Integrating marketing and purchasing within the same company
A case study

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Abstract
Interactions between the marketing function and other different functions (e.g. marketing and sales; marketing and operations, marketing and Research & Development…) have widely been discussed by the literature. Interfunctional collaboration is, furthermore, largely considered as impacting positively on business performance. Nevertheless, one of these interactions – the one between the purchasing function and the marketing function - has been investigated mostly on an inter-organizational basis (in the sense of how and why the marketing function of a selling firm must interact with the purchasing function of the buying one). The intra-organizational aspect of such an interaction – how in the same company can the purchasing and the marketing functions interact? – has largely been neglected by the literature. This work in progress paper addresses this specific aspect of the marketing / purchasing interaction. It is based on a case study carried out in a chemical company. It describes how a marketing team emerged and developed within a corporate purchasing department to bring information about upstream markets to the business units. Drawing on the findings of this case study we discuss several aspects of the integration of marketing and purchasing within the same company, among them: 1/ The impact of a difference of organizational status between marketing and purchasing; 2/ The unusual role played by purchasing as a “cross-road” function; 3/ The importance of top management involvement in supporting interfunctional integration; 4/ The importance of a real strategic vision of what integration may bring to a company.

Keywords
Marketing/purchasing integration – case study – chemical sector
INTRODUCTION

Quite a significant amount of literature has underlined the importance of interfunctional or interdepartmental collaboration. Among those promoted interfunctional collaborations, the ones involving the marketing function naturally occupy a specific place within the marketing literature. The interface between marketing and other functions within a company has thus been at the core of a lot of research work. It is the case for the interface between marketing and sales (Biemans, Brencic & Malshe, 2010; Homburg & Jensen, 2007); for the interface between marketing and R&D (Leenders & Wierenga, 2008), the interface between marketing and operations (Swink & Song, 2007), or even between marketing and finance (Hyman & Mathur, 2005). Yet, there is an interface that has rarely been investigated: the one between marketing and purchasing within the same company (Ivens & Pardo, 2009; Piercy, 2009; Sheth, Sharma & Iyer, 2009). Smirnova et al (2011) refine this view by stressing that “while research has suggested the importance of the integration of boundary spanning functions such as purchasing and marketing there is not enough empirical evidence regarding this issue” (Smirnova, Henneberg, Ashnai, Naudé & Mouzas, 2011). Our paper responds to this implicit invitation to provide empirical material about the marketing/purchasing integration (within the same company) by describing how and under what conditions a chemical company has designed and implemented such an interface. The paper uses this business case to discuss several aspects of such integration. It particularly stresses the impact of a difference of organizational status between marketing and purchasing by showing how the marketing functions within the business units have difficulties accepting that the purchasing function can take an active part in the strategic process. It describes the specific role played by purchasing as a “cross-road” function, while it is marketing that is usually playing this role... It insists on the importance of top management involvement in supporting the marketing/purchasing interfunctional integration and finally presents as a key success factor the importance of a real strategic vision of what integration may bring to a company.

MARKETING PURCHASING INTERFACE WITHIN LITERATURE

QUALIFYING INTEGRATION BETWEEN MARKETING AND PURCHASING

Kahn and Mentzer (1998) certainly provide the most appropriate background to define marketing/purchasing integration. Though specifically investigating integration between the departments of marketing, manufacturing, and research and development (R&D), the items used by the authors can easily be applied to the situation of the marketing/purchasing interface. Thus, marketing/purchasing integration, could be defined, following Kahn and Mentzer (1998), as the degree to which the marketing and the purchasing departments “achieve collective goals, have mutual understanding, informally work together, share the same vision for the company, and share ideas, information, and/or resources” (Kahn and Mentzer, 1998, p. 57).

