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Processes and integration in the interaction of purchasing and marketing: Considering synergy and symbiosis

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ABSTRACT

Effective integration of both purchasing and marketing functions is central to effective value creation and alignment of an organization with its business environment. Rapidly changing environments create gaps in the value creation process that compromises the delivery of value to the customer and risk misalignment of value propositions to their needs. Despite the clear imperative for research in this area, the extant literature is partial and delivers limited coherence. Ours is a theoretical article that—in drawing on previous literature—introduces the new work collected in this special issue and considers this against our own empirical evidence. We present a framework that maps out the landscape of internal organizational integration with a particular emphasis on purchasing and marketing integration. Implications for theory and managers are explored.

1. Introduction & background

In terms of the study's background, marketing and purchasing theory has emerged in recent decades providing both additional insight and alternative perspectives to traditional economic explanations of organization performance (Bocconcelli & Tunisini, 2012; Bregman, 1995; Coviello, Brodie, Danaher, & Johnston, 2002; Kotler & Levy, 1973; Lindgreen, Vanhamme, van Raaij, & Johnston, 2013). While this insight and these perspectives originate from different standpoints, commonality exists in efforts to remove boundaries between the organization and its external constituencies and, importantly, within the organization (Dess, Rasheed, McLaughlin, & Priem, 1995). These so-called boundary-less conditions are held to facilitate better co-operation, superior products and services, and increasingly, more effective co-creation of value (Bregman, 1995; Gummesson & Polese, 2009; Kotler & Levy, 1973).

The interface between the organization and the customer on the one hand and between the organization and the supplier on the other has received extensive attention in literature, as organizations have moved to outsource non-core activities (Sheth, Sharma, & Gopalkrishnan, 2009). Such strategic external relationships should, it is argued, be reflected by similar strategic internal relationships between the primary functions of purchasing and marketing (Piercy, 2009).

The integration of primary functions within the organization is an important, but under-researched area (Bocconcelli & Tunisini, 2012) despite obvious benefits for practitioners such as improved organizational performance through cost efficiencies and better alignment with the market (Bregman, 1995; Sharma & LaPlaca, 2005), improved product development (Khan & Mentzer, 1998), and greater organizational agility in competitive business environments (Piercy, 2009). The marketing and purchasing functions in particular represent the conduits between an organization and its external constituencies, and integration of these primary functions offers particular benefits to the organization as a result.

In considering the aforementioned issues, we draw on the range of extant work paying particular attention to the classification of purchasing practices (Lindgreen et al., 2013) and the parallel outline of marketing practices (Coviello, Brodie, Danaher, & Johnston, 2002). We further draw on the latest work presented in *Industrial Marketing Management's* special issue on co-management of purchasing and marketing; and we augment this with our own case evidence derived from a UK-based electrical appliances manufacturer. Specifically, our article contributes to current literature by formulating a hybrid classification of purchasing and marketing practices. A typology of integration approaches further augments this contribution. The implications for theoretical development of the important area of co-management of purchasing and

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marketing are explored through our hybrid classification — integration approaches framework. Finally, our article contributes to current literature on a more practical level by addressing implications for practitioners.

1.1. Rationale for the study

Purchasing and marketing traditionally have operated as separate and distinct functions with discrete operational agendas within the same organization. This atomistic approach stems in part from a legacy of organizational activities based on exchange of goods in which purchasing focuses on upstream supply partners while marketing consider downstream attention and consider the customer (Sheth et al., 2009; Vargo & Lusch, 2004). An increasingly dominant role of service in all activities combined with greater innovation in the business environment has brought about reduced cycle times and a change in the demands on the purchasing and marketing functions. These changes require agility and necessitate a more flexible organizational architecture including the softening of boundaries between functions internally, bringing purchasing and marketing activities closer together in order to deliver more value in less time (Gulati & Oldroyd, 2005; Hingley, Lindgreen, & Casswell, 2006; Srivastsava, Shervani, & Fahey, 1999).

Much progress has been made in the effective integration of purchasing and marketing with their external constituents. Outsourcing of non-core activities in pursuit of agility is one driver of this and raises the strategic importance of the integration process. Mutual adaptation between the organization and external constituencies informs the value delivery process (Viio & Grönroos, 2016). As agility in external integration activities becomes the new norm, the advantage available through this route narrows for the individual organization. Internal integration brings the prospect of a new frontier in advantage and one that has the additional benefit of being under the complete jurisdiction of the manager. The slow adoption of internal integration, and between purchasing and marketing in particular, presents an opportunity for clear advantage for the organization that can exploit it.

