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Aligning Marketing and Purchasing for new value creation

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ABSTRACT

The objective of this study is to explore how changes in organizing the alignment between Marketing and Purchasing (M&P) might be linked to new value creation. The issue of value creation and the specific role of inter-functional cooperation have been examined in depth in the marketing literature. However, the relationship between Marketing and Purchasing alignment and value creation has received only limited attention, even though the emerging role of purchasing is increasingly recognized. This work aims to address this gap using the analytical framework by Bocconcelli and Tunisini (2012) as a basis and adopting a process perspective. Specifically it intends to explore i) how companies over time manage the alignment of M&P and under which conditions/triggers; ii) whether different types of emerging organizational alignments between purchasing and marketing might result in different types of new value creation. To address these research objectives a qualitative methodology based on multiple-case study research is adopted. Four cases of mechanical firms – two large and two medium-sized – have been examined in depth. Results show that two trajectories – interactive alignment of M&P and structural alignment of M&P – have been implemented and that these paths are related respectively to value creation processes in terms of optimizing product delivery and managing product and solutions development. Market pressure and new competences are assessed as main relevant drivers, while organizational culture emerges as a meaningful barrier. Therefore this works provides a theoretical and empirical contribution further developing in a process perspective the analysis of M&P alignment and its effects on value creation. Results have also clear implications for practice: M&P alignment is necessary and beneficial for value creation. Changes, however, require time, organizational resources and a stronger awareness within the company.
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1. Introduction

Today's business environment is characterized by a strong focus on inter-organizational cooperation between Marketing and Purchasing (M&P). Carroll and Ashford define cooperation as "the process by which individuals, groups, and organizations come together, interact, and form psychological relationships for mutual gain or benefit" (2005: 10). Strong buyer–supplier relationships, early supplier involvement, and co-creation have been extensively discussed in recent literature as a means to achieve such gain or benefit (e.g.,Håkansson & Lind, 2004; La Rocca, Caruana, & Snehota, 2012; Kraus, Håkansson, & Lind, 2015; Lind & Strömsten, 2006; Sidhu & Roberts, 2008; Wouters, Anderson, & Wynstra, 2005). The focus here has always been on the relationship between a focal company on the one hand and its customers or suppliers on the other.

Recently, however, companies also acknowledge the importance of intra-organizational interaction and alignment to enhance cooperation within companies among different units and divisions. Such interaction is believed to stimulate the creation of value and, consequently, the performance of the firm. Examples are multifold. Merck's global category management process which entailed a combination of innovative sourcing and marketing among others, resulted in more efficient opportunities for growth and best practice sharing (APQC, 2012). The introduction of build-to-order and lean manufacturing gave a boost to the competitive position of Dell (Sharma & LaPlaca, 2005). Companies such as Microsoft and IBM realize that without intra-organizational cooperation, innovation cannot be realized (Greenemeier, Claburn, & Singer, 2007). Telecom operators and travel agents negotiate special deals with their suppliers and/or complementors so they can offer their customers more attractive package deals (Davies, 2004; Möller, 2006; Stremersch, Wuyts, & Frambach, 2001). These integrated solutions and bundles of products and/or services outperform individual components in the realization of value creation (e.g., Evanschitzky, Wangenheim, & Woisetschläger, 2011; Jaakkola & Hakanen, 2013; Nordin & Kowalkowski, 2010; Tuli, Kohli, & Bharadwaj, 2007). Also in B2B settings, exclusive deals, customers of choice status and privileged

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access to innovative suppliers are the result of internal practices of reverse marketing and this is one of the aspects that could explain differences between successful and less successful firms (Schiele, 2006). So clearly, there are multiple opportunities for companies to create more value for the firm and/or the customers when intra-organizational alignment between M&P takes place.

The numerous examples from business contrasts with the lack of attention given to the intra-organizational cooperation, where there has been a long research tradition on inter-organizational cooperation such as buyer-supplier relationships and early supplier involvement (Cannon & Homburg, 2001; Dowlatshahi, 1998; Heide & John, 1990; Wynstra & Ten Pierick, 2000). Few studies in M&P management literature have undertaken the intra-organizational perspective of analysis. Already in the nineties, Williams, Giunipero and Henthorne (1994) stressed positive effects associated with cross-functional purchasing/marketing teams in decision making. However, since then, research does not go beyond the fact that a closer alignment between M&P is beneficial for a company. An exemplary finding comes from Bals, Hartmann, and Ritter (2009), who suggest a positive involvement of Marketing and Purchasing on procurement success in a services context. Even less researches have investigated the impact on new value creation when higher levels of integration between M&P occur (e.g., Bocconcelli & Tunisini, 2012; Ivens, Pardo, & Tunisini, 2009). In this respect, the "how" question, how companies can stimulate this new value creation and how they should organize their activities and how they could reach their desired outcomes remains largely unexplored. Pagano (2009), for instance hints towards the role of internal network dynamics in successfully managing complex organizations like MNCs. Yet, this dynamic aspect is far from understood in a new value creation environment. This study therefore aims at uncovering how the alignment of M&P is organized in B2B companies embarking on new value creation strategies. We specifically look into the process, and how these strategies might evolve over time.

