillmann, Withers, & Collins, 2009) and has successfully been applied in the purchasing and the marketing domain (e.g., Eggert, Uлага, & Hillmann, 2009; Ketchen & Hult, 2007). It provides a suitable framework for our purpose because it focuses on the interplay between two key variables that shape purchasing and marketing: value and power. The acquisition of valuable resources is the fundamental driving force behind purchasing and marketing. Power constellation creates (inter-)dependence and thereby greatly influences exchange processes between organizations. Against this background, Homburg et al. (2014, p. 68) emphasize: “Research on interfirm cooperation has shown that the balance of power between firms is an important success factor for cooperation”, such as the co-management of purchasing and marketing. Compared to other theoretical lenses such as transaction cost theory or the resource-based view, RDT offers a more comprehensive perspective that combines a focus on the acquisition and exchange of valuable resources with the impact of power constellations on organizations. RDT describes organizations as open systems (Ackoff, 1961). By their very nature, open systems need to interact with their environment as they cannot become self-sufficient with regard to critical resources (Pfeffer, 1982). RDT assumes that firms are driven by the objective to survive (Pfeffer & Salancik, 1978). From this theoretical perspective, increasing profits is understood as a means to an end, with survival being the ultimate goal of the firm. As open systems, firms need to ensure a constant flow of critical resources from their suppliers in order to survive. This lack of self-sufficiency creates dependencies between a firm and its suppliers of critical resources (Pfeffer, 1982). It is important to note that suppliers of critical resource can reside in upstream (i.e. supplier firms) or downstream (i.e. customer firms) markets as well as in the wider organizational environment (e.g. political parties holding regulatory power).

Dependence on its suppliers of critical resources constrains the firm’s actions. As open systems, firms need to accept some degree of dependence in order to survive, yet they employ different strategies to reduce their dependence on others and mitigate its consequences (Hillmann et al., 2009; Pfeffer & Salancik, 1978). Aligning with suppliers of critical resources can be an effective means of coping with dependence. Building formal and semi-formal links belongs to a set of “bridging strategies” (Pfeffer, 1982) “whose main purpose is to gain control over the other organizations’ resources” (Stock, 2006, p. 589). Prominent examples for bridging strategies are strategic alliances and joint ventures (Drees & Heugens, 2013). The external co-management of purchasing and marketing is another example for a bridging strategy which aims at coping with dependence and ensuring access to resources that are critical for the focal firm.

Critical resources to be obtained from upstream supplier markets include – in addition to materials, components, modules, and systems – also cost reductions, innovation or access to new technologies. Critical resources from downstream markets are customers’ demand, that is, desire for the goods and services offered by the focal firm together with customers’ willingness to pay the requested price, yet also customers’ willingness to share information, spread positive word-of-mouth, and co-create value with the focal firm (Vargo & Lusch, 2004).
Seen through the lens of RDT, we understand external co-management of purchasing and marketing as an attempt to manage dependence and ensure access to critical resources. Aligning upstream and/or downstream with supplier and customer firms better translates market demand into resource requirements on the supply markets and, as such, reduces uncertainty with respect to the required resources. However, building formal and informal ties with supplier or customer firms also consumes critical resources that are needed for firm survival, such as management attention (Ivens et al., 2009). We therefore propose that a focal firm is unlikely to engage in intensive efforts to co-manage purchasing and marketing unless the power-dependence structure encourages the use of bridging strategies. For example, a powerful focal firm that sources from upstream markets with many competitive suppliers will have a low inclination to co-manage its supplier interface. The same holds true for a firm with a strong brand that sells a unique product to downstream markets where customer demand outweighs supply.

In a nutshell, RDT offers a theoretical explanation why co-management of purchasing and marketing occurs. It is a bridging strategy that is meant to accommodate a focal firm’s dependence on critical resources such as innovative technologies or customer demand.

5. Typology for purchasing–marketing co-management constellations

In this section we aim to classify different types of purchasing–marketing co-management constellations. Since the research presented in this article relies on theory and conceptual development for exploring the why, when and how of purchasing–marketing co-management – as opposed to empirical testing – we present a typology, which is mostly conceptual (in contrast to a taxonomy, which is derived from data) (Bailey, 1994). We are particularly interested in the resource dependence and power influences.

From the discussion of RDT presented in Section 4 it becomes evident that dependence on suppliers and/or customers will trigger the external co-management with suppliers respectively customers, and also the meaningfulness of internal purchasing–marketing co-management. Fig. 2 shows the typology of purchasing–marketing co-management contingent on the focal firm’s dependence on suppliers and customers.