MARKETING / PURCHASING: AN OVERLOOKED INTERFACE

Though not very numerous, a few authors have nevertheless raised the question of the marketing/purchasing interface. These authors have systematically stressed the poor interest that that kind of issue has aroused.
As Smirnova et al. (2011) mention, usually interfunctional collaborations are investigated between “neighbouring functions” (just as marketing and sales for instance) and the authors perceive it as a shifting focus the more recent investigation between “boundary spanning functions” such as marketing and purchasing. Sheth et al. (2009), as for them, clearly show how marketing and purchasing represent two “distinct silos within the organization” (Sheth, Sharma & Iyer, 2009, p. 865). The authors interestingly point the fact that in most cases, within companies “purchasing is aligned more with manufacturing and operations, and remains distinct from the aims and objectives of marketing” (Sheth, Sharma & Iyer, 2009, p. 865). Thus, purchasing, in such a situation is considered as playing no role in “identifying and delivering customer solutions” (Sheth, Sharma & Iyer, 2009, p. 865). For the authors, then, the weakness of the marketing/purchasing interface within a company is largely due to the classic organization of companies making marketing and purchasing being separated by manufacturing. Then, as the authors mention it “communications and contacts between marketing and purchasing [are] restricted to dictates of manufacturing and operations” (Sheth, Sharma & Iyer, 2009, p. 866).

Esper et al. (2010), though describing more specifically the case of marketing/logistics integrations, provide a general explanation of the difficulties of interfunctional integration: “Entities are often not natural allies as they do not always think alike or hold the same values. […] Rather, each functional area is a specialist that provides unique resources to the firm but tends to pursue its own goals. As a result, constrained by the objectives and actions of other departments, functional areas often have trouble coordinating and strategic conflicts can occur. […]This is due in part to the fact that functions do not often view other functions as their customers” (Esper et al., 2010, p. 12). The authors also support the idea that few are the firms that consider that both “sides” of their value chain necessitate investments: “Historically, firms have invested resources to develop a core differential advantage in one or other of these areas—but rarely in both—often resulting in mismatches between demand (what customers want) and supply (what is available in the marketplace)” (Esper et al., 2010, p. 5).

Williams et al. (1994) - though describing in their empirical survey an important level of interaction between marketing and purchasing – stress several obstacles to the marketing/purchasing integration. One of these obstacles is the “marketing’s perception of purchasing as a clerical function”. As the authors explain, when marketing and purchasing interact, “is is not as equals; there appears to be the perception of conspicuous status differential” This contributes “to a negative psychological climate” (Williams, Giunipero & Henthorne, 1994, p. 31). Another obstacle – to the marketing/purchasing interaction – is the lack of time both functions have to meet with each other.

MARKETING / PURCHASING: AN INTERFACE BECOMING AN ISSUE

Nevertheless, such a situation where marketing and purchasing totally ignore one another is becoming untenable. What makes the situation change, according the authors, is to be understood through the evolution of marketing. Among these evolutions, several authors (Piercy, 2009; Sheth et al. 2009) underline two aspects: marketing is becoming more solution-oriented (than product focused) and much more “customer centric” (thus necessitating more customized offerings). Both evolutions are calling for a more important integration between marketing and purchasing. For instance, solution-focus marketing implies that many companies are now concentrating on service activities, outsourcing most of their manufacturing activities, which force them to source more products and services from suppliers to satisfy their customers. The customer-centric marketing implies, as for it, that everything is done to customize the offerings to the customers’ programs, which, eventually