To achieve this aim, the study is structured as follows. In the next session, we present an overview of the concept of value creation and the importance of M&P processes to enhance value creation. Thereafter, the relationship between M&P within the firm for sustaining new value creation is addressed. Next, we present four case studies in the mechanical industry. The cases demonstrate that new value creation is not a static phenomenon and the alignment between M&P should be seen as a dynamic process where the level of information exchange and the structural alignment modes might evolve over time. Our study concludes with implications for theory and practice.

2. Value creation

From a marketing point of view, two main distinctions are made regarding the concept of *value*: value of goods and services and value of buyer–seller relationships (Lindgreen, Hingley, Grant, & Morgan, 2012; Lindgreen & Wynstra, 2005). The first research stream is strongly linked to the monetary aspect of value. Anderson and Narus (1998) define value as "the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering" (1998: 54). The second research stream on buyer–supplier relationships takes a less measurable approach where value is seen as reputation, relationship quality, trust, customer satisfaction and customer retention (e.g., Crosby, Evans, & Cowles, 1990; Eriksson & Löfmarck-Vaghult, 2000; Haas, Snehota, & Corsaro, 2012; Lindgreen, 2003; Naudé & Buttle, 2000; O'Cass & Ngo, 2012).

Various ideas, sometimes even opposing, have been put forward to describe and explain *value creation* (Leroy, Cova, & Salle, 2013). However, a few trends can be detected. First, there is the growing tendency to shift from a manufacturing logic towards a service logic where value is created though networks rather than stand-alone processes (Chesbrough, 2011; Maglio, Nusser, & Bishop, 2010; Maglio & Spohrer, 2013). The manufacturing logic is characterized by economies of scale, and the maximization of efficiency and profit and assumes that the value of a product is captured in its price (Vargo, Maglio, & Akaka, 2008). The service dominant logic implies that "there is no value until an offering is used – experience and perception are essential to value determination" (Vargo & Lusch, 2006: 44). Second, there is an increasing focus on the role of value creation through interaction between suppliers and customers (Lindgreen, Antioco, Palmer, & Tim, 2009; Möller, 2006). Recent studies highlight especially the significance of this interaction and not only of the use of goods and services (Aarikka-Stenroos & Jaakkola, 2012; Ballantyne & Varey, 2006; Grönroos, 2008). Value can therefore not be created without looking at the Marketing and Purchasing side of the company (Grönroos, 2011) and value creation should be seen as an intertwined reciprocal process between M&P (Aarikka-Stenroos & Jaakkola, 2012; Payne, Storbacka, & Frow, 2008).

While the discussion from the marketing point of view has focused on value creation with or for external parties and the role of marketing herein is not questioned (e.g., Slater & Olson, 2001), the discussion from a purchasing point of view is much more internally focused, i.e., how can purchasing contribute to the company's value creation process. Due to the historical focus on the operational aspects and the notion that purchasing can contribute to the performance of a firm when it is included in the strategic level of a firm (Ellram & Carr, 1994), value in purchasing is closely connected to the trade-off between a transactional approach or a relational approach (Axelsson & Wynstra, 2002). In this respect, a shift is occurring in purchasing literature from a sole cost/price related perspective towards a focus on value, innovation and relationships and the value contribution of purchasing (e.g., Corsten & Felde, 2005; Gadde & Håkansson, 2001; Monczka, Blascovich, Parker, & Slaight, 2011; Spekman & Carraway, 2006). Value is typically created via internal as well as external collaboration and control (Collis & Montgomery, 1998; Inemek & Matthyssens, 2013). Murray, Kotabe, and Westjohn (2009) add that the ability to acquire and manage business resources is crucial in this process. The role of integration of purchasing and other internal functions such as R&D has also been acknowledged by purchasing maturity models (Rozemeijer, 2000; Rozemeijer, van Weele, & Weggeman, 2003; Schiele, 2007), where integration is a key characteristic of higher degrees of maturity.

Companies start to realize that the establishment of a true value chain depends on cooperative relations between M&P among and within companies (e.g., Piercy, 2009). Companies should integrate outside collaborations with suppliers and customers as well as inside collaborations (between different functions within the company). In this respect, Sheth, Sharma, and Iyer (2009) discuss the trend towards integrated solution offers in order to avoid "silo-thinking" behavior. If companies succeed in integrating marketing with purchasing this will have an impact on the development and implementation of the strategic plans of a company, and as a consequence, performance and competitive advantage might be realized (Eltantawy, Giunipero, & Fox, 2009). It is important to notice that such integration should not be seen as a one-way perspective but as a continuous intertwined phenomenon creating new value (also called value innovation; Bocconcelli & Tunisini, 2012).

It is evident that firms might benefit from more and closer collaboration with suppliers and customers in order to implement successfully a value creation strategy (Matthyssens & Vandenbempt, 2008; Matthyssens, Vandenbempt, & Weyns, 2009). However, the knowledge on the intra-organizational processes of alignment that drive the value creation, and the consequences for the organization with respect to sustainable competitive advantage is still underdeveloped (Bresnen, 1996; Emberson & Storey, 2006).

3. The alignment of Marketing and Purchasing as a means to create value

Although it seems clear that both the marketing and the purchasing view share some common themes (e.g., the focus on the relationship

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