Limits to agility for the organization include a lack of flexibility in internal relationships between functions. Successful work in closing the gap between the organization and its external constituents is not generally repeated internally by a closing of the gap between purchasing and marketing. This reduces effective organizational response to the changing business environment (Khan & Mentzer, 1998; Wind, 2005), impairing resource mobilization along the value chain (Ellegaard & Koch, 2012), and reducing delivery of customer value (Flynn, Huo, & Zhao, 2010). Functional integration enhances the flow of resources and internal activities such as information, money, and decisions, with the derived benefit of it aiding responsiveness and reducing cycle times (Flynn et al., 2010). The dynamic capabilities required in the dual and symbiotic focus on suppliers and customers represent a strategic asset (Ziggers & Henseler, 2016). Advantage is enjoyed by organizations that can generate solutions jointly among internal functions and this works in complement to established external integration (Wagner & Eggert, 2016).

Some notable examples of functional alignment are not new and include specific management systems such as total quality management or other quality assurance systems in which stages of the value chain are treated as internal customer constituencies and dyadic exchange is manifest within the organization (Krohmer, Homburg, & Workman, 2002). These are generic functional integration tools, however, and sit alongside a developed literature on marketing and sales integration (Homburg, Jensen, & Krohmer, 2008) and marketing and new product development integration (Ernst, Hoyer, & Rubsaamen, 2010), while purchasing and marketing integration has received little specific attention. The aforementioned special issue on co-management of purchasing and marketing addressed this with specific contributions on purchasing and marketing integration (Gonzales-Zapatero, 2016; Matthyssens, 2016; Wagner & Eggert, 2016; Ziggers & Henseler, 2016).

Where they occur, responses to the environmental challenges differ between purchasing and marketing. Marketing is linked more directly to the 'coalface' of consumer-led changes in the environment; and this downstream engagement interface has proselytized (Coviello, Brodie, Danaher, & Johnston, 2002; Moorman & Rust, 1999). Business-to-customer architectures have been joined by customer-to-business, and more complex scenarios such as customer-to-customer-to-business (Gummesson & Polese, 2009). Against this backdrop, marketing acts as a driver in internal integration efforts (Achrol & Kotler, 1999). Similar, but slower, changes have occurred in the purchasing function and are characterized by a shift from exchange-of-goods transactions to more relational interactions (Blonska, Storey, Rozemeijer, Wetzels, & Ruyter, 2013; Sheth et al., 2009). As a slower responder to these environmental challenges, supply relationships are increasingly drawing on established marketing theory (Ellram & Carr, 1994).

While rates of change by functions may differ, commonality exists in the solution to understanding the integration process. Successful integration requires understanding of two key domains: contextual dynamics governing the integration process and managerial approaches to implementing internal integration. Contextual dynamics such as the structure of the linkages and nature of communication (Coviello, Brodie, Danaher, & Johnston, 2002; Homburg, Jensen, & Krohmer, 2008; Lindgreen et al., 2013) are examples of the mechanisms by which functional integration takes place. For instance, structural linkages will include joint planning episodes and team work that will form part of the management processes in the organization, while the nature of communication may be governed by cultural norms and so form elements of the contextual dynamic of the firm (Blois & Ivens, 2006).

Managerial approaches are classified by the level of transactionalism or relationalism that is evident within the organization (Blonska et al., 2013; Maurer, Bartsch, & Ebers, 2011; Sheth et al., 2009). Some managerial approaches are based on high interpersonal interaction, while others are transactional in nature with little interaction among counterparts. Managerial approaches are not degrees along a continuum, however, since each organization will have a particular type of management approach according to its industrial context and particular history (Lindgreen et al., 2013). Instead a typology of managerial approaches can be identified, with each one characterizing a particular style of exchange between the purchasing and marketing functions.

To address the integration of purchasing and marketing theory we seek to review extant literature and derive our own integration of hitherto disparate perspectives on integration approaches. We set out a framework to address this gap. We outline the constituencies of the purchasing and marketing functions, classify the nature of the integration between them and outline the interactive business processes. Finally, we suggest routes forward in achieving a synergistic and symbiotic internal strategy and outline the benefits of an integrated organizational model that brings more responsive solutions and lower cost structures.

In developing a framework that identifies the key overarching themes and classifications in the field, we identify key articles that present conceptual anchor points for the framework, and we illustrate this with findings from a single case study that we undertook. The case was selected from the manufacturing sector in the UK. We sought a medium-sized business because it represents a category of organizations with formalized functional divisions that have not progressed to multi-divisional forms or similar decentralized complex organizational structures. Consequently, medium sized businesses suit our focus, as they are most likely to have characteristics desirable for internal integration, namely close geographic proximity between functions, integrated management structure, and simple formalized internal architectures. The case selected is a manufacturer of small electrical appliances that sources process inputs and distributes finished products, globally. Specifically, interviews took