In the lower left quadrant, i.e. in situations of low dependence on critical resources from outside suppliers and customers, external co-management of both suppliers and customers is not recommended, and hence, internal purchasing–marketing co-management is also not likely to emerge. Three constellations exist where an internal co-management of purchasing and marketing is recommended, however, with different orientations.

(1) In case of high dependence on customers, that is, when the focal firm finds itself offering products in a buyer’s market, RDT recommends to set up a bridging strategy and establish an alignment with these customers. The customer demands need to be transferred to the suppliers. Since the focal firm’s dependence on the suppliers is low, the requirements from the customers can be rather easily tapped from the suppliers. In order to establish this link, a downstream, customer-focused co-management of the purchasing and marketing functions is necessary to internalize the (powerful) customers’ demands. Retailers in consumer markets regularly are typical examples of firms in such situations. Walmart, for example, is known for squeezing suppliers and requiring them to implement systems that will help Walmart to reduce costs wherever possible. Co-managing the supplier–Walmart interface is not on Walmart’s agenda. At retailers, such as Walmart, category management is the purchasing–marketing co-management practice that helps them to transfer demand from downstream customers into the supply chain. Here, co-management focuses on the customer to define appropriate categories and assortments, pricing strategies, sales channels or store space allocation. Also, retailers collect and analyze customer-related data to take more informed category management decisions, and where and from whom to purchase which products to meet consumer needs.

(2) When dependence on customers is low, but dependence on supplier resources is high, or when the focal firm finds itself in situations where its suppliers are in a seller’s market, RDT recommends an external alignment with suppliers. An external co-management with suppliers, in turn, requires, an upstream, supplier-focused co-management of the purchasing and marketing interface in order to be able to utilize suppliers’ critical resources for the benefit of the customer.

Computer chip manufacturer Intel, for example, dominates the global microprocessor market, and pushes new generations of semiconductors into the market that customers will inevitably buy. However, for computer chip manufacturers, such as Intel, semiconductor manufacturing equipment is key for technological progress and market success. Hence, Intel highly depends on semiconductor equipment suppliers, such as ASML for lithography equipment. As a bridging strategy, Intel invested in equity and R&D at ASML to strengthen the cooperation and ensure that the next generation (i.e., 450 mm) wafer technology can be developed sooner than later in order to significantly reduce costs and increase productivity for the benefit of the customers (in order to maintain market leadership).

(3) In case of high dependence on customers as well as suppliers, that is, when the focal firm faces powerful suppliers and customers, an external co-management of the supplier and customer interfaces is critical. As a consequence, a bidirectional, customer- and supplier-focused co-management of the purchasing and marketing interface is needed. Some supply chains in the aviation industry can serve as a showcase for this situation. For jet engines, aircraft manufacturers such as Airbus have to deal with a few large suppliers (e.g., Rolls-Royce, GE Aviation, Pratt & Whitney), while the airlines as customers on the other hand are sufficiently powerful to ask for certain engines (e.g., based on fuel consumption, maintenance strategy). From a marketing perspective, forecasts on the developments of the commercial aircraft market drive OEM and supplier investments. On the upstream side, engine alliances (such as between GE Aviation and Pratt & Whitney) support...
Airbus’ A380. Therefore, for Airbus, external co-management to align the interface with customers and engine suppliers is critical. The success of these efforts will be supported through a bidirectional, customer- and supplier-focused co-management of purchasing and marketing.

In sum, the proposed typology and the three examples show that there is no ‘one-size fits all’ approach towards the co-management of purchasing and marketing. Instead, the dependence on external resources downstream and upstream in the supply chain necessitates different forms of internal purchasing–marketing co-management.

6. Propositions

Based on our conceptual framework (see Fig. 1), the discussion of RDT, and the typology of co-management constellations (see Fig. 2), we summarize our conclusions in five propositions for the co-management of purchasing and marketing.

First, we point out that the co-management of purchasing and marketing is driven by the quest for superior value creation in competitive markets (the pull factor). Aligning the purchasing and marketing functions between and within organizations has the potential to create superior value at lower costs. However, setting common goals and coordinating across organizations and functions also consumes valuable management resources and creates chances for opportunistic value capture. Therefore, co-management of purchasing and marketing is not a one-way street to success but should be implemented after taking its potential benefits and costs into consideration.

P1: Co-management has the potential for greater value creation, but does not automatically lead to greater value for the focal firm.

Co-management of purchasing and marketing is unlikely to apply to all materials, material groups, or services sourced by a focal company. Against the background of RDT that identifies resource dependence as a push factor encouraging the use of bridging strategies, co-management of purchasing and marketing emerges as a focused approach that is limited to critical resources.