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open on purchasing priorities that are “now set by the customer demand” (Sheth et al, 2009, p. 868). According to Piercy (2009), these changes in the way companies are managing their customers and their suppliers (more relationally, with a focus on value co-creation, Vargo and Lush (2004) must be reflected in the way companies are organizing themselves. There will be a real concern for firm for how to integrate inputs (brought through relationships with suppliers) so as to deliver value through relationships with customers. Missing this step of aligning the organization with the new relational strategies companies are setting toward their customers and suppliers can seriously hamper the performance of those companies. Among the new organization devices to be put in place to support these relational strategies with both customers and suppliers the issue of the relationships between the purchasing and the marketing/sales activities of a company appears in good position. As Piercy (2009) mentions it: “Being isolated from contact with suppliers and collaborators because of the structure of the organization and the conventional division of labour creates a major competitive disadvantage for sales and marketing executives in the seller company” (p. 862). One cannot forget that Wind (1981), 30 years ago now, when studying the interdependencies of the marketing functions with other functions within the firm, already described the mutual contributions of marketing and procurement. Marketing, according to the author, may provide procurement with information about “consumers’ acceptability of substitute components” and help “procurement research” to identify and evaluate “new materials and sources of supply” as far as marketing is “generally at a more advanced level of development”. On the contrary, “marketing planning requires input from procurement concerning plans to introduce new materials or anticipated changes in production output due to changes in the supply of various raw materials”. (Wind, 1981, p. 243 & 244). Wind was also clearly underlining the implications of such interdependency on “the design of the marketing and corporate organization” (Wind, 1981, p. 243 & 254).

INTEGRATING MARKETING AND PURCHASING: AN ORGANIZATIONAL DESIGN VIEW

Not numerous are the authors interested in the details of the organizational design of the integration between marketing and purchasing. Piercy (2009) distinguishes between ad-hoc temporary devices such as cross-functional teams that can focus, at one moment on time, on specific customer issues like satisfaction management and problem-solving and more “enduring partnerships” that could support “the participation of supplier relationship managers in marketing and sales planning” (Piercy, 2009, p. 862). Wind (1981), as for him, promotes the idea of a matrix organization crossing specific decisions to be taken and the organizational functions that could be involved. This “matrix” will globally support all kind of relationships between marketing and other business functions, not specifically purchasing. Besides, Wind (1981) only mentions the relationships between marketing and procurement as important for managing shortage situations (and the consequences for customers to accept substitution products) and marketing planning. Monczka et al. (2010) though recognizing that “purchasing has to work closely with other groups” within the organization don’t specifically develop the case of the purchasing/marketing interaction. The authors acknowledge that both functions are “connected”, but provide a very limited support to this connection only arguing that “many ideas for new products and materials come from marketing when they return comments from customers. Also marketing develop sales forecasts that convert into production plans and materials requirements” (Monczka, Handfield, Giunipero, Patterson & Waters, 2010, p. 108).

To summarize, it appears that the issue of how to design the marketing/purchasing integration has not received an important attention. Persson and Hakansson (2009) thus recently,
concluded that “except for cross-functional teams, organizational design has received limited attention in supply chain research” (Persson & Hakansson, 2009, p. 5).

MARKETING/PURCHASING INTEGRATION: A VIEW FROM SUPPLY CHAIN MANAGEMENT

SCM can be defined as “the management of upstream and downstream relationships with suppliers and customers in order to create enhanced value in the final market place at less cost to the supply chain as a whole” (Christopher 1992 quoted by Jüttner, 2005, p. 122). With such a definition it could have been attempting to consider that the question of marketing/purchasing integration and the SCM issue were intimately tight. But this does not appear to be the case. Jüttner, Christopher and Baker (2007) thus underline that “only a small number of empirical studies of the relationship between marketing and SCM can be traced” (Jüttner, Christopher & Baker, 2007, p. 388). On the contrary, the link between SCM and purchasing seems to be kind of a natural one. For instance, Cooper and Ellram (1993) explain that purchasing (along with logistics) is playing a key role within SCM because of its direct influence on inventories. The authors also underline the internal role of both purchasing and logistics. Nevertheless, if purchasing is described as having “interfaces with the functions who have purchasing requirements and with the planning and the payment functions” it is logistics, and not purchasing, that is described as interacting with marketing via “customer service” (Cooper & Ellram, 1993, p. 21). This is all the more surprising that, as Richey et al. (2009) recall: “Integration is now widely considered the core of successful supply chain management (SCM), both among academics and practitioners” (Richey et al., 2009, p. 827). Ogden et al. (2005) also underline in their study the importance of “greater integration within [the] organizations and along their supply chains, as sourcing becomes increasingly involved and integrated with other functions such as demand and operations planning and control, design and development and marketing” (Ogden et al. 2005, p. 36). The same with Fawcett and Magnan (2002) reporting that: “Internal cross-functional process integration [is] identified as the crux of supply-chain initiatives” (Fawcett & Magnan, 2002, p. 344) and that “coordination among function is a critical antecedent to effective supply chain integration” (Fawcett & Magnan, 2002, p. 347). In spite of these positions, it appears that: “Although most managers have realized the critical importance of supply chain integration, in reality, few companies have truly adopted and disseminated a formal SCM definition” (Richey et al., 2009, p. 828). Or, as Fawcett and Magnan (2002) write: “supply chain practice seldom resembles the theoretical idea” (Fawcett & Magnan, 2002, p. 339).

