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

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A B S T R A C T

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 "pull 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.

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 management practice and academia, their interfunctional alignment and collaboration within a firm (internal co-management) and across firms' boundaries (external co-management) has remained an underexplored area (Sheth, Sharma, & Iyer, 2009; Smirnova, Henneberg, Ashnai, Naudé, & 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 practices. 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

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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, Holmlund, & Strandvik, 2008) of a focal firm with its upstream and downstream partners.

We refer to the co-management of purchasing and marketing as the alignment of the activity links, resource ties, and actor bonds (Håkansson & Snehota, 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 distributer. 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 co-operation: 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., Grönroos, 2004; Palmatier, Dant, Grewal, & Evans, 2006) and buyer–supplier relationship management (e.g., Vanpoucke, 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