P2: Co-management is not for all transactions (i.e. not for the entire firm), only for critical materials, material groups, or services.

When the focal firm operates in upstream buyer markets and downstream seller markets (lower left quadrant of our typology), management of purchasing and marketing is unlikely to occur. The prospect of superior value creation through better coordination (the pull factor) is a necessary yet often not sufficient condition for the external co-management of the purchasing-marketing interface.

P3: Co-management is not for all constellations (i.e., it is based on resource dependence).

Intra-organizational relationships are embedded in inter-organizational relationships (Håkansson, 1982) and internal co-management of purchasing and marketing is a necessary condition for an effective external co-management. Without external co-management, however, internal co-management of the purchasing and marketing function has little effect.

P4: Internal co-management in itself (i.e. without any external co-management) is not effective.

The external and internal co-management of purchasing and marketing (see Fig. 1) is an intermediate stage between firms behaving like independent actors and a completely aligned value chain (“cradle to grave”). Total alignment across all firms in a value chain creates superior value for the final customer but requires a level of transparency, trust, and abstinence from opportunistic behavior that can hardly be realized between more distant actors. Indeed, the development of trust and transparency is a process that tends to progress gradually, not by leaps and bounds. In line with Palmatier, Houston, Dant, and Grewal (2013, p. 13), we hold that “relationships between firms evolve over time”. Co-management of purchasing and marketing with its focus on first-tier suppliers and direct customers is a realistic approach and firms should systematically develop their co-management capabilities.

P5: Co-management is the first step towards gradual extension to a value chain-encapsulating alignment (i.e. “full SCM”).

7. Discussion and implications

Section 4 underlined why firms engage in purchasing–marketing co-management for value creation, Section 5 derived when certain forms of external and internal co-management are recommended, and Section 6 formalized these insights in propositions. We now derive recommendations on how firms and managers should implement purchasing–marketing co-management by aligning activity links, resource ties, and actor bonds (Håkansson & Snehota, 1995) in practice.

First, firms should assess – based on the resource dependence considerations discussed in Sections 4 and 5 – which type of purchasing–marketing co-management to pursue. They must judge whether their dependence on suppliers and customers is either low or high in order to derive the preferred co-management approach (see Fig. 2). The most suitable approach will depend on the firm’s industry, product offering and market situation (i.e., buyer’s vs. seller’s market). Since resources are inevitably limited, the resource ties in case of unidirectional (i.e., customer- or supplier-focused) co-management should also be unidirectional, i.e. support the co-management with the powerful partner.

Second, in most organizations, purchasing and marketing have different goals and are therefore rewarded differently. Goal incompatibility, however, creates a problem in the implementation of purchasing–marketing co-management. For goal alignment, purchasing and marketing should establish actor bonds to create relationships with mutual understanding and commitment among the functions and the individuals on both sides. This could be done, for example, through knowledge transfer and learning about each other’s responsibilities and tasks, integration of purchasing and marketing processes or joint meeting structures. Actor bonds will support that employees in both functions understand the purchasing’s and marketing’s role in the overall firm strategy and how the firm depends on suppliers and/or customers. Goals of purchasing and marketing employees must then be cascaded down from firm goals to departmental- and individual-level goals.

Third, experiences and findings from sales and operations planning (S&OP) help explain how internal purchasing–marketing co-management can be implemented. S&OP attempts “[t]o develop tactical plans that provide management the ability to strategically direct its businesses to achieve competitive advantage on a continuous basis by integrating customer focused marketing plans for new and existing products with the management of the supply chain.” (Blackstone & Jonah, 2013, p. 154) As an advancement of S&OP – which is concerned with the alignment of short-term and tactical plans (e.g., orders, backlogs, capacities, inventory levels) and long-term and strategic plans (e.g., financial resources, investments) across functions within the firm (Wagner, Ullrich, & Transchel, 2014) – purchasing–marketing co-management is also concerned with the long-term and strategic integration across the functions, but also across the firms. It has been observed that “[e]mpowering all members of the cross-functional S&OP team, gaining top management support and sponsorship, and managing employees’ attitude toward S&OP are crucial elements of the S&OP process” (Wagner et al., 2014, p. 195), and also critical for purchasing–marketing co-management.
Fourth, interaction and communication in cross-departmental collaboration and in inter-organizational relationships have been studied and proven as critical activity links in numerous settings (e.g., Menon, Jaworski, & Kohli, 1997; Peters & Fletcher, 2004). Interaction and communication are also vital activity links for successful purchasing–marketing alignment. Therefore, managers must provide an atmosphere where members from both sides can interact and communicate frequently and openly. This could be fostered, for example, through regular meetings (similar to S&OP meetings) and close proximity of offices in order to facilitate formal as well as informal contacts among employees from both functions.