RESEARCH METHOD

This on-going research is based on a case study carried out at the Chemspec company (for reasons of confidentiality, the name of the company has been disguised), a world leader in specialty chemicals. Interviews have been carried out - and are still on-going - with key informants occupying different job positions within the company. They are all involved (or have been involved) in the process of the emergence and consolidation of the “Marketing Organization” which is going to symbolise the effort made by the company to make the purchasing and the marketing functions closer. A collection of secondary data (annual reports, press releases, case studies, website...) has also been carried out so as to provide necessary information on Chemspec activities, organization and strategy.
THE CHEMSPEC CASE

Chemspec is a world leader in the development and production of specialty chemicals. The headquarters of the company are located in France, but the company is established in 25 countries worldwide. The company recorded €5.23 billion in sales in 2010 and employs around 14,000 people worldwide. It is organized around eleven Global Business Units (GBU) consolidated on their turn into five Business Clusters: Consumer Chemicals, Advanced Materials, Polyamide Materials, Acetow and Eco-Services and Energy Services.

THE EMERGENCE OF MARKETING PRACTICES WITHIN THE PURCHASING FUNCTION

The story that interests us starts in 2005. At that time, raw material purchases are centralized and located at a corporate level within a Worldwide Purchasing Direction. For those raw materials that are considered strategic ones, they are placed under the responsibility of a “Strategic Raw Material World Wide Director” reporting to the Worldwide Purchasing Director. For those raw materials that are not considered as strategic, they are under the responsibility of different Area Purchasing Directors, who, on their turn, depend on the Worldwide Purchasing Director.

At that time, purchasing agents of strategic raw materials consider that “they are doing marketing” even if the term “marketing” is rarely used. Indeed, as far as they are responsible for a limited number of raw products to be sourced (5o 6 maximum) those purchasing agents are able to gather a considerable amount of market intelligence.

But, the emergence of some “marketing practices” really takes place, at the level of the non-strategic raw materials purchases. At that level, 2 or 3 “assistants” are, at that time, taking in charge what purchasing agents have no time to do: different types of bibliographic research, press reading, etc. They are compiling data for the use of purchasing agents only. But, once again, the term marketing per se is not used to describe their activities. People at that time are rather talking about “data collection” and “data analysis”. These data are for purchasing purposes only: they are used by purchasing agents for the selection of, and negotiation with, suppliers. But these data are not connected to any kind of “marketing need” specifically identified by purchasing agents. As one interviewee explains: “it was only the assignment of 3 persons to carry out some data collection”.

If this embryo of marketing team emerges within the context of non-strategic raw materials, it rapidly appears that the analyses the team is carrying out can also serve the strategic raw materials buyers. At that time, the Purchasing Director considers that the quality of these surveys is a mean to challenge strategic raw materials purchasing agents on their own data collections... This may explain why the relationships between the strategic buyers and the emerging “marketing team” are far from being totally harmonious and, though they benefit from its services, strategic buyers are rather considering the team as a “competitor”...