Fifth, purchasing–marketing co-management is unlikely to emerge from within the purchasing and marketing function. Cross-functional and inter-organizational alignment creates additional constraints and reduces the degrees of freedom of the people responsible for managing those functions. Therefore, purchasing–marketing co-management must be part of the firm’s overall strategy (Christopher, 2005). Also, similar to the upper management support needed for the functioning of cross-functional teams (Denison, Hart, & Kahn, 1996), higher-level managers with their more comprehensive view on value creation, of cross-functional teams (Denison, Hart, & Kahn, 1996), higher-level managers with their more comprehensive view on value creation, must be part of the firm’s overall strategy. Chief Strategy Officers, who “focus on value creation on the corporate level by coordinating strategies across organizational levels and units ... supporting cross-business or crossfunctional collaboration” (Menz & Scheef, 2014, p. 463) could hold such a role in the organization. Other top-management team members taking on such a task could be Chief Executive Officers, Chief Operating Officers or Chief Supply Chain Officers. In sum, co-management is unlikely to emerge from within purchasing and marketing, but must be an overall firm strategy and needs top-management support.

Sixth, for the alignment of activity links (e.g., intensive interaction/communication) and actor bonds (e.g., goal alignment) between purchasing and marketing, it is helpful that lower level employees from the purchasing as well as the marketing function have the responsibility and power to make decisions. As Menon et al. (1997, p. 195) observe, “jdjestion-making responsibilities seem to help employees become goal focused and develop networks necessary to achieve the stated goals.”

Seventh, purchasing and marketing are boundary spanning functions that need to be executed by individuals in the organization, i.e. purchasing and marketing employees that assume boundary spanning roles. Hence, the identification and promotion of the boundary spanners in the organization becomes of utmost importance. Boundary spanners can support purchasing–marketing co-management if they are “individuals who are well connected to external information areas and who also are well connected internally and thus able to disseminate new information and new ideas to their more locally oriented colleagues” (Tushman & Scanlan, 1981, p. 292). At the same time, granting a boundary spanning role to a purchasing or marketing employee can be a privilege that is associated with social benefits and job satisfaction (Hallenbeck et al., 1999).

In sum, for purchasing–marketing co-management to work, firms must initiate and support this activity from top of the organization, but empower and give freedom to the purchasing and marketing employees to take decisions in day-to-day work, and to meet regularly in formal and informal settings to foster interaction and communication.

8. Summary and limitations

This research adopts a multidisciplinary perspective to provide new insights into an opportunity for value creation and value capture (Sanders & Wagner, 2011). It uses a RDT perspective to shed light on the questions, why, when and how purchasing and marketing should be co-managed. We suggest to distinguish between two modes of co-management: internal and external co-management. Internal co-management is a prerequisite for an effective external co-management of purchasing and marketing. While co-management of purchasing and marketing has the potential to improve value creation within the supply chain (the pull factor), it is most likely to occur when the focal firm depends on critical upstream and/or downstream resources (the push factor). Seen through the lens of RDT, co-management of purchasing and marketing is a bridging strategy that accommodates dependence on critical supplier and customer resources. Our proposed typology of co-management constellations and the discussion of three case examples further show that co-management is not a one-size-fits-all approach but comes in different forms. Five propositions summarize our view on the co-management of purchasing and marketing.

While providing a theoretical and conceptual foundation for exploring the co-management of purchasing and marketing, our research has several limitations, which at the same time open up avenues for future research.

First, it would be beneficial to expand the list of marketing and SCM concepts discussed in Section 3. Discussing additional concepts that mirror the identification and management of critical resources upstream and downstream in the supply chain would help to further underline the close link between both functions.

Second, the typology for purchasing–marketing co-management constellations presented in Section 5 and the examples used therein is ‘rough cut’ and should be further broken down to individual supply chains for products and suppliers respectively customers. RDT would suggest the pictured typology for some of the firms’ external supplier and customer relationships, not for the firms’ supplier and customer relationships in general.

Finally, as with every conceptual development, the framework, typology, and propositions outlined in this article require further elaboration as well as empirical scrutiny. This can occur through in-depth case studies or large-scale empirical data. Longitudinal research would be particularly valuable to test our proposition that the co-management of purchasing and marketing represents an intermediate stage in the development process towards completely aligned value chains.

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