BRINGING UPSTREAM MARKETS INFORMATION TO THE WHOLE GROUP

The tremendous rise of raw material prices in 2008 indirectly gives the “purchasing marketing team” a new impetus. The crisis reveals how ignorant are the buyers about the upstream markets. Rises in raw material prices have not been anticipated by Chemspec. The top management reacts deeply: it is clear that without a precise knowledge of the evolution of upstream markets (so as to anticipate prices fluctuations) the group is not controlling...
anything. This idea is totally in line with the position of the then Purchasing Director (now Group Executive Vice-President of Chemspec) who was previously working for the business units and has a clear “business sensibility”.

A first consequence of top management becoming aware of the importance of upstream markets knowledge is to gather the 3 persons - who were forming a semblance of marketing team - and to place them under the responsibility of a Director. This new and now “official” marketing team is, in turn, under the responsibility of the “Performance Management and Quality Director”. As the then Director of this marketing team recalls: “this was a little bit fuzzy, and at the very beginning the team was entitled “market intelligence”. The term marketing was too strong for a purchasing world that, at that time, was still to convince that data about the upstream markets not only are necessary for purchasers (in order to help them select suppliers and negotiate with them) but are also essential for Chemspec at a whole. This is a kind of revolution insofar as the “purchasing world” and the “business world” within Chemspec are two “different worlds” as the then Director of this marketing team recalls. It takes several months before the team appears in the chart as “Marketing Organization”. Rapidly, the team is given a still more visible position by leaving the “Performance Management and Quality Direction” to be put at the same level that this last direction, under the direct responsibility of the new Purchasing Director.

At that time, the team really has two internal customers: top management (to provide it with “visibility” about the evolution of raw material prices) and, of course, purchasing agents (still for purpose of selection of and negotiation with suppliers). But, as the then Director of this marketing team explains: “if you want to understand the drivers of raw materials prices evolution on upstream markets, you have to enter within precise value chains analyses, and on the end, doing so, you are carrying out definitely strategic analyses with – potentially – strategic consequences”. But as the Director realizes at that time, the concern is that “strategy is under the responsibility of BU, it is not a purchasing matter! Purchasing was still considered as a support function...

Though bringing information to Business Units is not an easy task, the “Marketing Organization” director remains profoundly convinced that such information is deeply valuable for the BU. She explains that, at that time, she attended, as a member of the Purchasing Department, a congress on a specific raw material. She was very surprised when she realized that all the competitors were present, not only through their purchasing function, but with attendees from their business units. She then realized that competitors were aware that upstream markets were not only a matter for purchasing people, but for strategic planning at a whole. At that time, she decides that this also should be the case at Chemspec.

**BRINGING UPSTREAM MARKETS INFORMATION TO THE WHOLE GROUP**

Beginning of 2010, Chemspec launches a strategic plan with the ambition of making Business Units “more responsible and more agile”. One consequence is a new organization that moves from six “Enterprises” to eleven “Global Business Units” (GBU), all leaders in their respective markets. GBU are given much more autonomy. Globally speaking a GBU is responsible of several products lines, and each GBU has a Strategic Marketing Director in order to reinforce strategic marketing thought. This Strategic Marketing Director is managing a team of persons in charge of market studies. Several months later, the purchasing organization follows this strategic trend with an important decentralization movement. The Group Vice-President, Purchasing & Supply Chain describes this decentralization as a mean for purchasing to be closer to commercial activities. Raw materials purchases are then now directly attached to each of Chemspec’s eleven GBUs. For those raw materials that are used
by different GBU, a lead buyer is identified (he/she is the buyer of the GBU that makes the biggest buying volume of the raw material in question). The previous distinction between strategic and non-strategic raw materials purchases also disappears. At the corporate level, the Purchasing Department becomes a Purchasing and Supply Chain Department. It is in charge of defining the policies, the processes and the procedures. The department is headed by a Group Purchasing and Supply Chain Manager who is a member of the Management Committee. The “Marketing Organization” is still a part of this corporate department and its Director is even more motivated. Convinced that her strategic analyses can play an important role in the strategic process, she is proactively organizing the relationships with the GBU. None of the eleven GBU ever asks the “Marketing Organization” for a strategic analysis! It is always the “Marketing Organization” that makes the effort to go toward the GBU. The then Director of the team tells: “I put people together around the table: buyers, business, and our team. I could do that because I knew perfectly the company and was – because of my seniority – kind of legitimate to do that. But it took us 3 or 4 strategic studies to convince the GBU that what we were doing was useful for them!”. The reception of the “Marketing Organization” in fact varies from one GBU to another and, as the then Director stresses “from one person to another!”. At the beginning, marketers and buyers in the GBU are just wondering about what the “Marketing Organization” could bring to them. The then Director of the team tells: “Then they realized that it was useful for them. But when came the time for decisions, the GBU regained total control. We were considered as internal services providers. That’s all!”

Next Steps
Recently, the “Marketing Organization” Director left her position to join one of the GBU as a Product Line Director. She is still very implied in the topic of upstream/downstream integration though she considers that the gap between these “two worlds” still exists. She explains: “Of course, now purchasing is associated to the GBU, this is a good thing. But it is still not natural to totally involve purchasing in the decision processes. I think it is because we still – in the group – consider purchasing as being a transactional function. Purchasing is for buying! That’s all! And we insufficiently consider that an upstream integration is possible. The idea that purchasing could do the link with upstream markets is not a common idea within Chemspec”.

Furthermore, if 5 to 10-year analyses of upstream markets are regularly carried out by the “Marketing Organization” (last year, around twenty of these long-term studies were carried out for the 11 GBU of the group) there is no real formalization of the collaboration between GBU and the “Marketing Organization”.

CASE DISCUSSION
Several aspects of the Chemspec case can be identified and discussed in the perspective of marketing/purchasing integration.

First, at the end of this 5-year and still on-going process, it appears that purchasing and marketing remain not natural collaborative functions. In the Chemspec case, marketing within the GBU has difficulties accepting that purchasing can take an active part in the strategic process. At best, GBU can consider purchasing as an information provider, but not as a real business partner. The case does not provide enough data to explain such a situation. Part of the explanation may rely on a difference on status between the two functions. Another possible explanation may be that purchasing and marketing are two different “thought worlds”. Homburg and Jensen (2007) use the concept of “thought worlds” to investigate the
collaboration between sales and marketing. They show that certain differences hamper the cooperation between the two functions (and leads to a bad performance), but that some other differences don’t: “it is the kind of differences that makes a difference” (p. 135). This could be an interesting framework to be used for the marketing/purchasing integration issue.

Second, the Chemspec case clearly reveals that it is the purchasing side of Chemspec that plays a proactive role in this process of marketing and purchasing coming together. Never the marketing makes any attempt to solicit the purchasing direction’s knowledge. This is rather interesting because, usually it is marketing that is thought, within a company, as a “cross-road” function collaborating with many other functions so as to make the “marketing orientation” of the firm a reality. It appears that not all functions are considered to be “of interest” for marketing... and apparently, at Chemspec, the purchasing function is not one of these.

Third, top management at Chemspec plays an important role in the process of marketing / purchasing integration. Top management really gave the impetus to the whole movement. Top management asked for a better visibility on upstream markets and gave the “marketing organization” the opportunity to demonstrate the usefulness of the knowledge it was able to bring to the GBU.

Fourth, the Chemspec case is also a story of “personal conviction”. The role played by the former director of the “Marketing Organization” was decisive. She was profoundly convinced of the interest of the whole process. She made efforts to continually prove the interest of the strategic analyses her team was carrying out. Her perfect knowledge of the Chemspec group and her seniority allowed her to find ways to overpass different obstacles. Without such a person, had the process been the same?

Finally, the case may also reveal that even with an involved top management and supportive teams, the integration process could be of a limited scope if no organizational devices are created.

REFERENCES


